

**BUDGET 2024/25**

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

**AGENDA ITEM: 4**

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*Appendix 4 (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 2024/25 (the Annual Treasury Management Strategy.)
3. Recommend to Council the Capital Strategy for 2024/25 including the Council's Minimum Revenue Provision Policy for 2024/25.
4. Recommend to Council the Prudential Code, capital expenditure and treasury indicators for 2024/25 – 2028/29.
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 2024/25 rent uplift by Cabinet in December 2023.
8. Agree the rates of fees and charges for Council services for 2024/25 (with the exception of HRA fees and charges which were approved by Cabinet in December 2023).

## 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 13<sup>th</sup> July 2023, Cabinet received an Update Report on the 2024/25 Budget and the Medium-Term Financial Plan which indicated an estimated 2024/25 budget gap of £36.760 million. The Report highlighted the volatility of the position and noted the absence of agreed pay awards, inflation forecasts and demand pressures as among factors requiring ongoing review.
11. On 20<sup>th</sup> December 2023, Welsh Government (WG) published the Provisional Local Government Finance Settlement for 2024/25 (the Provisional Settlement.) The impact of the Provisional Settlement together with wider updates to budget modelling resulted in an updated budget gap of £30.490 million. This was reported to Cabinet on 9<sup>th</sup> January 2024 and formed the basis of the City-wide Budget Consultation which ran between 9<sup>th</sup> January and the 4<sup>th</sup> February 2024.
12. The January 2024 Budget Update Report noted that whilst the Provisional Settlement provided clarity regarding Aggregate External Finance (general funding), it left uncertainties concerning two other key aspects of 2024/25 funding; specific grant funding, and funding for increases to employers' contributions to unfunded public sector pension schemes. The increases, which are linked to scheme valuations, notably a change to the SCAPE (Superannuation Contributions Adjusted for Past Experience) rate, affect both the Teachers Pensions Scheme and the Firefighter's Pensions Scheme. This report outlines the remaining risk in relation to these areas and the strategy for dealing with them.
13. 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 2024/25.
14. The 13<sup>th</sup> July 2023 Report on the 2024/25 Budget and the Medium Term also set the approach for the development of the Council's Capital Programme. The proposed Capital Programme 2024/25 – 2028/29, included later in this report, reflects commitments made in previous years as well as new schemes proposed for approval.
15. In December 2023, Cabinet approved the proposed approach to the setting of rents and service charges on Housing Revenue Account (HRA) dwellings for the financial year 2024/25. This timing is in line with the requirements of the Renting Homes Act 2016 which stipulates a two-month notice requirement for tenants. The December 2023 Report identified that the proposed rent uplift of 6.7% could result in an estimated deficit of £537,000 that would need to be addressed when setting the HRA Revenue Budget for 2024/25. An update to this position, and further detail on the HRA Revenue Budget and Capital Programme 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 2024/25. The likely position over the medium term is set out in the Medium-Term Financial Plan (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 2024/25 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 2024/25 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. Stronger, Fairer, Greener sets out the Council administration's policy agenda as agreed by Council in July 2022. The Council's Corporate Plan translates the administration's policy agenda into Well-being Objectives, with SMART 'steps' to outline what will be done and by when. This is to ensure that there is a clear view of what success looks like across the organisation and with relevant partners, supported by realistic plans and budgets, and with clear accountabilities, performance metrics and targets.
22. The Council's key financial strategy documents (encapsulated in this report and its annexes) are developed in tandem with the Corporate Plan, in accordance with [the Council's Policy and Delivery Framework](#). This ensures that resources are aligned behind the delivery of the Council's Wellbeing Objectives.
23. Appendix 1 sets out in greater detail how the Revenue Budget and Capital Programme support the delivery of the Council's Wellbeing Objectives and how the sustainable development principle, as defined by the Wellbeing of Future Generations Act (Wales) 2015 has been central to their development.

## Local Government Financial Settlement

24. 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 2023, the Provisional Settlement was not received until the 20<sup>th</sup> December 2023.
25. On 24<sup>th</sup> January 2024, the UK Government announced £600 million extra funding for English Local Authorities. On 7<sup>th</sup> February, the Minister for Finance and Local Government issued a statement on the resultant £25 million consequential funding for Wales ([Written Statement: Additional Funding for Local Government 2024-25](#)). It stated that this would be used to:
- Reverse a £10.6 million reduction to the Social Care Workforce Grant, that was announced in the Provisional Settlement.
  - Increase the Revenue Support Grant by £14.4 million.
26. The headlines of the 2024/25 Provisional Settlement, together with the impact of the consequential funding (indicative allocations have been provided by Welsh Government) are set out in the table below:

|                             | Provisional  | Plus Consequential |
|-----------------------------|--------------|--------------------|
| Wales Average AEF* increase | +3.1%        | +3.3%              |
| Range of AEF increases      | +2% to +4.7% | +2.3% to +5%       |
| Floor Protection**          | At 2%        | At 2.3%            |
| Cardiff                     | +4.1%        | +4.3%              |

\* *Aggregate External Finance*

\*\* *funded via additional £1.3 million funding at Provisional Settlement.*

27. In cash terms, Cardiff's initial 4.1% AEF increase equated to £25.353 million (including taxbase adjustments) and this increased to £26.972 million as a result of the consequential funding. Cardiff's above average settlement is largely due to distribution increases in respect of population and pupil numbers. These are partially offset by decreases in Cardiff's distribution for free school meals, tourism, and transport. Although Cardiff's AEF increase is slightly above average, it covers less than half of the pressures that the Local Authority faces in 2024/25.
28. Information on specific revenue grants that was included in the Provisional Settlement raised the following challenges:
- Information was only available at an All-Wales level with no detail on individual Authority allocations.
  - Grants totalling more than £25 million were yet to be confirmed, including the £16 million Sustainable Waste Management Grant.
  - Some indicative amounts for 2024/25 have subsequently been indicated to be incorrect.
  - Significant reductions were indicated in several key areas.

