

**CABINET MEETING: 2 MARCH 2023**

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**BUDGET 2023/24**

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

**AGENDA ITEM: 8**

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**Appendix 5 (b) is exempt from publication because it contains information of the kind described in paragraphs 14 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972.**

**Reason for this Report**

To enable the Cabinet to:

1. Recommend to Council their proposal for the estimates of expenditure and income in order to set the Council Tax in accordance with the Local Government Finance Act 1992, having considered and reflected on the responses to all aspects of the budget consultation.
2. Recommend to Council the strategy and plan for the control of the Authority's borrowing and investments for the year 2023/24 (the Annual Treasury Management Strategy.)
3. Recommend to Council the Capital Strategy for 2023/24 including the Council's Minimum Revenue Provision Policy for 2023/24.
4. Recommend to Council the Prudential Code, capital expenditure and treasury indicators for 2023/24 – 2027/28.
5. Recognise the financial challenges facing the Council, as set out in the Medium Term Financial Plan and note the opportunities for savings.
6. Recognise the work undertaken to raise awareness of, and to ensure the financial resilience of the Council.
7. Recommend to Council the estimates of expenditure and income for the Housing Revenue Account following the approval of the 2023/24 rent uplift by Cabinet in December 2022.

8. Agree the rates of fees and charges for Council services for 2023/24 (with the exception of HRA fees and charges which were approved by Cabinet in December 2022).

## **Background**

9. The Council's Budget Report must provide assurance that a balanced budget and affordable Capital Programme have been set and that due consideration has been given to the Council's financial standing.
10. On 14<sup>th</sup> July 2022, Cabinet received an initial update report on the 2023/24 Budget and the Medium Term Financial Plan (MTFP) 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.
11. On 20<sup>th</sup> October 2022, a further 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 2022/23 pay offers, indicative energy pricing and unprecedented demand pressure in Children's Services.
12. On 14<sup>th</sup> December 2022, Welsh Government published its Provisional Local Government Finance Settlement for 2023/24 (Provisional Settlement). Funding increases for 2023/24 were significantly higher than indicatives issued in March 2022. As reported to Cabinet on 22<sup>nd</sup> December 2022, this helped to reduce the projected 2023/24 budget gap to £23.497 million. Following this update, the Budget Consultation for 2023/24 was launched on 23<sup>rd</sup> December 2022 and ran until 29<sup>th</sup> January 2023.
13. Given ongoing economic and demand volatility, the forecast position has continued to be updated for most recent information, including the results of the public consultation. All updates are reflected in the Council's Revenue Budget for 2023/24, as set out later in this report.
14. The 14<sup>th</sup> July 2022 Report on the 2023/24 Budget and the Medium Term Programme also set the approach for the development of the Council's Capital Programme. The proposed Capital Programme 2023/24 – 2027/28 reflects commitments made in previous years as well as new schemes proposed for approval. Further detail is set out in this report.
15. In December 2022, Cabinet approved the proposed approach to the setting of rents and service charges on Housing Revenue Account (HRA) dwellings for the financial year 2023/24. In previous years, HRA rents and service charges were approved by Cabinet as part of the annual Budget Report. Their earlier approval for 2023/24 is in line with the requirements of the Renting Homes Act 2016 which stipulates a two-month notice requirement for tenants. The December 2022 Report identified that the proposed rent uplift of 6.5% could result in an estimated deficit of £2.213 million that would need to be addressed when

setting the HRA Revenue Budget for 2023/24. Further update and detail on the HRA Revenue Budget and Capital are set out in this Report.

## **Issues**

16. The information contained in this report addresses the statutory requirements summarised in the following paragraphs.
17. The Local Government Finance Act 1992 requires the Council to produce a balanced budget. In line with this duty, this report sets the Revenue Budget and associated Council Tax for 2023/24. The likely position over the medium term is set out in the MTFP at Annex 1.
18. In setting the budget, the Local Government Act 2003 requires the Council to have regard to the Section 151 Officer's advice on the robustness of estimates and the adequacy of reserves. This report includes commentary on financial risk and resilience, and the Section 151 Officer's assessment is set out in the financial implications to this report.
19. The Local Government and Housing Act 1989 places a statutory duty on local authorities to maintain a separate Housing Revenue Account (HRA) for the costs associated with the management and maintenance of Council dwellings. The HRA revenue budget for 2023/24 is contained in Annex 2, along with details of the HRA Capital Programme.
20. The CIPFA Prudential and Treasury Management Codes of Practice, require the Council to approve the 2023/24 Capital Strategy and Treasury Management Strategy prior to the beginning of the financial year. These strategies are outlined in Annex 3 and Annex 4 respectively.

## **Context**

21. The Council's key financial strategy documents, (encapsulated in this report and its annexes), are framed by the policy statement Stronger, Fairer, Greener and the Council's Corporate Plan. This alignment ensures that resources are spent in a way that maximises support for the Council's priorities. Given the Corporate Plan's alignment with wider local and national goals aimed at creating a more sustainable Wales, it also helps to ensure that financial strategy supports long-term sustainability, in line with the Council's duties under the Well-being of Future Generations (Wales) Act 2015.



22. Appendix 1 sets out in greater detail 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.

### Local Government Financial Settlement

23. 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 14<sup>th</sup> 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%.
24. After adjusting for transfers, 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.
25. The Provisional Settlement provides some details on specific revenue grant streams at an All-Wales level, with around half continuing at existing levels. Whilst the overall picture is of a £63 million increase (at an all-Wales level), several grants will undergo notable changes, although the majority of these were known about and planned for in advance. Grants totalling £41 million will cease in 2023/24 including Free School Meals 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 31<sup>st</sup> March 2025.

26. Cardiff's Provisional Capital Settlement for 2023/24 is an increase of £3.055 million increase in General Capital Funding (GCF) compared to the 2022/23 allocation of £15.036 million. 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 currently little detail available in terms of specific capital grant awards for Cardiff. As in previous years, such grant awards are subject to a bid basis, which can make long term financial planning difficult. This approach also includes a sum of £20 million for 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 Final Local Government Settlement (Final Settlement) is not expected to be received until early March 2023, and after the publication date of this 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. In the event that the AEF figure confirmed by the Final Settlement differs from the sum anticipated, either due to the grant transfer, or for any other factors, and the published version of the report is not able to be amended, the recommendations to this report authorise the Section 151 Officer to prepare an addendum to the 2022/23 Budget making the requisite changes for consideration by Council on 9<sup>th</sup> March 2023. Any difference will be managed by a proportionate contribution to or from reserves.

### **Revenue Budget 2023/24**

29. A summary of the 2023/24 Revenue Budget is set out below. Each component of the budget build-up is detailed further in subsequent paragraphs.

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

<b>Resources Available</b>	<b>£000</b>
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
<b>Resources Available</b>	<b>795,948</b>

30. The difference between resources required and resources available is £24.216 million. The strategy to close this gap is set out below:

<b>Strategy to address Budget Gap</b>	<b>£000</b>
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)
<b>TOTAL</b>	<b>(24,216)</b>

31. 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:

	<b>£000</b>
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
<b>Net Budgeted Expenditure 2023/24</b>	<b>803,881</b>

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

## Resources Required

32. The first table in paragraph 29 highlights that costs are expected to increase by over £76 million next year. Further information on cost increases is set out below:

### Pay Award, NI & Local Government Pension Scheme (£31.094 million)

This sum includes budgetary provision for:

- **Pay Awards** - Local Government pay (excluding teachers, craft workers, Chief Officers and soulbury grades) is a matter for collective bargaining between the national employers and trade unions through the National Joint Council (NJC). There is currently no agreed award for 2023/24. As it is not possible to pre-empt this process, estimates are based on an average 2023/24 award of up to 6%. Budgetary provision is also included for the difference between the amount estimated in the 2022/23 Budget for the 2022/23 NJC pay award and the award that was finally agreed. For teaching staff, figures allow for the latest published Independent Welsh Pay Review Board (IWPRB) recommendations for September 2022 and September 2023 of 5% and 3.5% respectively, plus an additional margin, in recognition of ongoing industrial action at the time of preparing this report.
- **Employers' Contributions** - Figures reflect the budgetary impact of the reversal of the April 2022 increase in Employers' National Insurance Contributions. They also incorporate a reduction in budgeted Employer's Superannuation Contributions to the Local Government Pension Scheme based on the latest actuarial review of the Fund.
- **Other Pay Pressures** – provision is included to allow for an increase in the market supplement paid to Social Workers in Adult services (from £1,000 to £3,000) with the aim of improving staff recruitment and retention.

### Price Inflation (£27.126 million)

This sum includes inflation in the following areas:

- **Commissioned Social Care Costs** – reflecting estimated uplifts to the fees paid for commissioned care. Increases include support for Providers to continue to pay the Real Living Wage to registered carers. Older Peoples' residential and nursing uplifts are based on an extension of the Council's existing fee setting strategy in that area. Whilst the strategy was due for renewal in 2023/24, this was not possible, because despite repeated efforts to encourage engagement, a 'cost of care' exercise that was initiated in-year to inform the update received a very low number of Provider responses. This lack of engagement together with uncertainty over costs going forward made it prudent to defer the implementation of a new strategy. A further 'cost of care' exercise will be initiated during

2023/24 to support development of a revised strategy although this will require engagement from the sector and greater certainty regarding future costs.