29. At an All-Wales level, specific grants (excluding those that are yet to be confirmed) will **decrease by £92.619 million** next financial year. Contributory factors include:

Grants totalling £51.677 million indicated to cease after the current year, including:

- **Teachers Pay (£21.267 million)** – Local Authorities were made aware that WG would not be continuing with this funding in recent months, and the associated pressure is reflected in Cardiff's budget gap for 2024/25.
- **FSM Holiday Provision (£8.958 million)** – this reflects the ending of the scheme that commenced during the Covid-19 pandemic.
- **Childcare Offer (£20 million)** – no longer being administered by Local Authorities.

Significant reductions to grants include:

- **Retail, Leisure and Hospitality Rates Relief Grant (£50.780 million)** - reflecting the decision to reduce the level of relief from 75% to 40%. Whilst classed as a Local Government grant stream, this should not have an impact on Council funding as the reduction in grant should be offset by increased NDR from the affected businesses, payable to the All Wales Pool.
- **Homelessness – No One Left Approach (£5 million / 33.33%)** from £15.0 million to £10.0 million. This implied that additional sums allocated for 2023/24 will not be continued in 2024/25. The £0.850 million estimated impact for Cardiff would be extremely difficult to manage given material demand increases in this area. Since the announcement of the Provisional Settlement, it has subsequently been advised that the published figure of £10.0 million for 2024/25 was incorrect and may be higher, although the exact figure is not yet confirmed.
- **Homelessness – Discretionary Homelessness Prevention (£6.5 million / 52%)**. The absence of individual authority allocations and additional in-year funding allocations for 2023/24, make it difficult to discern the impact on this stream. Based on the information included in the Provisional Settlement it was envisaged that Cardiff could receive £0.930 million less cash support in this area in 2024/25 compared with 2023/24. However, it has been advised that the published Provisional Settlement figure for 2024/25 was incorrect and may be higher, although the exact figure is not yet confirmed.
- **Communities for Work+ (£10.454 million / 38%)** – from £27.268 million to £16.834 million. This grant was previously part of Children and Communities Grant before becoming a standalone grant in 2023/24, at which point Cardiff's allocation increased from £1.031 million to £3.129 million. Whilst a level of reduction was anticipated for 2024/25, this was expected to be in the region of 11% (£0.330 million), rather than the potential 38% implied by indicative grant listings.

### Increases to Grants

- There are no material *increases* to grants for 2024/25

### Reversal of Indicative Grant Reductions since Provisional Settlement:

- **Social Service Workforce Grant** - the Provisional Settlement indicated that this grant would reduce from £45 million to £35 million in 2024/25, at an estimated impact of £1.1 million for Cardiff. However, as already noted, WG have now indicated that this grant will remain at its existing level for 2024/25 as a result of the additional consequential funding outlined in paragraph 25.
30. Several specific grants are expected to transfer into the RSG in 2024/25. It is understood that no specific grant transfers were made as part of the Provisional Settlement in order to provide greater visibility of any changes to grant levels before transfers take place. It has been indicated that all transfers will be included within the Final Local Government Settlement, and Local Authorities have been formally notified of transfer sums. Cardiff's transfers have been reflected in the AEF figures included within this report.
31. The picture in relation to specific grants is uncertain and complex, with challenges compounded by timing. Directorates affected by this uncertainty have needed to identify scope to manage grant reductions, and the potential need for any transitional support as part of the 2024/25 Budget, (including any costs arising from a reduction in grant funded posts). This has proven challenging based on incomplete grant information.
32. General Capital Funding (GCF) at an All-Wales level will be £180m for 2024/25, of which Cardiff's allocation is £18.188m, or just over 10%. GCF can be spent on capital expenditure of a Local Authority's own choosing and is not specific to a project or scheme. The allocation is made up of two elements - £9.215m of Cash Grant and £8.973m of Supported Borrowing approval. The capital financing costs of the latter being reimbursed as part of future years RSG.
33. There is no indication of Cardiff's GCF for 2025/26 or beyond. However, the current expectation is that it will fall to circa £15 million, as advised in previous indicative settlements - i.e. the current levels of GCF are assumed to be temporary.
34. Within the Provisional Settlement, there remains reference to a £20m Local Government De-Carbonisation allocation for 2023/24 and 2024/25. However, details of the allocation and approach for both years remain unclear. A list of specific capital grants for 2024/25 is identified on an all-Wales basis but as many of these will be on a bid basis, Cardiff-specific allocations are not yet known.

## **Final Local Government Financial Settlement - Timing**

35. The Final Local Government Settlement is expected to be published on the 27<sup>th</sup> February 2024, which is after the publication date of this Report. Any changes from the level of AEF assumed in this report are expected to be minimal and it is proposed that they are managed by a proportionate contribution to or from reserves. In order to effect any technical changes required as a result of Final Settlement, if 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 2024/25 Budget making the requisite changes for consideration by Council on 7<sup>th</sup> March 2024.

## **Teachers Pensions Contributions**

36. Employer's Contributions to the Teachers' Pension Scheme are due to increase significantly from 1<sup>st</sup> April 2024 following the most recent fund valuation, and changes to the SCAPE (Superannuation Contributions Adjusted for Past Experience) rate. Clear indications are that the UK Government will fund this issue (with a resultant Wales consequential). The Minister for Finance and Local Government has confirmed that all funding received by Welsh Government will be passported to Local Authorities, but this was not included in the Provisional Settlement. The WG minister further indicated that she would press the UK Treasury on the matter, but confirmation is unlikely to be received before the end of the 2023/24 financial year. The pressure, (which is equivalent to five percentage point on pensionable pay) is estimated at between 6 million and £7 million for Cardiff Council.
37. Consistent with the treatment to date, the 2024/25 Budget Proposal reflects a net nil position in respect of this issue; it is assumed that the requisite expenditure budget will be offset by specific grant income. The issue is therefore considered to be one of timing. Once received, funding will be fully allocated to schools but until that time the increased rate of pensions will become payable from 1<sup>st</sup> April 2024. Should confirmation be received that no or limited funding will be available, then it is proposed that an urgent report is made to Council in respect of any budget policy framework requirements. This will include consideration of funding options and the impact of any in year requirements on both schools and wider council services. Members will continue to be updated on the position and subject to the funding agreement being received, the Council's July 2024 Budget Update Report will provide the next formal update on this issue.

## **South Wales Fire & Rescue Service Levy**

38. The fire-fighters' pension scheme is an unfunded public service pension scheme. Like the Teachers' Pension Scheme, the most recent fund valuation, and notably the impact of changes to the SCAPE rate, mean

that significant increases in employer's superannuation contributions will take effect from 1<sup>st</sup> April 2024. These increases are expected to be funded by UK Government, with resultant consequential funding for Wales.

39. Specific grant funding in respect of this issue, is expected to be payable to Local Authorities (rather than directly to the SWFRS) and levies have been issued on this basis. In budgetary terms, Cardiff's total increase in fire levy compared with 2023/24 is £1.943 million. Of this £0.306 million is estimated to be attributable to increased pensions costs and it is therefore assumed that this will be met from specific grant, (although this may not be confirmed before the end of the 2023/24 financial year). It is proposed that in the event of no, or limited grant funding being available, the budgeted income stream will instead be met by a draw down from Strategic Budget Reserve. This differs to the proposed treatment for TPS outlined at paragraph 37 above, because the sum in question is much less.

### Revenue Budget 2024/25

40. A summary of the 2024/25 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>806,474</b> |
| Pay Inflation                             | 7,671          |
| Price Inflation                           | 12,574         |
| Commitments (including Capital Financing) | 5,292          |
| Realignments                              | 12,421         |
| Demographic Pressures                     | 6,773          |
| Schools Pressures                         | 12,804         |
| <b>Sub Total - Cost Pressures 2024/25</b> | <b>57,535</b>  |
| <b>Resources Required</b>                 | <b>864,009</b> |

| <b>Resources Available</b>                                 | <b>£000</b>    |
|--|----------------|
| Aggregate External Finance                                 | 623,158        |
| Council Tax (2024/25 Tax Base at 2023/24 Council Tax Rate) | 210,024        |
| Earmarked Reserves   | 500            |
| <b>Resources Available</b>                                 | <b>833,682</b> |

41. The difference between resources required and resources available is £30.327 million. The strategy to close this gap is set out below:

| <b>Strategy to address Budget Gap</b>                          | <b>£000</b>   |
|--|---------------|
| Efficiency & Income Savings                                    | 10,470        |
| Corporate Savings & Measures including further use of Reserves | 5,386         |
| Service Change Proposals                                       | 4,052         |
| A 6% Council Tax Increase (net effect after impact on CTRS)    | 10,419        |
| <b>TOTAL</b>   | <b>30,327</b> |

42. After reflecting the relevant aspects of Budget Strategy set out in the above table, the net cash limit for 2024/25 is £849.284 million as summarised below:

|  | <b>£000</b>    |
|--|----------------|
| Base Budget Brought Forward                        | 806,474        |
| Pressures  | 57,535         |
| Savings  | (16,908)       |
| Impact on CTRS Budget of 6.0% council tax increase | 2,183          |
| <b>Net Budgeted Expenditure 2024/25</b>            | <b>849,284</b> |

| <b>Funded by:</b>   | <b>£000</b>    |
|---|----------------|
| Aggregate External Finance (including anticipated grant transfer) | 623,158        |
| Council Tax (2024/25 Tax Base at <b>2024/25</b> Council Tax Rate) | 222,626        |
| Earmarked Reserves  | 3,500          |
| <b>Budget Funding 2024/25</b>                                     | <b>849,284</b> |

## Resources Required

43. The first table in paragraph 40 highlights that costs are expected to increase by £57.535 million next year. Further information on cost increases is set out below:

### Pay Award (7.671 million)

- 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 2024/25. As it is not possible to pre-empt this process, estimates are based on a flat rate award of £1,250 on all spinal points. The assumption of a flat rate award (which weights percentage increases to the bottom of the pay scale) is in line with the approach agreed for pay awards for the last two years (£1,925 in each of the years 2022/23 and 2023/24). In **average** terms, a flat rate assumption of £1,250, is broadly equivalent to 3.8% for non-schools staff.

### Price Inflation (£12.574 million)

This sum includes inflation in the following areas:

- **Commissioned Social Care Costs** – reflecting estimated uplifts to the fees paid for commissioned care. Fee setting for Adult Services is informed by the December 2023 Cabinet Report, Review of Care Home Market for Older People and the Approach to Fee Setting for Care and Support Services for 2024/25. Proposed fee uplifts consider the requirement to continue to pay the Real Living Wage (RLW) to registered carers, as well as forecast CPI levels. Resultant percentage uplift proposals are significantly more than the level of the Council's percentage funding increase from Welsh Government.
- **Energy inflation** – based on most recent indicative pricing under the Council's energy purchasing arrangements, prices are expected to decrease by 12%-17% in 2024/25 (following a significant price increase in 2023/24). The impact of this across non-school buildings and street lighting is expected to be £1.400 million. Further price decreases, potentially in the region of 14% - 16% are anticipated for 2025/26. In recognition of this, the budget includes £0.5 million support from energy reserve, as it is anticipated that the fall out of this one-off funding in 2025/26 will be mitigated by further price reductions.
- **Fire Levy** – the Council is anticipating a £1.943 million increase in the levy payable to SWFRS in 2024/25. This represents a 9.2% increase on the current levy, and includes the pensions related issue of £306,000 set out in paragraphs 38-39.
- **Other** – areas include Home to School Transport, fuel costs associated with the Council's vehicle fleet, Out of County Education placements, ICT services and the Council's contribution to the South Wales Coroner Service.