- **Energy inflation** - the budgetary impact of energy inflation in 2023/24 is expected to be £11.8 million. This reflects indicative increases of over 250% for gas and 130% for electricity. Most recent pricing information suggests that prices under the Council's energy purchasing arrangements could fall back by 25% - 30% in 2024/25, although the position remains volatile. In recognition that an element of the 2023/24 price increase may be temporary, £1 million of the increase will be funded from earmarked reserve, with a further £1.8 million supported by a temporary reduction in the Council's Financial Resilience Mechanism (set out further at paragraphs 42-47.)
- **Fire Levy** – the Council is anticipating a £2.421 million increase in the levy payable to SWFRS in 2023/24. This represents an annual uplift of 8.98%, together with the transfer of funding responsibility for a pensions grant. The grant, which was previously paid directly by Welsh Government to FRAs will be transferred into RSG at Final Settlement (see paragraph 28).
- **Other** – areas include Home to School Transport, fuel costs associated with the Council's vehicle fleet, Out of County Education placements and the Council's contribution to the South Wales Coroner Service.

#### Realignments (£6.870 million)

The £6.870 million is a net figure which include realignments of £16.870 million offset by release of the Council's £10 million Covid-19 Recovery Budget.

- **Budget Realignments** - the £16.870 million relates to unprecedented demand and inflationary pressure inherent in the current year's budget monitoring position. It includes £8.120 million for Children's Services, £1.000 million for school catering, £3.095 million for Home to School Transport, £1.400 million for Out of County Education and £1.700 million for Recycling and Neighbourhood Services.
- **Release of Covid-19 Budget** - this £10 million 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 for 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 outlined in the above paragraph and resilience set aside in earmarked reserves, make it appropriate to release this budget for 2023/24.



### Commitments and Capital Financing - £3.677 million

This sum includes planned increases in capital financing sums required in 2023/24 in support of the Capital Programme. It also includes sums to support the painting of structures (£0.250 million), maintenance of the public realm (£0.125 million), and an increased contribution to the Shared Regulatory Service related to pay pressure (£0.198 million). It includes vehicle replacement costs (£0.250 million) and support for voluntary redundancy costs (£0.500 million) linked to the significant savings requirement for 2023/24.

### Demographic Pressures (£7.651 million)

This sum includes £3.975 million for Adult Social Services, £0.850 million for Out of County Education Provision, and £2.826 million demographic growth for schools.

## **Efficiency Savings**

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

<b>Nature of Saving</b>	<b>£000</b>
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
<b>TOTAL</b>	<b>10,090</b>

34. Examples of the types of savings included within the above categories include:

- Review of staffing arrangements – including restructures within teams, deletion of vacant posts and management savings.
- Reductions in premises costs – including review of property lease arrangements and more efficient and effective security arrangements at key buildings.
- Reductions in external spend – including Adult Social Care interventions to lower external care costs and use of in-house provision to reduce reliance on costly external placements in Children’s Social Care.
- Increase in income and grant maximisation – including increased income targets across some specific areas and maximising use of grant to continue development of key services such as Youth Services.

## **Corporate Savings and Measures**

35. The strategy to balance the 2023/24 Budget includes £3.000 million of Corporate Savings and measures. These include:
- £1.000 million reduction to the Council's General Contingency Budget (from £2.000 million to £1.000 million)
  - £1.000 million reduction to the Adult Services specific contingency budget (from £3.000 million to £2.000 million)
  - £1.000 million savings to corporate budgets including Council Tax Reduction Scheme and Insurance.
36. Reductions to contingency are considered further in the section of the report on financial resilience. The £1.000 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 sets aside in earmarked reserves, and the latest actuarial review of the insurance fund.

## **Service Change Savings**

37. 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 2 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.
38. 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, further detail on which is included at paragraph 62. Cabinet are 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 Museum will continue to operate at the Old Library whilst the Cabinet 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.

## Equalities Impact Assessment of Savings Proposals

39. Savings have been reviewed to ensure they have minimal impact on service delivery, and that they are deliverable and appropriate in the context of the Council's financial resilience, both next year and over the medium term. Equality Impact Assessment (EIA) screening has also been undertaken for all proposals. Following initial screening, five proposals were rated red-amber. These have undergone a full EIA, which are available as background documents to this report.

## Employee Implications of the 2023/24 Revenue Budget

40. 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.

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

41. Between 2012/13 and 2021/22, budget proposals resulted in the reduction of over 1,600 FTE posts in services other than schools. This included the deletion of vacant posts, posts that have transferred out of the Council's direct control, and posts deleted through redeployment or redundancy. The financial year 2022/23 was the first year in many, in which there was a net FTE increase (58.3) associated with budget proposals. The scale of the budget gap for 2023/24 has seen a return to a net reduction position.

## Financial Resilience Mechanism

42. 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.
43. 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.

44. For 2023/24, the level of the remaining Financial Resilience Mechanism will be £2.0 million. The table below provides a summary of how this will be used, and further information is included in Appendix 3.

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

45. The £0.565 million one-off investment in a Stronger Cardiff includes £0.225 million to support a youth festival programme and “Little Gig” talent contest to positively engage young people. It includes £0.100 million support for community events, £0.100 million for grassroots music / art, as well as £0.100 million to enable the extension of the sport development fund with an emphasis on supporting transfer of facilities to local clubs. There is also £30,000 to enable a blood pressure monitor loan scheme.
46. The £0.715 million one-off investment in a Fairer Cardiff includes £0.100 million for targeted youth work projects to create opportunities to enhance informal learning, £0.100 million to support a programme of internships for young people with additional learning needs and £0.130 million for a gender equality project to engage and empower young girls in Cardiff. It includes a total of £0.165 million to increase children’s access to leisure and recreation activities with priority for Children Looked After and those on the edge of care. It also includes £20,000 for the Age Friendly Cardiff website and its promotion.
47. The £0.720 million one-off investment in a Greener Cardiff includes £0.270 million for carbon reduction schemes, £50,000 for One Planet youth and summit events, £0.300 million for the taxi clean air scheme, £50,000 to enhance cleansing education and enforcement and £50,000 to explore opportunities in relation to e-cargo bikes – last mile delivery.

### **Council Tax and Precepts**

48. As indicated at paragraph 30 above, 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 savings and corporate measures totalling £17.666 million this will help to bridge the 2023/24 Budget. Those eligible, will receive support through the Council Tax Reduction Scheme. The detail of the Council Tax resolutions, including information on Community Council and Police and Crime Commissioner precepts is set out for approval within the recommendations at 2.0 to 2.7.

## Council Tax Reduction Scheme

49. It is proposed that the approach to the Council Tax Reduction Scheme (CTRS) should remain unchanged for 2023/24. The scheme will continue to comply with the relevant WG regulations. In addition, the scheme will continue to provide additional help for war pensioners by disregarding the income from war pensions including War Widows' Pensions, War Disablement Pensions and income from the Armed Forces and Reserve Compensation Scheme. This is in line with the Council's commitment to support veterans and their families. The budget provides for the impact on the CTRS budget of the proposed 2023/24 Council Tax increase.

## Directorate Implications of the Budget

50. The information detailed in previous sections outlines the Council-wide position in respect of the 2023/24 Revenue Budget. Appendix 4 sets out the resultant changes to individual directorate budgets between 2022/23 and 2023/24. The two largest areas of the Council's budget (Education and Social Services) will receive significant additional resources next year. The relative protection of these areas is consistent with the findings of Budget consultation as outlined later in this report.
51. Delegated schools' budgets will increase by £25.052 million (9.3%) in 2023/24. This increase is comparable to the Council's 9% increase in settlement from Welsh Government. It includes provision for the pay costs of both teaching and support staff, energy inflation linked to heating and lighting school buildings, and projected changes in pupil numbers. The £25.052 million is a net figure, which is **after** a £1.090 million contribution to the costs of the 21<sup>st</sup> Century Band B Programme and schools' asset renewal. Schools are not being required to contribute an efficiency saving in 2023/24. It is therefore proposed that individual schools' budget planning must accommodate all pay and inflation costs within the budget currently made available to them.
52. Retained Education budgets will also increase by £7.278 million (18.1%) in 2023/24. This reflects significant inflationary pressures in school catering and the proposal as part of fee-setting, to limit the amount of cost increases passed on in school meal prices, to a below inflation increase of 5%. It also reflects a combination of inflation and demand pressure (linked to Additional Learning Needs) in Home to School Transport, as well as pressure with regards Out of County Placements.
53. After contributing savings of £3.672 million, the budget for Social Services will increase by a total of £23.355 million (10.9%) in 2023/24. This comprises £13.638 million (10.1%) for Adult Services and £9.717 million (12.2%) for Children's Services. As referenced earlier in the report, increases include the cost of supporting the ongoing payment of the Real Living Wage to registered carers within the care sector, as well continued demand pressures in both areas. Demand pressure can be difficult to predict, and a small number of care packages can impact materially on cost. In recognition of this, as referenced in the section on

financial resilience, the 2023/24 Budget retains a £4.150 million Social Service contingency.

54. Movement in other net directorate budgets is indicated in Appendix 4. Changes include:

- Corporate Management - a net reduction of £7.618 million (21%). This largely comprises the removal of the Covid-19 Budget as set out at paragraph 32, offset by the £2.4 million increase in the levy payable to SWFS for 2023/24.
- Economic Development - a net increase of £2.401 million (24%). This is largely attributable to the level of energy inflation that has been allocated to this area in connection with Council buildings.
- Planning, Transport and Environment - a net increase of £3.297 million (42%). This is primarily due to the allocation of £2.7 million energy inflation in connection with street lighting.
- Recycling & Neighbourhood Services - a net increase of £3.857 million (10.5%). This is largely due to a budgetary realignment in this area, fuel inflation and the fact that comparatively lower savings have been taken in this directorate.
- Resources - a net increase of £0.790 million (4.5%). This reflects pay pressures, ICT inflation, and an allocation for vehicle replacement, offset by directorate savings.
- Governance and Legal Services - a net increase of £0.662 million (9.5%). This reflects pay pressures (officer and member remuneration) and a realignment of external income. No efficiency savings have been identified in this area.
- Housing & Communities - a net decrease of £0.047 million (0%). The largely unchanged budget in this area reflects pay pressures being covered through savings. There are no areas of exceptional inflationary pressure, as is the case in other directorates, and demand pressure (e.g. homelessness) is anticipated to be met through specific grant.
- Performance and Partnerships – a net decrease of £0.403 million (12%). This is due to maximisation of funding opportunities that are available in this area.

## **Fees and Charges**

55. The Budget does not include a blanket uplift to fees and charges. Appendix 5 sets out the detailed list of proposed fees and charges for 2022/23. The process for determining fees and charges for 2023/24 commenced with high level consideration of the pricing strategy for affected services, followed by more detailed work on fee-setting. Key considerations included:

- Any applicable statutory frameworks
- Whether existing income budgets are being met
- Any specific inflationary cost pressures that will need to be met
- The adequacy of charges relative to cost of provision
- Any potential impact on demand for services.

56. It is important that the Council is able to react to changing events, both in terms of income opportunities and shortfalls. It is proposed that the Council continues to delegate to the appropriate officer, where necessary in consultation with the Cabinet Member, the ability to amend fees and charges during the financial year as and when required. These arrangements also apply where discounts are introduced for a particular time-period, or for a particular client group. Decisions will be taken in consultation with the Section 151 Officer and the Cabinet Member for Finance, Modernisation and Performance. Where appropriate, Cabinet will need to consider a report within a reasonable timescale of the decision.
57. In order to formalise the Council's approach with regards income generation, an income framework setting out the key considerations will accompany the July 2023 Budget Update Report.

### Consultation and Engagement

58. As well as supporting organisational priorities, budget preparation has had regard for the views of key stakeholders. In addition to public consultation, engagement on the 2023/24 Budget took place with the following stakeholder groups.

Consultee Group	Nature of Consultation / Engagement
Scrutiny Committees	Budget briefings took place during late Feb/ early March 2023. Responses received from Scrutiny Committees will be tabled and considered as part of the Cabinet meeting (to be included as Appendix 5b)
Trade Unions	Consultation has taken place with the Trade Union Partnership with comments considered in advance of the Cabinet meeting.
Employees	Consultation has taken place both generally through staff meetings, and particularly with employees affected by budget proposals.
School Budget Forum	Following a number of briefings over the budget formulation period, responses received from School Budget Forum to the Council's Budget consultation, will be tabled and considered as part of the Cabinet meeting (to be included as Appendix 5b)
Governance & Audit Committee	At its meeting on 24 <sup>th</sup> January 2023 the Governance and Audit Committee considered the Treasury Management Strategy as part of their oversight function.

### Ask Cardiff

59. Consultation on the 2023/24 budget commenced with the 'Ask Cardiff' survey. 'Ask Cardiff' ran between 4<sup>th</sup> October and 20<sup>th</sup> November 2022 and generated 3,856 responses across the city. It asked citizens to identify their budgetary priorities for both 2023/24 and the longer term. Rank order of priorities are set out in the table below, with top three highlighted:

Budgetary Priority	Short-Term	Long-Term
School and Education including Youth Services	1	1

Supporting vulnerable children and families	2	2
Supporting vulnerable adults and older people	3	3
Housing and homelessness services	4	4
Recycling and Waste Services including collections, disposal and Recycling Centres	5	4
Neighbourhood Services such as street cleansing	6	7
Highways and Transport	7	6
Parks and Sport	8	9
Libraries and Community Hubs	9	10
Major projects including infrastructure to support businesses, local economy, city centre and local community centres	10	8
Delivery of the One Planet Cardiff Strategy	11	10
Culture, Venues and Events	12	12

60. Schools and Education, and supporting vulnerable children and adults were identified as the top three priorities for both the short and long term. As set out earlier in the report, the 2023/24 Revenue Budget reflects these priorities with a net increase of 10.9% for Social Services (10.1 % Adult Services and 12.2% Children’s Services), 17% for retained Education budgets and 9.3% for Schools. There are also support for these areas within the Council’s 2023/24 – 2027/28 Capital Programme, which includes significant investment in new and existing schools, as well as in the Right Home, Right Support Strategy, and gateway accommodation for young people. The capital programme also includes sums for disabled adaptation to support people to remain in their own homes, as well as for an Independent Living Wellbeing Hub and new social housing supporting older people to live as part of communities.

### City-wide Budget Consultation

61. The priorities identified in Ask Cardiff helped to shape the 2023/24 Citywide budget consultation that ran between 23<sup>rd</sup> December 2022 and 29<sup>th</sup> January 2023. The consultation was available online and as hard copy. It was shared on the Council’s corporate social media accounts and with the Citizen’s Panel. Hard copies in English and Welsh were distributed via Hubs, libraries and other community buildings, and it was shared via Staff Information emails, the staff intranet and with Public Service Board Partners. More targeted promotion of the consultation also took place to encourage engagement of those more seldom heard. Measures included:

- Online and hard copies of the survey being made available in English, Welsh, Arabic and Polish
- Providing hard copies to Councillors representing wards with historically low response rates
- Distributing copies in places of worship, including churches and mosques
- Contacting Cardiff Food Banks for support with promotion and distribution
- Working with Community Inclusion Officers to identify local events, groups and networks



- Use of established fora and networks including the Access Forum; Over 50s Forum; Youth Council and Panel
- Sharing and promotion with Partner Organisations working with seldom-heard groups
- Use of Employee Networks to share and promote to LGBTQ+, BAME, and Disability Networks.

62. The consultation received 5,932 responses. Further detail on the responses received is set out in Appendix 6. The measures included in the 2023/24 Budget are consistent with the outcomes of citywide consultation as summarised below:

<b>Aspect of 2023/24 Budget</b>	<b>Consultation Response</b>
Protection of Schools Budgets	73% agreement
<u>Income Proposals</u> <ul style="list-style-type: none"> <li>• Sports pitch fee increase</li> <li>• Pay &amp; Display fee increase</li> <li>• Bereavement charges increase</li> <li>• School Meal prices - 5% increase</li> </ul> <ul style="list-style-type: none"> <li>• Parking permit increases (£24 first permit &amp; £54 second)</li> </ul>	63% support 66% support 64% support 30% support (35% supported higher Increases, 35% supported no increase)  51% felt first permit about right level, 39% felt second about right level (43% felt second too high)
<u>Service Change Proposals Accepted</u> <ul style="list-style-type: none"> <li>• New partner to run Saint David's Hall</li> <li>• Cardiff International White Water</li> <li>• One day closure of recycling centres</li> <li>• Hubs – deletion of vacant posts &amp; recruitment of volunteers</li> </ul>	59% support (26% against)  77% support (8% against) 46% support for closure, (40% for reduced opening hours) Highest support of 4 options (37%)
<u>Service Change Proposals Not Taken Forward</u> <ul style="list-style-type: none"> <li>• Hubs – reduced hours</li> <li>• Hubs – one day closure</li> <li>• Mobile operation of museum of Cardiff</li> </ul>	17% (compared with 37% above) 21% (compared with 37% above) 57% support (43% keep where it is)

## Reserves

63. The Council's strategy for holding and using reserves is set out in its Financial Procedure Rules. CIPFA recommended accounting practice requires the Section 151 Officer to create a protocol for reserves and balances that covers their purpose, the ongoing validity of that purpose and the approval process for transferring funds to and from reserves. An update in respect of Local Authority Accounting Panel (LAAP) Bulletin 99 covering reserves and balance is expected to be published in coming weeks. This will inform a review of the Council's existing protocol for reserves and balances. Any updates to the protocol will accompany the July 2023 Budget Update Report.