### Realignments (£12.574 million)

The realignment sum reflects demand and inflationary pressure inherent in the 2023/24 budget monitoring position. It includes £7.935 million for Children's Services, £4.050 million for Adult Services, £1.400 million for Home to School Transport and £1.100 million for Out of County Education. There are offsetting downwards realignments on the Council Tax Reduction Contingency Budget (reflective of current demand) and office accommodation budgets.

### Commitments and Capital Financing - £5.292 million

This sum includes planned increases in capital financing sums required in 2024/25 in support of the Capital Programme. It also includes sums related to bridge inspections (£0.250 million), to support maintenance of the public realm (£0.125 million), and a contribution to the Shared

Regulatory Service related to pay pressure (£0.145 million). It also includes Revenues collection costs linked to collection of Council Tax Premia.

Demographic Pressures (£6.773 million)

This sum includes £3.373 million for Adult Social Services, £1.800 million for Children’s Services, £0.750 million for Out of County Education Provision, and £0.850 million for Home to School Transport.

Schools Pressures (£12.804 million)

44. The Budget includes £12.804 million for Delegated Schools budgets next year. In percentage terms, this is a 4.3% net increase and is equivalent to the AEF increase that the Council will receive from Welsh Government for 2024/25. The £12.804 million includes the estimated impact of 2024/25 pay awards for both teaching and support staff. It recognises that the impact of the 2023/24 NJC pay award for schools was higher than budgeted, and that WG funding previously provided in respect of an element of the September 2022 Teachers Pay award will not continue into 2024/25. It reflects anticipated increases to NDR costs, an indicative reduction in energy costs (following significant increases in 2023/24), and the impact of pupil number projections. The £12.804 million does not include any funding for Teachers Pension increases (as set out at paragraphs 36-37), and 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.

**Efficiency Savings**

45. The 2024/25 Budget is predicated on the delivery of £10.470 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 £10.470 million reflect savings across all non-schools directorates.

| <b>Nature of Saving</b>                         | <b>£000</b>   |
|---|---------------|
| Review of staffing arrangements                 | 6,137         |
| Reductions in external spend and premises costs | 2,615         |
| Increase in income and grant maximisation       | 1,718         |
| <b>TOTAL</b>                                    | <b>10,470</b> |

46. 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 external spend – including the 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-funding to continue development of key services in Communities and Education.

### **Corporate Savings and Measures**

47. The strategy to balance the 2024/25 Budget includes £5.386 million of Corporate Savings and measures. As well as a further £3.000 million use of reserves (over and above the baseline assumption of £0.500 million), this includes:
- Removal of the Council's £1.000 million General Contingency Budget
  - A £0.500 million reduction to the Adult Services specific contingency budget (from £2.000 million to £1.500 million)
  - A £0.150 million reduction to the Children's Services specific contingency budget (from £2.150 million to £2.000 million)
  - £0.736 million cross-cutting savings, including in relation to car allowances, furniture, mobile phone, postage & hybrid mail costs, and early repayment of invest to save schemes.
48. The reductions to contingency are considered further in the section of the report on financial resilience.

### **Service Change Savings**

49. The 2024/25 Budget includes £4.052 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. Some proposals, whilst internally facing, go beyond what can be classed as efficiency savings when taken together with proposals already put forward as part of the £10.470 million above and are therefore included on the service change list.
50. Cabinet have fully considered the outcomes of the consultation exercises undertaken and the service change proposals included in the Budget are consistent with consultation findings. Appendix 2 summarises consultation responses alongside respective savings. Cabinet is proposing not to take forward some of the savings options that were consulted upon at this time. These include proposals totalling £1.019 million in relation to ward-based cleaning and focussed placement of public bins. In addition, other proposals will be taken forward, but at a lower level to that consulted upon. These include proposals in relation to Community Park Rangers, Community Hubs, Local Action Teams and proposed increases to some fees and charges. Further details are included in paragraph 73.

## **Equalities Impact Assessment of Savings Proposals**

51. All relevant budget proposals have been subject to a full Equality Impact Assessment (EqIA), the findings of which have informed the Council's consultation and engagement activity, thereby ensuring that the voice of those disproportionately impacted by any changes is heard in the budget setting process. Impact Assessments will be updated to consider the findings of the consultation and engagement activity, with mitigating actions identified.
52. The relevant budget proposals have been subject to a full Equality Impact (EqIA) and are available as background papers. The budget setting process includes arrangements to ensure that, if an EqIA is required, this requirement is recorded and the EqIA is completed as early as possible in the budget setting process. Provisions are also in place to ensure corporate oversight of compliance, allowing the Council to satisfy itself that when an EqIA has been identified as necessary that it has been completed.
53. Each completed EqIA identifies if any of the Council's budget proposals have a disproportionate impact on any of the protected characteristics. This informs the Council's Budget Consultation and allows the Council to establish arrangements to involve those identified as being disproportionately impacted. As part of this process, it was identified that 19 proposals impacted on age, 17 on disability, one on Belief and Non-Belief, one on gender reassignment, one on marriage and civil partnership, one on sex, and one on sexual orientation.
54. The Council engage directly with the groups identified as being disproportionately impacted. For example, where an EqIA identified the budget proposals disproportionately impacted people with a disability, a meeting of the Access Forum was convened on 12 February 2024 to engage with people with a disability, advocacy groups and representative organisations. Similarly, where an EqIA identified that budget proposals disproportionately impacted Older People, a meeting of the Older Person's Forum was convened on 13 February 2024 to involve those impacted by the proposals. The relevant EqIAs were then updated with the outcomes of the engagement work.
55. The Council's budget consultation, as set out in paragraphs 73-74, included over 9,000 responses, with the results broken down by demographic group and income quintile. This allowed the Council to have due regard for the views of different groups of people across the city. Again, the relevant EqIAs were updated to reflect the outcome of the Budget Consultation.