64. Members, following advice provided by the Section 151 Officer, consider the level of reserves held, and whether any should be used to support the budget setting process. There is no statutory minimum regarding the level of reserves that should be held. Instead, decisions should reflect the individual position of each council. Members are made aware that over-reliance on reserves to fund the budget should be avoided. Reserves are a finite resource, so their use to fund ongoing commitments creates a gap in the finances of future years. In addition, Cardiff's reserves are comparably low for an authority of its size.
65. After considering the above, Cabinet proposes to release a total of £1.5 million from earmarked reserve in support of budget commitments in 2023/24. Of this sum, £1 million is specifically linked to energy price increases which are anticipated to partially fall-back in 2024/25, rendering use of a one-off funding source appropriate in this instance. The remaining £0.5 million is aligned with planning assumptions in the MTFP, and amounts set aside in Strategic Budget Reserve to fund these.
66. Appendix 7 outlines the level and anticipated movements on each of the Council's General Fund earmarked reserves, in accordance with their purpose. It also sets out the anticipated position on the Council's General Reserve. The General Reserve is maintained to help cushion the impact of unexpected events or emergencies. The balance on the Council's General Reserve as at the end of 2021/22 was £14.255 million, and it is anticipated that this balance will remain unchanged in the current financial year. In the context of the need to maintain financial stability and flexibility, on the advice of the Section 151 Officer, it is Cabinet's intention not to make any use of the General Reserve to fund the 2023/24 Budget.
67. The Council holds other reserves, which are ring-fenced for specific use and may not be used in connection with the Council's overall budget. These include HRA earmarked reserves, which are set aside to fund specific HRA projects and the General Housing Reserve, which is the HRA equivalent of the Council's General Reserve. Details on the projected levels of HRA reserves are set out in Appendix 7.
68. The Council's balance sheet also includes school balances. These represent the accumulated surpluses or deficits generated by individual schools. Although schools' balances are not available to support the Council's Budget Strategy, they still form part of the Council's overall financial resilience. Whilst deficit balances present a risk to financial resilience that should be managed over time, schools should also not hold excessively large balances. The Council is able to intervene to address both issues should it feel there is cause to do so.
69. As at 31st March 2022, net school balances stood at a total surplus of £32.026 million, representing a significant increase of £10.926 million on the previous year's figure (£21.1 million). This was mainly due to the provision by WG of £18.099 million of additional revenue grants to schools' budgets during 2021/22. Schools were aware of these unusually high balances and incorporated their use into 2022/23 spending profiles. It is therefore anticipated that there will be a reduction to normal levels

within the current financial year. Within this net figure, two schools held deficit balances which is consistent with the position as at 31<sup>st</sup> March 2021. Schools holding deficit balances have recovery plans in place, which demonstrate that deficits will be cleared within agreed timescales and are specific to each school's situation.

70. The Section 151 Officer has considered the 2022/23 budget monitoring forecast and the 2023/24 Budget, including contingency budgets, and is satisfied that the projected level of reserves remains adequate to 31<sup>st</sup> March 2024.

## Financial Resilience

71. When setting the budget, Members must have regard to the Council's financial standing, risks and resilience. Financial Resilience Snapshots are regularly prepared to support discussions regarding the Council's financial health. The current snapshot is set out in Appendix 8 (a) and contains the following information:

- The projected outturn (revenue and capital) for the current financial year together with historic performance on annual outturn.
- Analysis of the position in relation to external income streams.
- Budget Strategy, savings requirements, and base budgeted financial resilience.
- Financial Indicators, including analysis of financial ratios and reserves.
- The MTFP base case, scenario analysis and a budgetary outlook beyond the current MTFP period.
- The Council's capital financing requirement and the prudential indicators that compare it to net revenue budget stream.

72. Most of the above information is covered in greater detail in other areas of this report and its annexes. However, the snapshot is a way to pull together some key aspects in a summarised format and highlight the relationship between them. The paragraphs below consider some points not covered elsewhere:

- **2022/23 Projected Outturn at Month 9** – the projected outturn at month 9 is an overspend of £3.040 million. This is an improvement of £4.354 million compared with the reported Month 6 position. There are several contributory factors to the projected overspend including the 2022/23 pay award being higher than budgeted and exceptional demand and inflation pressure in some directorates. These issues have been addressed in setting the 2023/24 Budget to avoid an ongoing risk to the Council's financial resilience.
- **External Income Analysis** – the analysis shows a reduction in specific grants in 2022/23. This is primarily result of the level of grants awarded to Schools at the end of the 2021/22 financial year. There was a corresponding increase in schools balances due to the timing of these awards, which is also evident on the snapshot. The sharp decline implied in the specific grants

indicated on the snapshot is therefore more reflective of a return to more normal levels, than a cause for concern. Fees and Charges income shows a mixed post-pandemic picture across income generating directorates. It is also of note that the cost base associated with these income streams has increased significantly in interceding years as a result of exceptional inflation levels. Risk areas, including school catering are addressed through a combination of realignment and review of prices in setting the 2023/24 Budget. However, income will remain a key area to review in terms of resilience during 2023/24.

- **Specific Base-funded contingencies** - In order to ensure there is a resilience cover 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).
- **General Contingency** - the Council will reduce its General Contingency of £2.000 million in 2022/23 by £1.000 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.

73. Appendix 8 (b) contains a summary of the financial resilience challenges facing the Council. This financial resilience risk forms part of the Council's Corporate Risk Register, which is regularly reported to the Council's Senior Management Team (SMT), Cabinet and Governance & Audit Committee. The Section 151 Officer will continue to highlight the financial standing of the Council on a regular basis as part of Members' overall awareness of financial matters.

### **Medium Term Financial Plan and Strategy**

74. The Council's MTFP for the period 2023/24 – 2026/27 is contained in Annex 1 to this Report. The MTFP identifies a significant budget gap over the medium term as summarised in the table below. This is a baseline position, and sensitivity analysis is considered in Annex 1.

<b>Financial Year</b>	<b>£000</b>
2024/25	40.5
2025/26	27.4
2026/27	22.2
2027/28	23.3
<b>TOTAL</b>	<b>113.4</b>

75. The MTFP notes that to continue to protect the Council's ongoing financial resilience, the approach to identifying the savings requirements outlined above will need to:

- continue to review and challenge all directorate budgets, and to require baseline efficiencies from all services.
- embed a proactive and ongoing approach to identifying and implementing savings, which moves beyond an annual process and identifies and takes efficiency opportunities as arise.
- continue to accelerate detailed planning and preparatory work to improve the deliverability of savings focussing on transformative and digital opportunities.
- identify opportunities to work across directorates and in partnership with other organisations.
- continue to maximise income streams and explore the potential for new income streams, particularly where services are not universal.
- target productivity savings to ensure that optimum value for money is achieved within scarce resources.
- consider the level at which it is affordable to continue to subsidise services of a more discretionary nature.

76. Further work on developing a fully defined set of proposals, for 2024/25 in particular, will take place during the spring.

### **Ring-fenced Accounts**

77. The Local Government and Housing Act 1989 places a statutory duty on local authorities to maintain a separate Housing Revenue Account (HRA) for the costs associated with the management and maintenance of Council dwellings. The account is ring-fenced, which means that local authorities must not subsidise costs relating to Council Housing from the General Fund, and vice versa.

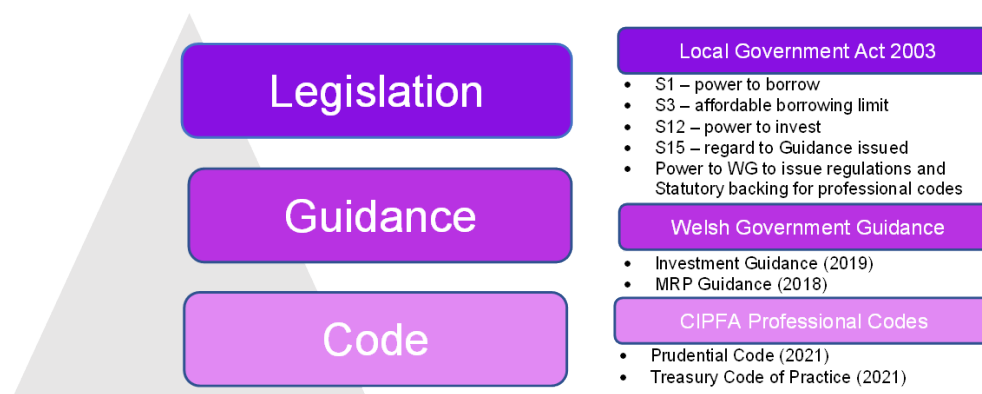
78. Annex 2 contains key budgetary information in respect of the HRA including:

- The proposed HRA budget for 2023/24
- The HRA Medium Term Financial Plan
- The HRA Capital Programme
- The Council's Rent Policy for 2023/24, including details of tenant consultation (this was approved in December 2022)
- The Annual Assessment of Affordability of rents as required under the terms of WG's Rent Policy
- Key Assumptions, Risks and Uncertainties

79. Other ring-fenced areas of the Council's accounts include the Civil Parking Enforcement Account and the Activities Transferred from Cardiff Bay Development Corporation including Cardiff Harbour Authority. Budgetary information in respect of these areas is set out in Appendices 9 and 10 respectively.

### Capital Strategy and Treasury Management Strategy 2023/24

80. The Capital and Treasury Management strategies are an integral part of the Council's Strategic and Financial Planning Framework. They are developed in line with the CIPFA Prudential Management and Treasury Management Codes as well as statutory guidance issued both nationally and in Wales.



81. The CIPFA Professional Codes have statutory backing and require the Council to determine a suite of indicators highlighting the longer term impact of capital investment decisions on the revenue budget, affordability, prudence and sustainability. Many of the indicators are 'required' indicators, but the Council also produces its own locally determined indicators to support decision making in line with best practice. The detailed indicators are highlighted in the respective strategies and Appendix 11 provides a guide to the indicators and their meaning.
82. It should be noted that following a review of Public Works Loan Board (PWLB) lending policy, a prohibition is in place to deny access to borrowing from the PWLB for any local authority which includes in its capital programme the acquisition of investment assets bought primarily for yield. It is therefore important to ensure that policy and financial processes are in place to eliminate this risk.

### Capital Strategy 2023/24

83. The Council's Capital Strategy along with the detailed capital investment programme for 2023/24 and indicative allocations for future years, is set out in Annex 3 to this Report. Successfully delivering the commitments set out in Stronger, Fairer, Greener will require capital investment, and having a capital strategy in place informs capital investment decisions by providing a framework, which will:

- provide a longer term view of capital expenditure plans whilst setting out all the financial risks to which the authority is exposed
  - ensure decisions can demonstrate sufficient regard to the long term financing, affordability implications and potential risks to the authority
  - provide an overview of the Council's asset management planning arrangements, which includes any maintenance requirements that have resource and business planning implications.
84. The Council's Section 151 Officer is required to comment specifically as part of the budget in respect to the deliverability, affordability and risks of the Capital Strategy and where appropriate, have access to specialised advice to enable them to reach their conclusions. This statement is incorporated within the financial implications to this Report.
85. The strategy sets out the approach to various factors, as identified below, and covers the Council's approach to:
- **Working with partners** - recognising the enabling role played by the Council in delivering investment and the need for alignment with WG on a longer term and sustained approach to capital investment.
  - **Asset Management Planning** - how the Council demonstrates stewardship of assets used in service delivery and the need to understand condition and alternative options as a basis for understanding investment requirements.
  - **Risk Appetite** - the main areas where capital investment paid for by borrowing would be considered and how such decisions are informed by robust business cases.
  - **Governance and decision-making** - identifying priorities for investment, securing value for money, and monitoring and reporting of the approved capital programme.
  - **Capital Investment Programme** - the detailed five year capital investment programme proposed for 2023/24 to 2027/28.
  - **Funding the strategy and investment programme** - the Capital Resources assumed to be used to fund the 2023/24 to 2027/28 investment programme.
  - **Managing the borrowing requirement** - identifying the Capital Financing Requirement and setting out the strategy to manage Treasury activities including the borrowing requirement and treasury investments.
  - **Prudent Minimum Revenue Provision (MRP) Policy Statement** - setting out the approach of provision for repayment of capital investment paid for by borrowing required to be specifically be approved by Council.
  - **Affordability** - understanding the impact of capital investment decisions on the Council's revenue budget and MTFP via the calculation of various prudential indicators.

### **Capital Investment Programme 2023/24**

86. The detailed programme includes:
- annual sums such as disabled adaptations and expenditure to improve existing assets such as infrastructure and property.

- allocations for specific projects approved in previous years.
- new capital investment proposed in the 2023/24 Budget.
- assumptions for known external grants and contributions, which in most cases are subject to a bid process.
- projects proposed to proceed on the basis of revenue savings, revenue income or other sources of retained income to repay initial investment over time, including new schemes approved in 2023/24, subject to business case.
- the HRA programme, with a focus on maintaining investment to support the Welsh Housing Quality Standards, cladding and priority energy efficiency schemes, regeneration and significant investment in new Council homes to meet the demand for good quality, affordable social housing.

87. In line with the budget strategy, new capital investment projects have been minimised, with a focus on delivering existing schemes in the approved capital programme and use of existing resources to pay for additional commitments. This includes the use of additional General Capital Grant Funding of £6.970 million received late in the financial year 2021/22 and also the use of £4.200 million of an earmarked revenue reserve held to mitigate capital programme and treasury management risks. These have been allocated to the following areas:

- To increase the Council's match funding requirement in order to secure Welsh Government Support of 85% towards the anticipated costs of coastal defence improvements in the River Rhymney and Coast around Rover Way
- Highways and footway resurfacing
- To support grant match-funding applications and
- To undertake urgent priority one works at City Hall

88. A number of initiatives are the subject of feasibility and options appraisal and pending Cabinet consideration and approval of a business case, could be considered for inclusion in future years programmes. A sum of £1.900 million is included in an Earmarked Reserve to allow such development work to be undertaken, which will also be supported by external grants where available. Initiatives include day and respite provision for adults, further solar and wind energy generation.

89. It is however noted that unless such projects are to be funded by external grant, approval in future years will result in further increases to the Council's borrowing requirement. Any projects approved that increase the council's borrowing requirement, based on an assumption that they will pay for themselves, would need to be predicated on an approved and robust business case, highlighting the risks and mitigations and demonstrating such projects do not pose a risk to future affordability and sustainability of any increase in borrowing. Monitoring processes throughout any deliver stage and post project implementation on a continuing basis should be embedded in processes to ensure risks and performance is continually assessed.



90. The Capital Programme proposed for 2023/24 is based on known commitments. There are however, significant major development projects covering schools, transport, housing and economic development initiatives that may have short, medium and long-term financial implications as well as consideration of alternative funding approaches. As options, business cases, risks and financial implications are determined these will need to be considered as part of annual updates to the Capital Strategy, the detailed Capital Programme and the Medium Term Financial Plan in future years. Implementation of capital schemes approved as part of the budget framework will need to be subject to the governance, financial, procurement and contract procedure rules set out in the constitution as well as required Cabinet or Officer decision approval of business cases as relevant.

## **Major Development Projects**

### Arena – Budget Report Update (January 2023)

91. The Council previously approved an ‘affordability envelope’ in February 2019, to enable delivery of the new Indoor Arena. This set the funding parameters within which the Council would deliver a new Arena. Significant progress has been made since that point, including Cabinet approvals of the acquisition of the Red Dragon Centre (Dec 2019), appointment of a preferred Developer/Operator consortium to build and operate the Arena (November 2020) and approval of the Final Business Case for the Arena (including the revised funding strategy) in September 2021. A Planning Application for a new Indoor Arena and Hotel was also granted in March 2022.
92. The revenue financing costs of this capital expenditure will in the short-term be funded by the Arena affordability envelope. An existing revenue budget of £1.5 million is in place and has been sufficient to cover all revenue costs to date. It is anticipated this budget will need to be increased by a further £1.000 million in 2024/25, and an additional £0.450 million from 2025/26 onwards once construction of the Arena has commenced. This aligns with projections included within the MTFP. These revenue budgets will remain in place for the short-medium term and will be utilised to fund the initial borrowing costs associated with delivery of the Indoor Arena and enabling developments. It is expected the Indoor Arena and enabling developments will become self-financing and sustainable in the long-term, with these budgets no longer required.
93. Current projections for the Arena affordability envelope estimate the gross revenue impact will peak at circa £9.000 million. Whilst this is due to be fully offset by gross income receivable from Arena, Red Dragon Centre and Multi-Storey Car Parking revenues in the longer term, there will be interim support from the general fund revenue budget, in line with the affordability envelope.
94. Income and expenditure assumptions remain subject to the finalisation of robust business cases, whilst revenue financing costs will be dependent on the borrowing strategy the Council chooses to implement, and the interest rate environment at the time of borrowing. The Council will

remain exposed to interest rate risk as project funder until such a time that borrowing is locked in at affordable rates, with interest rate rises in 2022/23 making financing the project more challenging. Ongoing planning and monitoring work continues in an effort to mitigate these external risks as far as possible, whilst also exploring potential opportunities the interest rate environment may provide.

95. In addition, and as set out within the revised Atlantic Wharf Masterplan approved by Cabinet in December 2020, and revised masterplan in July 2021, the delivery of the new Indoor Arena is the anchor project within the wider Atlantic Wharf regeneration programme. Whilst funding solutions for the Arena and associated enabling developments have been identified, and are reflected within the MTFP and capital programme, there are no specific budget allocations included at this stage for any further projects or phases included within the wider Atlantic Wharf Masterplan. These will remain subject to robust business cases and future Cabinet/Council decisions.

#### Other Major Development Projects

96. The 2023/24 Capital Programme currently includes budgets for a number of schemes at the International Sports Village (ISV) in line with the revised ISV masterplan presented to and agreed by Cabinet in March 2022. This includes financial provisions to support the delivery of a new Velodrome and Clubhouse facility at the ISV, as well as provisions to progress with associated wider infrastructure proposals. These schemes remain subject to full business cases being approved by Cabinet, whilst the timing and value of receipts realised as part of the ISV land disposal strategy (approved by Cabinet in September 2021) will remain critical to the achievement of objectives. Any delays or loss of value of proposed disposals will directly impact funding available to deliver capital schemes at ISV, as well as effecting revenue costs required to hold the site.
97. The Council is considering a number of major projects such as the regeneration of Atlantic Wharf and the International Sports Village. Schemes such as these will remain subject to robust business cases being considered by Cabinet in due course, and could result in significant capital budget being required, although at this stage are not currently included within the 2023/24 Capital Programme or MTFP. Any proposals are therefore expected to be on a self-financing basis, utilising capital receipts and s106 contributions generated in line with the budgetary framework. The Council is also due shortly to consider requirements in respect of Core Office buildings (County Hall and City Hall). City Hall in particular, has pressing needs with respect to an outdated heating system that needs urgent attention, but the works undertaken will ensure the ongoing sustainable use of this core building. Allied with requirements at City Hall, County Hall arrangements and footprint will also be considered as part of an overarching core office review. It is anticipated currently that any savings delivered by this review are reinvested into the Core Office Programme of works. In addition, the Capital Programme includes an allocation in respect of City Hall and the urgent works required.