## **Employee Implications of the 2024/25 Revenue Budget**

56. 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. Posts are expressed in full time equivalents (FTE).

| <b>Employee Implications of Budget</b> | <b>FTE</b>    |
|--|---------------|
| Voluntary Redundancy                   | 25.55         |
| Vacant Posts                           | 89.75         |
| Retirement / Flexi Retirement          | 1.05          |
| TBC / Redeployment                     | 62.10         |
| <b>Total FTE posts deleted</b>         | <b>178.45</b> |
|  |               |
| Total FTE posts created                | (16.30)       |
| <b>Net FTE Reduction</b>               | <b>162.15</b> |

57. Between 2012/13 and 2024/25, budget proposals resulted in the reduction of over 1,900 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 in a number of years, in which there was a net FTE increase (58.3) associated with budget proposals. However, the 2023/24 Budget saw a return to a net reduction position (-172.9), and the 2024/25 Budget has seen a sustained level of reductions (-162.15).

### **Financial Resilience Mechanism**

58. The Council currently has a £2.0 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.
59. In 2023/24 the FRM was reduced by £1.8 million (from £3.8 million to £2.0 million.) The reduction was specifically linked to minimising the impact of energy price increases considered likely to be temporary in nature. The 2023/24 Budget Report noted an intention to reinstate the FRM over the medium term if energy prices decreased. However, despite the energy price reductions incorporated into the Budget for 2024/25, the FRM has been retained at the lower level of £2.0 million to avoid adding to the already extremely challenging Budget Gap for 2024/25.
60. For 2024/25, £1.0 million of the £2.0 million Financial Resilience Mechanism will be required to manage timing issues linked to the delivery of the £16.908 million savings included in the 2024/25 Budget. The remaining £1.0 million will be used to provide one-off support to the areas set out in the table below:

| <b>£1 million FRM support for 2024/25</b> |  | <b>£000</b>  |
|---|--|--------------|
| Schools                                   | An intervention fund to support addressing in year demand challenges and to pump prime agreed efficiency programmes.   | 600          |
| Cardiff Commitment                        | High impact activities for young people, including further development of Careers and Work-Related Experiences, and progression pathways for our most vulnerable groups.                       | 200          |
| Waste Strategy                            | Funding to support the changes required in delivering the Waste Strategy for the city.   | 150          |
| Sport Development Grant Scheme            | A continuation of the focus towards supporting the transfer of Council facilities to local sporting clubs by providing funding to ensure facilities meet statutory compliance before transfer. | 50           |
| <b>TOTAL</b>                              |  | <b>1,000</b> |

### **Council Tax and Precepts**

61. As indicated at paragraph 41 above, the proposed Council Tax increase to support delivery of the 2024/25 Revenue Budget Strategy is 6.0%, which generates net additional income of £10.419 million. Combined with savings and corporate measures totalling £19.908 million this will help to bridge the 2024/25 Budget Gap. The increase, which is higher than previously modelled, will enable some of the Council's key services to be protected. 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**

62. It is proposed that the approach to the Council Tax Reduction Scheme (CTRS) should remain unchanged for 2024/25. 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 6.0% Council Tax increase.

## Directorate Implications of the Budget

63. The information detailed in previous sections outlines the Council-wide position in respect of the 2024/25 Revenue Budget. Appendix 3 sets out the resultant changes to individual directorate budgets between 2023/24 and 2024/25. 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.
64. Delegated schools' budgets will increase by £12.804 million (4.3%) in 2024/25. This increase is equivalent in percentage terms to the Council's increase in funding settlement from Welsh Government. Further information with regards this increase was set out at paragraph 44. Retained Education budgets will also increase by £4.117 million (8.58%) in 2024/25. This largely reflects a combination of inflation and demand pressure in Home-to-School Transport and on Out of County budgets.
65. After contributing savings of £4.048 million, the budget for Social Services will increase by a total of £26.271 million (11.1%) in 2024/25. This comprises £15.520 million (10.41%) for Adult Services and £10.751 million (12.16%) 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 2024/25 Budget includes a £3.500 million Social Services contingency. In percentage terms, this is just over 1%, and is a reduction on the current level of contingency.
66. Movement in other net directorate budgets is indicated in Appendix 3. Changes include:
- Corporate Management - a net increase of £1.617 million (5.5%). This is largely a result of the increase in SWFRS levy as outlined in paragraph 38-39.
  - Economic Development - a net decrease of £1.969 million (17.0%). This reflects savings proposals as well as downward budget realignments linked to decreasing energy prices and office accommodation costs.
  - Planning, Transport and Environment - a net decrease of £2.409 million (23.2%). This is primarily due to savings in this area, together with a downward budget realignment linked to lower indicative energy prices for street lighting in 2024/25.
  - Recycling & Neighbourhood Services - a net increase of £0.830 million (2.0%). This is largely due to budgetary realignments in this area, and the fact that some savings proposals for this directorate were not taken forward following consultation.
  - Resources - a net decrease of £0.078 million (0.4%). This is a combination of pay pressures, ICT inflation, and additional

resources to facilitate the collection of council tax premia. These pressures are offset by £1.844 million savings.