## **Treasury Management Strategy 2023/24**

98. The Treasury Management Strategy is included at Annex 4 and covers the following areas:
- Borrowing to finance the cash requirements arising from the Council's Capital Programme.
  - Treasury investments and determining how short term cash flows will be safely managed to meet the Council's financial commitments and objectives.
99. The strategy is an integrated strategy for the Council, which covers both General Fund and HRA activities. It includes:
- The current treasury position.
  - Economic background and prospects for interest rates.
  - Borrowing, including:
    - policy
    - council borrowing requirement based on its capital expenditure plans and choice between internal and external borrowing and
    - borrowing strategy
  - Treasury management indicators and limits for 2023/24 to 2027/28 based on the proposed Capital Programme.
  - Investment policy and strategy, including security and investments approved for use.
  - The Treasury Function.
100. The Council receives reports on the approach to treasury management at the start of the financial year, at mid-year and at outturn. Governance and Audit Committee Terms of Reference set out their responsibility to seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks. The Governance and Audit Committee considered a draft of the strategy at its meeting in January 2023.

## **Budgetary Framework**

101. Under the Budget and Policy Framework Procedure Rules, the Council is able to specify the extent of virement within the budget and the degree of in-year changes. The Council's Financial Procedure Rules also allow virements within directorate budgets.
102. In addition to the virements above, the Section 151 Officer will also undertake all necessary technical adjustments to budgets and accounts during the year and reflect any changes to the accounting structure as result of management and organisational changes within the Council.
103. As set out in the Council's Constitution, the Section 151 Officer will also undertake all necessary financial and accounting adjustments required in order to prepare the Council's Statement of Accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting.

## **Reason for Recommendations**

104. To enable Cabinet to recommend to Council approval of:
- The Revenue and Capital Budget and to set the Council Tax for 2023/24
  - The Budget for the Housing Revenue Account
  - The Capital Strategy
  - The Treasury Management Strategy
  - The Prudential Code of Borrowing Indicators for 2023/24 – 2027/28
  - The Capital Programme for 2023/24 and the indicative programme to 2027/28, delegating to the Section 151 Officer authority to bring forward or delay schemes within the programme to match resources where necessary
  - The Minimum Revenue Provision Policy for 2023/24 (as included in the Council's Capital Strategy at Annex 3)

## **Financial Implications**

105. Whilst the financial assumptions, basis and implications of the proposed Revenue and Capital Budget Strategy are set out within the detail of this report and appendices, this section provides an opportunity to summarise key aspects and to comment on the robustness of those details as the Council's Section 151 Officer.
106. The Revenue Budget Strategy for 2023/24 has been constructed on the basis of a 9% increase in WG funding and a proposed 3.95% increase in Council Tax. The funding available through the WG grant is higher than anticipated in comparison with the indicative settlement included as part of the 2022/23 Settlement in March 2022 (indicative was +3.5%). The WG funding must though be set in the context of extraordinary cost pressures in 2023/24 in response to global financial and supply chain challenges and service recovery post pandemic. Pressures identified in the report include pay inflation and rising energy costs in particular. Financial resilience remains a key factor in the construction of next year's budget and the current year pressures have added to the challenge and have been a first call on available resources next year.
107. Whilst the Settlement has been more positive than expected, it has not detracted from the efforts by Services to deliver efficiency savings in 2023/24. In excess of £10 million of efficiency savings have been identified by services and this is on top of in year efficiencies that have been actioned to successfully mitigate pressures in 2022/23. The notion of continuously seeking out opportunities to deliver efficiency savings remains a central part of the Council's financial framework.
108. Fees and Charges proposals have been built into the Revenue Budget Strategy for 2023/24 that reflect all applicable statutory requirements, adequately cover the cost of service provision and can help manage the demand for services.

109. The Medium Term Financial Planning position for the Council remains extremely challenging given the demand pressures on services, the likely increasing cost base requirements and the projected levels of future resource availability. The Strategy Report and the MTFP (Annex 1) have clearly set out the challenges and based on a prudent assessment of funding, a budget shortfall is projected cumulatively to be over £113 million by 2027/28. As stated previously, budget consideration and savings delivery should not be seen as an 'annual event' and work will continue in-year to ensure the ongoing robustness of budget management is maintained alongside a regular review of key financial risks.
110. Medium to longer term financial management is one of the standards of CIPFA's Financial Management Code (introduced in 2020). The medium-term financial plan is a key element of this, being integrated with the Council's service plans and its capital strategy. The Council will continue to comply with the Code in respect of its principles of Leadership, Accountability, Transparency, Standards, Assurance and Sustainability.
111. The position reported last year in respect of purportedly under-declared landfill tax and work with HMRC remains ongoing. The position will be kept under review and a further update included in both the Council's Out-turn Report and the 2022/23 Statement of Accounts.
112. In terms of financial resilience, regular reporting to Members on budgetary and service performance is critical and the 'Financial Resilience Snapshot' (Appendix 8) continues to provide a key summary analysis.
113. In addition to earmarked reserves, the Council has maintained a General Contingency budget, although this has been lowered to £1M in 2023/24. This is felt to be appropriate given the ongoing improvements in the robustness of savings planning, higher levels of available earmarked reserves and specific contingencies in key risk areas such as Adults and Children's Social Services. The better than anticipated Welsh Government settlement has also meant that the Financial Resilience Mechanism (FRM) is available once again, albeit at a lower level in 2023/24 (£2 million FRM in 2023/24) to fund one off investment in-year but again this represents an important mitigation for any future settlement volatility and as stated in the report, can be considered again in future years linked to any changes in energy pricing.
114. The Capital Strategy contained within this report sets out the current investment plans across council assets and the funding arrangements that are in place. Any additional schemes to be considered for future years will be subject to robust business cases and will be set in the context of overall affordability with regard to our Prudential Indicators. Regular reporting of performance against these indicators for Members confirms that the current and planned programme continues to operate within the limits set. Clearly, this position will be kept under constant review, in particular where the later years of the programme are refined

as further information becomes available and to ensure that capital receipts necessary to deliver the programme are delivered promptly.

115. The Budget Strategy has also highlighted the recent updates to the Treasury Management and Prudential Code which the Council continues to comply with in full.
116. The Council has a statutory duty to ensure that the HRA achieves a balanced budget over the medium term and this has been evidenced as part of this budget report. Any liabilities of the HRA are ultimately liabilities of the Council so it is essential that a longer term planning and modelling horizon continues to be updated as part of its business plan, having regard to robust viability assessments for new development proposals and risks identified in the MTFP particularly in respect to certainty of rent policy.
117. The budget proposals have been set in response to the feedback from public consultation in terms of the priorities set. The impact and link through to wider strategic priorities have also been highlighted and in particular, how the budget is contributing to objectives within the Corporate Plan and the wider requirements of the Future Generations Act.
118. Financial control continues to be of fundamental importance. It is vital that responsible officers take ownership of their budgets and that expenditure remains within approved levels. Compliance with financial rules and governance requirements is expected and this will continue to be monitored and reported on regularly as part of the Council's performance management arrangements.
119. In conclusion, as the Council's Section 151 Officer, the following comments are made in respect of the adequacy of the budget proposals in terms of their robustness and affordability
  - I am satisfied that the Budget estimates are based on accurate and robust data modelling.
  - I believe the Revenue Budget Strategy for 2023/24 and the Medium Term Financial Plan set out a prudent and appropriate allocation of resources that balances the delivery of services whilst ensuring the continued financial resilience of the Council.
  - I am satisfied that the Capital Strategy sets out an investment programme that is deliverable, affordable and mitigates risk appropriately.
  - I am satisfied that the Council maintains a minimum level of General Fund balances at £14.255 million and this is appropriate in the context of all other available reserves, the challenges facing the Council in the medium term and the focus on maintaining and strengthening financial resilience.
  - I am satisfied that the overall level of available earmarked reserves is appropriate after allowing for planned use in 2023/24.

120. I believe the proposals set out in this report will allow the Cabinet to recommend to Council a Revenue and Capital Strategy that is balanced and robust.

### **Legal Implications**

121. The body of the Budget Report sets out certain legal duties and constraints in relation to setting a balanced budget and Council Tax. They form part of the legal implications to which the decision maker must address its mind notwithstanding that they are not repeated in this section of the Report. The Local Government Finance Act 1992, as amended, ('LGFA 1992') requires the Council to set a balanced budget, including the level of the Council Tax. This means the income from all sources must meet the proposed expenditure. Best estimates must be employed to identify all anticipated expenditure and resources. The approval of the Council's budget and Council Tax, and the adoption of a financial strategy for the control of the Council's borrowing or capital expenditure are matters reserved, by law, to full Council. However, the Cabinet has responsibility for preparing, revising and submitting to Council estimates of the various amounts which must be aggregated in making the calculations required in order to set the budget and the Council Tax; and may make recommendations on the borrowing and capital expenditure strategy, (pursuant to the Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007)).
122. Local authorities must decide every year how much income they are going to raise from Council Tax. This decision must be based on a budget that sets out estimates of what the Council plans to spend on services. As the Council Tax must be set at the start of the financial year and cannot be increased during the year, consideration must be given to risks and uncertainties and allowances made in funds for contingencies and reserves. The budget and the Council Tax must be set by 11th March in the preceding financial year. A failure to comply with the time limit may leave the Council open to challenge by way of judicial review. When the Council is considering its budget, it must have regard to the Section 151 Officer's report on the robustness of the estimates and the adequacy of the reserves in the budget proposals (section 25 of the Local Government Act 2003). This ensures that Members make their decision on the basis of authoritative advice. Members should provide clear reasons if they disagree with the professional advice of the Section 151 Officer. Members should note, that after the Council has approved its budget and Council Tax, it is possible for the Council to make substitute calculations during the year (although the basic amount of Council Tax cannot be increased), subject to certain provisos (s.37 LGFA 1992).
123. The Local Government Act 2003 establishes a system to regulate the capital expenditure and borrowing of authorities. The heart of the prudential borrowing system is the duty imposed upon authorities to determine and keep under review how much money they can afford to borrow. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) specify the Prudential Code for Capital Finance to which local authorities in Wales must have regard in setting

and reviewing their affordable borrowing limits (sections 3 and 5 of the 2003 Act). Regard must be had to the CIPFA Prudential and Treasury Management Codes of Practice, as well as WG guidance in respect of Investments and the Minimum Revenue Provision.