- Governance and Legal Services - a net increase of £0.514 million (6.8%). This reflects pay pressures (officer and member remuneration) and a budgetary realignment in respect of workforce costs.
- Housing & Communities - a net decrease of £1.198 million (2.4%), largely reflecting savings proposals in this area.
- Performance and Partnerships – a net decrease of £0.219 million (7.06%). This is largely due to savings and the maximisation of income and other funding streams available in this area.

## **Fees and Charges**

67. The Council generates income from sales, fees, and charges. There are many reasons why Local Authorities charge for services. These range from protecting the sustainability of services, addressing behaviour (e.g. fines), providing services the market doesn't supply, and managing demand by placing a value on services. In recognition that the factors affecting income generation are multi-faceted, the Budget does not include a blanket uplift to fees and charges in line with inflation. Instead, fees & charges for 2024/25 have been developed in line with the Council's Income Generation Framework, which was considered as part of the July 2023 Budget Update to Cabinet. Given the scale of the Budget Gap, the framework emphasises the importance of maximising income streams where possible, subject to any identified risks or policy considerations. Resultant fees and charges proposals for 2024/25 are set out in Appendix 4.

68. 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.

## **Consultation and Engagement**

69. 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 2024/25 Budget took place with the following stakeholder groups.

| <b>Consultee Group</b> | <b>Nature of Consultation / Engagement</b>   |
|------------------------|--|
| Scrutiny Committees    | Budget briefings took place during late Feb/ early March 2024. Responses received from Scrutiny Committees will be tabled and considered as part of the Cabinet meeting (to be included as Appendix 5c)  |
| 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 several 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 5c) |

### Ask Cardiff

70. Consultation on the 2024/25 budget commenced with the 'Ask Cardiff' survey which generated 3,187 responses across the city. It asked citizens to identify their budgetary priorities for both 2024/25 and the longer term. The table below sets out the rank order of priorities. Longer term priorities were broadly consistent with short-term priorities with the exception of the reversal of priorities 9 and 10.

| <b>Budgetary Priority</b>   | <b>Short-Term</b> | <b>Long-Term</b> |
|---|-------------------|------------------|
| Schools and Education including Youth Services.   | 1                 | 1                |
| Supporting vulnerable children and families   | 2                 | 2                |
| Supporting vulnerable adults and older people   | 3                 | 3                |
| Recycling and Waste Services including collections, disposal and Recycling Centres                                    | 4                 | 4                |
| Housing and homelessness services   | 5                 | 5                |
| Highways and Transport  | 6                 | 6                |
| Neighbourhood Services such as street cleansing   | 7                 | 7                |
| Major projects including infrastructure to support businesses, local economy, city centre and local community centres | 8                 | 8                |
| Libraries and Community Hubs  | 9                 | 10               |
| Parks and Sport   | 10                | 9                |
| Delivery of the One Planet Cardiff Strategy   | 11                | 11               |
| Culture, Venues and Events  | 12                | 12               |

71. Schools and Education and supporting vulnerable children and adults were identified as the top three priorities for both the short and long term. The 2024/25 Revenue Budget is aligned with these priorities with a net increase of 11.1% for Social Services (10.4 % Adult Services and 12.2% Children's Services), 8.6% for retained Education budgets and 4.3% for Schools. The fourth highest priority, Recycling and Waste Services, is one of very few directorates that will not see a net budget reduction for 2024/25.

72. The Capital Programme also includes support for the top priorities identified above at a time where financial affordability is challenged. Included in the programme are additional sums to improve the Council's existing school estate plus an additional contribution in the medium term to ensure that the Band B School Programme can continue its momentum. There continues to be a focus for the Council to deliver against the Right Home, Right Support Strategy, and respite accommodation for children and adults, with a focus on securing external grant funding, such as Housing with Care, to support objectives. The capital programme also includes additional 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. Having considered future costs and the funding strategy required, further business case development will continue and be completed in 2024/25 to bring forward the next iteration of the school build programme.

### City-wide Budget Consultation

73. The priorities identified in Ask Cardiff helped to shape the 2024/25 City-wide budget consultation that ran between 8<sup>th</sup> January 2024 and 4<sup>th</sup> February 2024. Key points in relation to the city-wide consultation are that:

- The consultation document was available for online completion on the Council's website, and hard copies were available in community venues including Hubs and Libraries.
- Multi-lingual posters were placed in community buildings, with a QR code linking to the Budget page of the Council website.
- There was a co-ordinated social media and press campaign to ensure city-wide engagement.
- Links to the consultation were available on the Council's corporate social media accounts, with posts targeting localised community groups across the city, and targeted advertising aimed at groups with typically lower response rates.
- Links to the survey were also shared with community groups, such as faith groups and community councils, and partners, including members of the Public Service Board to share with their contacts.
- As well as being available in English and Welsh, the survey was translated into Arabic, Polish and Bengali, the largest minority languages in Cardiff.
- A version of the survey designed to work with screen readers was available for people who are visually impaired.
- The consultation was promoted to Council staff via the intranet and Staff Information alerts via email and the Working for Cardiff App. It was also shared with partner organisations for distribution.
- The improved engagement practices set out in the draft Participation Strategy were adopted, with a focus on engaging with organisations who work with seldom heard voices.
- A dedicated team undertook face-to-face engagement with seldom heard groups to encourage participation with the consultation

process, either by completing the survey, or taking part in qualitative face-to-face interviews.

74. The consultation received 9,001 responses and 103 completed Child Friendly City versions. Further detail on the responses received is set out in Appendix 5a. As far as is possible in the challenging financial situation, the proposals included in the 2024/25 Budget are consistent with the outcomes of city-wide consultation as summarised in Appendix 5b.

## **Reserves**

75. 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.
76. 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.
77. After considering the above, Cabinet proposes to release a total of £3.500 million from earmarked reserves in support of budget commitments in 2024/25. Of this sum, £0.5 million is specifically linked to further energy price decreases anticipated in 2025/26 which will offset the fall-out of a one-off funding source. The remaining £3.0 million can be accommodated from the Council's Strategic Budget Reserve, which is set aside to support financial resilience and help manage budget reduction requirements.
78. Appendix 6 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 2022/23 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 2024/25 Budget.
79. 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 6.

80. 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.
81. As at 31<sup>st</sup> March 2023, net school balances stood at a total surplus of £21.450 million, representing a significant reduction of £10.576 million on the previous year's figure (£32.026 million). Schools considered their individual balances in conjunction with their 2023/24 school budget formula, grants receivable and income able to be generated. The individual plans resulted in a likely cumulative surplus balance by 31<sup>st</sup> March 2024 of circa £5.000 million. This reflected significant pay and inflation pressures as well as the increased complexity of education challenges, not least in Additional Learning needs, as well as changes in curriculum. In preparing 2023/24 budgets, 39 schools applied for and agreed deficit budget balances for the year 2023/24 with agreement to work in partnership to ensure recovery plans are in place, monitored regularly, within agreed timescales and specific to each school's situation.
82. Individual Schools have a responsibility to set a balanced budget and that remains the expectation and requirement. However, the financial pressures are such that it is very likely that in the short term the overall balances of schools will be an aggregated deficit for 2024/25. This will be through a combination of the need for redundancy costs to be incurred in 2024/25 that will deliver savings in the short and medium term, and the pressures of balancing individual school budgets whilst delivering educational outcomes. This overall deficit balance for schools will need to be carefully managed in order to ensure that there is no knock-on impact on the Council's financial resilience. It is therefore of paramount importance that all agreed deficit recovery plans are deliverable within the timescale set for each school.
83. In considering the adequacy of the projected level of reserves to 31<sup>st</sup> March 2025, assurance work has been undertaken in respect to the likely timescales for the drawdown requirement of earmarked reserves. Some earmarked reserves are not actually required until 2029/30 and there is an opportunity to make temporary use of those reserves on the pretext that the reserves will be made available again in the future. It is within this context, that the potential carrying of negative school balances for the next two to three years should be considered. This will assist in heightening the level of assurance that the Section 151 Officer should have that any deficits granted to individual schools will be repaid within three years, with the majority being repaid earlier than that.

84. The Section 151 Officer has considered the Corporate and Directorate risk registers, 2023/24 budget monitoring forecast and the 2024/25 Budget, including the reduced level of contingency budgets, and is satisfied that the projected level of reserves remains adequate to 31<sup>st</sup> March 2024. However, the use and level of earmarked reserves will require careful management alongside heightened review processes over the next financial year.

## Financial Resilience

85. 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 7a 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.
86. 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:
- **2023/24 Projected Outturn at Month 9** – The overall monitoring position, as at Month 9, reflects a total projected net annual Council overspend of £2.732 million. This is an improvement on the £5.388 million overspend reported in Month 6. There are several contributory factors to the projected overspend, including sustained demand and price pressure in Children's Services, income shortfalls within Economic Development, and pressure on Out of County Education placements, Home to School Transport and Schools Catering. Where issues relate to statutory services, overspends have been addressed in setting the 2024/25 Budget to mitigate any ongoing risk to the Council's financial resilience.
  - **External Income Analysis** – the analysis shows a further reduction in specific grants in 2023/24. A number of grants that were awarded to provide support during the pandemic and economic recovery post-pandemic have ceased, along with several sizeable reductions in other grants, and the Childcare

Offer which has subsequently been taken back to be administered centrally by Welsh Government. These reductions have been offset to a degree by the continued rollout of grant in support of Universal Primary Free School Meals (UPFSM) and the temporary grant in respect of Rates Relief for the Leisure, Retail and Hospitality Sectors. Fees and Charges income continues to show a mixed post-pandemic picture across income generating directorates. The cost base associated with these income streams has increased once more year-on-year because of inflation levels, which have only recently begun to recede. Higher risk areas were a key area of focus when setting fees and charges for 2024/25 to mitigate ongoing impact. Income will remain a key area to review in terms of resilience during the coming year and across the medium term.

- **Specific Base-funded contingencies** - to ensure there is a resilience cover against areas that can be unpredictable or volatile, the 2024/25 budget proposals include specific contingencies. These reflect:
  - The difficulty in modelling potential increases in the number and complexity of Looked After Children Placements (£2.000 million – reduced from £2.150 million.)
  - The difficulty in modelling demand in Adult Services (£1.500 million – reduced from £2.000 million)
  - Market volatility in respect of recycling materials (£0.350 million).
- **General Contingency** - the 2024/25 Budget reflects removal of the Councils £1.000 million General Contingency Budget. In the past, this was specifically held to protect the Council against late or under-delivered savings, or emerging areas of in-year pressure. Given the size of the budget gap for 2024/25, to minimise any further impact on front line services, or on the level of Council Tax, the contingency has been removed. Whilst this presents a level of risk to the Council's financial resilience moving forward, (particularly given increased saving requirements), the decision is considered reasonable in light of specific contingencies remaining available (albeit at a reduced level) for the most volatile areas of demand, and the degree of resilience currently available in earmarked reserves. Robust budget monitoring from the outset of the financial year will be more crucial than ever in 2024/25, to ensure that early corrective action can be taken where required.