124. The Local Government & Housing Act 1989 Part VI sets a statutory regime for housing finance. The Council has a general duty to review the rents of its houses from time to time and in fixing rents the Council must have regard, in particular, to the principle that the rents of dwellings of any class or description should bear broadly the same proportion to private sector market rents as the rents of dwellings of any other class or description. The review of the rents is a Cabinet function, and is undertaken with regard to the provisions of legislation, which governs housing finance. Rents for council houses are a credit to the HRA and outgoings a debit. The Council is under a duty to prevent a debit balance on the HRA which is ring-fenced. There are restrictions in the way in which the account can be operated and the proposals in this report must comply with these accounting requirements to ensure that the rent should be set so as to ensure that the Council is able to comply with its duty to prevent a debit balance arising on the HRA.
125. The body of the report refers to the Capital Programme. Detailed legal advice should be sought on each proposed project to ensure the same can be implemented in accordance with all legal and governance requirements.
126. Civil Enforcement. Appendix 9 to the report notes that the income generated from car parking fees, residents' permits, penalty charge notices and moving traffic offences (MTOs) will be used to fund the associated operational costs including the cost of the enforcement service. Further, that any surplus or deficit will be transferred to a separate account and can only be used for specific purposes in accordance with Section 55 of the Road Traffic Regulations Act 1984 ('1984 Act'). The report anticipates a surplus. It is apparent from the statutory provision that there is no requirement of revenue neutrality. That said, it is important to note that in making orders under the Road Traffic Regulation Act 1984 (as regards parking and other matters), the 1984 Act is not a fiscal measure and does not authorise a local authority to use its powers to charge purely in order to raise surplus revenue for other transport purposes. Accordingly, the approach to car-parking fees, residents' permits, penalty charge notices and moving traffic offences and the like, must be based on legitimate considerations that can be taken into account in accordance with the provision of the relevant legislation.
127. Equality Duty. All public authorities, when exercising any of their functions, are subject to the Public Sector Equality Duty (PSED) under the Equality Act 2010 (including specific Welsh public sector duties). These duties require the Council, in the exercise of its functions, to have 'due regard' to the need, in summary, 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. The PSED is a duty to have ‘due regard’. It therefore requires the decision-maker to be properly informed as to the equality implications of the decision to be made. Paragraph 39 of the body of the report refers to the PSED. As with any decision, the decision maker will need to take account of the equalities impact assessments, consider whether it has sufficient information to assess the effects of the proposed decision on the aims in the PSED and consider gathering more information if needed.

128. When taking strategic decisions, 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). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers (WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 (gov.wales) and must be able to demonstrate how it has discharged its duty.
129. The Well-Being of Future Generations (Wales) Act 2015 (‘The 2015 Act’) . The 2015 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. 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. When exercising its functions, the Council is required to take all reasonable steps to meet its well being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives. The well being duty also requires the Council to act in accordance with a ‘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 compromising 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 integrated approach to achieving the 7 national well-being goals
  - Work in collaboration with others to find shared sustainable solutions
  - Involve people from all sections of the community in the decisions which affect them.The decision maker 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 using the link below:  
<https://gov.wales/topics/people-andcommunities/people/futuregenerations-act/statutory-guidance/?lang=en>.

130. Employee and Trade Union Consultation . The report recognises that notwithstanding efforts to reduce impacts on staff resulting from savings, there will be some staff reductions during the financial year 2022/23. Legal Services understand that: (i) engagement has been ongoing between Directors and Trade Unions to discuss budget saving implications and (ii) the Council has formally consulted with Trade Unions about the budget proposals and the likely impact on staff, particularly where posts are at risk of redundancy or a TUPE transfer to another employer. Under the general law relating to unfair dismissal all proposals to make redundancies must involve reasonable consultation with the affected employees and their trade unions. In relation to any potential redundancies it is important that all required statutory notices are served. It is noted that the budget proposals also provide for the creation of a number of posts.
131. Charging. Each proposal to make or increase charges must comply with the statutory framework (including primary and secondary legislation and any statutory guidance issued) relating to the activity in respect of which charges are being levied, including any limitations on levels of charges. Where reliance is placed on the power to charge for discretionary services (Section 93 of the Local Government Act 2003), any charges must be set so that when the charges are taken as a whole no surpluses are made (i.e. the power is limited to cost recovery). Where activities are being undertaken for which charges are being made with the intention of producing surplus income, it is necessary to consider whether that activity is material and would amount to “commercial trading”. For commercial trading, the Council must develop a business case and establish an arms’ length company to undertake that activity (in accordance with the general trading power under Section 95 Local Government Act 2003), or identify another statutory power for a particular trading activity.
132. Consultation . Duties to consult certain stakeholders in respect of proposals may arise from a number of different sources. Members will note that the Council has engaged in consultations as part of the budget process as set out earlier in the report under the heading “Consultation and Engagement”. In considering this matter, Members must genuinely and conscientiously consider the feedback from each consultation and have proper regard to it when making any decision in relation to the subject matter of that consultation. Members should carefully consider the results of the consultation as set out in the Appendices to the report.
133. General . All decisions taken by or on behalf of the Council must: be within the legal powers of the Council and of the body or person exercising powers on behalf of the Council, comply with any procedural requirement imposed by law, be undertaken in accordance with procedural requirements imposed by the Council e.g. procedure rules, be fully and properly informed, be properly motivated (i.e. for an appropriate, good and relevant reason), be taken having regard to the Council’s fiduciary duty to its tax payers as elected members are trustees of the public interest and of its statutory purposes for which public powers are conferred on them, (this general duty requires the Council to act

prudently and in good faith in the interests of those to whom the duty is owed) and otherwise be reasonable and proper in all the circumstances.

### **HR Implications**

134. The final budget proposals are based on the outcome of the consultation exercise and the priorities set out in the Corporate Plan.
135. Paragraph 40 and 41 of the Report sets out information regarding net reduction of 172.9 FTE Council posts overall made up of the deletion of 178.4 FTEs including the deletion of 55.3 FTE vacant posts, 50.9 FTE where voluntary redundancy or retirement applications have been approved, and 22.5 FTE posts to be determined. There is also the potential TUPE of 48.2 posts subject to other Cabinet decisions. There is also the creation of 5.5 FTEs.
136. It is recognised that the numbers of posts impacted overall by this budget proposal is significant however this is mitigated for staff through the deletion of vacant posts and the use of the voluntary redundancy process. The Council retains a range of mechanisms designed to support the people implications of the Council's budget proposals. Through the continued use of such mechanisms, the Council will consistently work hard to reduce the number of compulsory redundancies wherever possible. In addition to redeployment, other mechanisms include use of flexible working policies plus access to skills support through the Cardiff Academy allowing employees to either refresh their existing skills or develop new skills in order to enhance their opportunities to find another role in the Council or externally.
137. The Trade Unions and employees have been consulted throughout the budget planning process and their comments have been considered. As part of the Council's commitment to partnership working, the Trade Unions and employees will continue to be consulted in all the proposals that impact on staff.

### **Property Implications**

138. There are no further specific property implications in respect of the Budget Report 2023/24. The Corporate Property Strategy 2021-26 (CPS) was approved in December 2021 and set out in detail the Council's long term property strategy going forwards, including relevant targets over the following five years. Performance against the strategy targets are monitored through the Annual Property Plan. Relevant performance, forecasts and anticipated transactions will be reported on in the next Annual Property Plan, to be published in the first half of 2023/24.
139. The Strategic Estates Department assists where necessary in supporting delivery in relevant areas such as the Capital Strategy, the Capital Investment Programme and Major Development Projects. Where there are property transactions or valuations required to deliver any proposals, they should be done so in accordance with the Council's Asset

Management process and in consultation with Strategic Estates and relevant service areas.

## **CABINET PROPOSAL**

### **(a) Recommendations to Council**

The Cabinet, having taken account of the comments of the Section 151 Officer in respect of the robustness of the budget and the adequacy of the reserves as required under Section 25 of the Local Government Act 2003, and having considered the responses to the Budget Consultation recommend that Council:

1.0 Approve the Revenue, Capital and Housing Revenue Account budgets including all associated proposals and assumptions as set out in this report and increasing the Council Tax by 3.95% and that the Council resolve the following terms.

2.0 Note that at its meeting on 15 December 2022 Cabinet calculated the following amounts for the year 2023/24 in accordance with the regulations made under Section 33(5) of the Local Government Finance Act 1992:

a) 150,482 being the amount calculated in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995, as amended, as its Council Tax base for the year.

b)	Lisvane	2,866
	Pentyrch	3,605
	Radyr	4,057
	St. Fagans	1,941
	Old St. Mellons	2,485
	Tongwynlais	826

being the amounts calculated in accordance with Regulation 6 of the Regulations as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which special items relate.

2.1 Agree that the following amounts be now calculated by the County Council of the City and County of Cardiff for the year 2023/24 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

a) Aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (d) (including Community Council precepts totalling £541,709).

£1,271,733,709

b) Aggregate of the amounts which the Council estimates for items set out in Section 32(3)(a) and (c).

£469,211,000

- c) Amount by which the aggregate at 2.1(a) above exceeds the aggregate at 2.1(b) above calculated in accordance with Section 32(4) as the budget requirement for the year. £802,522,709
- d) Aggregate of the sums which the Council estimates will be payable for the year into its Council Fund in respect of Revenue Support Grant, its council tax reduction scheme, redistributed Non-Domestic Rates. £593,591,907
- e) The amount at 2.1(c) above less the amount at 2.1(d) (net of the amount for discretionary relief of £400,000), all divided by the amount at 2.0(a) above, calculated in accordance with Section 33(1) as the basic amount of Council Tax for the year. £1,391.07
- f) Aggregate amount of all special items referred to in Section 34(1). £541,709
- g) Amount at 2.1(e) above less the result given by dividing the amount at 2.1(f) above by the amount at 2.0(a) above, in accordance with Section 34(2) of the Act, as the basic amount of Council Tax for the year for dwellings in those parts of the area to which no special items relate. £1,387.47
- h) The amounts given by adding to the amount at 2.1(g) above the amounts of special items relating to dwellings in those parts of the Council's area mentioned below, divided in each case by the amount at 2.0(b) above, calculated in accordance with Section 34(3) as the basic amounts of Council Tax for the year for dwellings in those parts of the area to which special items relate.
- |                     |          |
|---------------------|----------|
| Lisvane             | 1,410.85 |
| Pentyrch            | 1,440.07 |
| Radyr & Morganstown | 1,426.64 |
| St Fagans           | 1,411.68 |
| St Mellons          | 1,409.47 |
| Tongwynlais         | 1,417.13 |
- i) The amounts given by multiplying the amounts at 2.1(g) and 2.1(h) above by the number which in the proportion set out in the Council Tax (Valuation Bands) (Wales) Order 2003 is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D calculated in accordance with Section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

Area	£	£	£	£	£	£	£	£	£
Lisvane	940.57	1,097.32	1,254.09	1,410.85	1,724.38	2,037.89	2,351.42	2,821.70	3,291.98
Pentyrch	960.05	1,120.05	1,280.07	1,440.07	1,760.09	2,080.10	2,400.12	2,880.14	3,360.16
Radyr	951.09	1,109.61	1,268.13	1,426.64	1,743.67	2,060.70	2,377.73	2,853.28	3,328.83
St. Fagans	941.12	1,097.97	1,254.83	1,411.68	1,725.39	2,039.09	2,352.80	2,823.36	3,293.92
Old St. Mellons	939.65	1,096.25	1,252.87	1,409.47	1,722.69	2,035.90	2,349.12	2,818.94	3,288.76
Tongwynlais	944.75	1,102.21	1,259.67	1,417.13	1,732.05	2,046.96	2,361.88	2,834.26	3,306.64
All other parts of the Council's Area	924.98	1,079.14	1,233.31	1,387.47	1,695.80	2,004.12	2,312.45	2,774.94	3,237.43

2.2 Note that for the year 2023/24, the Police and Crime Commissioner for South Wales has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwelling shown below:-

#### VALUATION BANDS

A	B	C	D	E	F	G	H	I
£	£	£	£	£	£	£	£	£
216.31	252.37	288.42	324.47	396.57	468.68	540.78	648.94	757.10

2.3 Having calculated the aggregate in each case of the amounts at 2.1(i) and 2.2 above, the County Council of the City and County of Cardiff in accordance with Section 30(2) of the Local Government Finance Act 1992 hereby sets the following amounts as the amounts of Council Tax for the year 2023/24 for each of the categories of dwellings shown below:-

#### Part of Council's Area VALUATION BANDS

Area	A	B	C	D	E	F	G	H	I
	£	£	£	£	£	£	£	£	£
Lisvane	1,156.88	1,349.69	1,542.51	1,735.32	2,120.95	2,506.57	2,892.20	3,470.64	4,049.08
Pentyrch	1,176.36	1,372.42	1,568.49	1,764.54	2,156.66	2,548.78	2,940.90	3,529.08	4,117.26
Radyr	1,167.40	1,361.98	1,556.55	1,751.11	2,140.24	2,529.38	2,918.51	3,502.22	4,085.93
St. Fagans	1,157.43	1,350.34	1,543.25	1,736.15	2,121.96	2,507.77	2,893.58	3,472.30	4,051.02
Old St. Mellons	1,155.96	1,348.62	1,541.29	1,733.94	2,119.26	2,504.58	2,889.90	3,467.88	4,045.86
Tongwynlais	1,161.06	1,354.58	1,548.09	1,741.60	2,128.62	2,515.64	2,902.66	3,483.20	4,063.74
All other parts of the Council's Area	1,141.29	1,331.51	1,521.73	1,711.94	2,092.37	2,472.80	2,853.23	3,423.88	3,994.53

2.4 Authorise the Corporate Director Resources to make payments under Section 38 of the Local Government (Wales) Act 1994 from the Council

Fund by equal instalments on the last working day of each month from April 2023 to March 2024 in respect of the precept levied by the Police and Crime Commissioner for South Wales in the sum of £48,826,895.

- 2.5 Agree that the Common Seal be affixed to the said Council Tax.
- 2.6 Agree that the Common Seal be affixed to precepts for Port Health Expenses for the period 1 April 2023 to 31 March 2024 namely

	£
County Council of the City and County of Cardiff	152,438
Vale of Glamorgan County Borough Council	17,053

- 2.7 Agree that notices of the making of the said Council Taxes signed by the Chief Executive be given by advertisement in the local press under Section 38(2) of the Local Government Finance Act 1992.
- 3.0 In accordance with the Local Government Act 2003, the Local Authority (Capital Finance and Accounting) (Wales) Regulations 2003 and subsequent amendments and the CIPFA Prudential Code and Treasury Management Codes of Practice:

- (a) Approve the Capital Strategy 2023/24.
- (b) Approve the Treasury Management Strategy 2023/24 and authorise the Section 151 Officer to raise such funds as may be required to finance capital expenditure by temporary or long-term borrowing.
- (c) Approve the Prudential Indicators for 2023/24 – 2027/28 including the affordable borrowing limit.
- (d) Delegate to the Section 151 Officer the ability to effect movement between the limits for borrowing and long-term liabilities, within the limit for any year, and to bring forward or delay schemes in the Capital Programme.
- (e) Approve the Minimum Revenue Provision Policy for 2023/24.

- 4.0 To approve the Budgetary Framework outlined in this report.
- 5.0 To maintain the current Council Tax Reduction Scheme as set out in this report.

**(a) Matters for Cabinet Decision**

The Cabinet, having taken account of the comments of the Section 151 Officer in respect of the robustness of the budget and the adequacy of the reserves as required under Section 25 of the Local Government, Act and having considered the responses to the Budget Consultation is recommended to:

- 6.0 Approve the changes to fees and charges as set out in Appendix 5 (a) and 5 (b) to this report.
- 7.0 Delegate authority to the appropriate Director in consultation with the appropriate Cabinet Member, the Section 151 Officer and the Cabinet Member for Finance, Modernisation & Performance, to amend or introduce new fees and charges during the year, subject if necessary (having regard to the proposed change), to an Equality Impact Assessment and public consultation being undertaken and the results thereof being duly considered before the delegated authority is exercised.
- 8.0 Recognise the financial challenges facing the Council as set out in the Medium Term Financial Plan, and to note the opportunities for savings over the medium term.
- 9.0 Agree that in the event that final settlement differs from Provisional Settlement (as set out in paragraph 28 of the report), there will be a proportionate adjustment to or from earmarked reserves, and that the Section 151 Officer be authorised to prepare an addendum to the 2023/24 Budget to reflect the requisite changes.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>Chris Lee</b> Corporate Director Resources and Section 151 Officer
	24 February 2023

*The following Annexes are attached:*

- Annex 1 Medium Term Financial Plan 2024/25 – 2027/28
- Annex 2 Housing Revenue Account 2023/24 Budget and Medium Term Financial Plan
- Annex 3 Capital Strategy 2023/24 (including Capital Programme and Resources)
- Annex 4 Treasury Management Strategy 2023/24

*The following Appendices are attached:*

- Appendix 1 Budget Support for the Corporate Plan and Future Generations
- Appendix 2 Service Change Savings Proposals
- Appendix 3 Use of Financial Resilience Mechanism
- Appendix 4 Directorate Revenue Budgets
- Appendix 5 Summary of Fees and Charges  
(a) General Fund  
(b) Fees and Charges Appendix 5 (b) is exempt from publication because it contains information of the kind



	described in paragraphs 14 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972.
Appendix 6	Consultation on Cardiff Council's 2023/24 Budget
Appendix 7	Earmarked Reserves
Appendix 8	(a) Financial Resilience Snapshot (b) Financial Risk and Mitigations
Appendix 9	Civil Parking and Enforcement Account
Appendix 10	Cardiff Harbour Authority
Appendix 11	Guide to Prudential Indicators

*The following background papers have been taken into account:*

- Budget 2023/24 and the Medium Term Financial Plan Update Report (July 2022)
- 2023/24 Budget Proposals - for Consultation
- The WG Provisional Local Government Settlement (December 2022)
- Equality Impact Assessment of Cardiff Council's 2023/24 Budget Proposals
- Details of Fees and Charges