87. Appendix 7 (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

88. The Council's MTFP for the period 2025/26 – 2028/29 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.

| Financial Year | £000           |
|----------------|----------------|
| 2025/26        | 44,317         |
| 2026/27        | 40,402         |
| 2027/28        | 33,171         |
| 2028/29        | 24,454         |
| <b>Total</b>   | <b>142,344</b> |

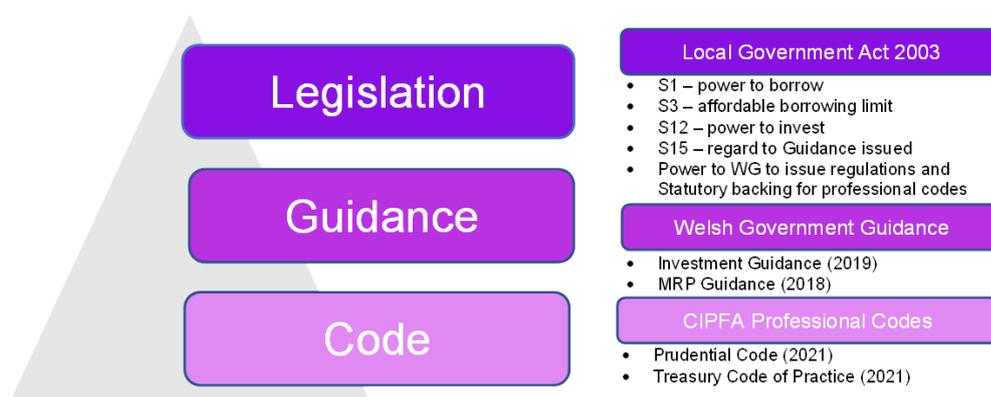
89. The above is a baseline position and Annex 1 contains further information on sensitivity analysis regarding key variables and sets out some specific but currently unquantifiable risks over the medium term. There would be an expectation of an accompanying funding stream in relation to the majority of these, but this is not a guarantee.
90. 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:
- Review of budget-setting timescales and decision points, with a likely need for earlier decisions in order to be able to successfully deliver savings at the levels required.
  - Target efficiencies, including baseline efficiencies for *all* services.
  - Review income streams and maximise income generation where possible subject to considerations of risk and policy.
  - Consider the level at which it is affordable to continue to subsidise services of a more discretionary nature.
  - Capture the full financial benefit of the early intervention and preventative work ongoing across the Authority, in order to manage the pattern of future demand for Council services.
  - Identify opportunities to work across directorates and in partnership with other organisations.
  - Target productivity savings to ensure that optimum value for money is achieved within scarce resources, including making best use of digital technology.
  - Identify targeted capital investment and asset rationalisation that delivers immediate revenue savings.
91. Work on developing a fully defined set of proposals for the medium term, and in particular for 2025/26, will commence following approval of the 2024/25 Budget.

## Ring-fenced Accounts

92. 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.
93. Annex 2 contains key budgetary information in respect of the HRA including:
- The proposed HRA budget for 2024/25
  - The HRA Medium Term Financial Plan
  - The HRA Capital Programme
  - The Council's Rent Policy for 2024/25, including details of tenant consultation (this was approved in December 2023)
  - The Annual Assessment of Affordability of rents as required under the terms of WG's Rent Policy
  - Key Assumptions, Risks and Uncertainties
94. The Civil Parking Enforcement Account is another ring-fenced area of the Council's accounts with budgetary information in respect of this set out in Appendix 8.

## Capital Strategy and Treasury Management Strategy 2024/25

95. 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.



96. 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 9 provides a guide to the indicators and their meaning.

97. It should be noted that following a review of the 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 2024/25

98. The Council's Capital Strategy along with the detailed capital investment programme for 2024/25 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.

99. 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.

100. 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 2024/25 to 2028/29.

- **Funding the strategy and investment programme** - the Capital Resources assumed to be used to fund the 2024/25 to 2028/29 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 2024/25**

101. 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 2024/25 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 2024/25, subject to business case.
  - the HRA programme, with a focus on maintaining investment to support the Welsh Housing Quality Standards, high rise cladding and further investment proposals in new Council homes to meet the demand for good quality, affordable social housing.
102. New capital investment paid for primarily from additional borrowing is focussed on improving existing assets and has been allocated to the following areas:
- To manage initial demand for disabled adaptations pending a review of the criteria and factors resulting in additional pressures.
  - Investment in existing schools' buildings towards priority condition works and to continue to address the maintenance backlog.
  - A further contribution to the 21<sup>st</sup> Century Schools Financial Model to allow rationalisation and redevelopment of additional sites as part of the Band B financial model.
  - To undertake refurbishment and energy efficiency improvements on Council assets that include Pentwyn Leisure Centre, Central Market and schools as part of the Refit 4 programme.
  - Additional Housing Revenue Account investment over the medium term to expand the level of Council owned social housing to meet the

## housing emergency and the next phase of the Housing Partnership Programme

103. The Capital Programme proposed for 2024/25 is based on known commitments. A number of initiatives remain 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.
104. There are, however, significant projects covering schools, transport, environmental and property initiatives that may have short, medium and long-term financial implications and will require consideration of alternative funding approaches. These include renewable energy projects, Coastal and flood risk alleviation, future school projects and core office requirements and will likely be considered during 2024/25 by Cabinet. And feed into Capital Programme development of 2025/26.
105. 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 requiring Cabinet or Officer decision approval of business cases, as relevant.
106. 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 delivery stage and post project implementation on a continuing basis should be embedded in processes to ensure risks and performance is continually assessed.

### Arena – Budget Report Update (January 2024)

107. A preferred Developer/Operator consortium to build and operate the Arena was approved by Cabinet in November 2020, followed by Cabinet approval of the Final Business Case for the Arena in September 2021. A Planning Application for a new Indoor Arena and Hotel was granted in March 2022, with Cabinet subsequently approving the revised Indoor Arena Funding Strategy (November 2023) and entry into the Development and Funding Agreement (DFA) in July 2023, effectively giving final sign off for the Authority to enter into contracts to deliver the new Indoor Arena.

108. Given the significance of the Arena project to the Authority, a specific report on Arena Funding Strategy was presented to and approved by Cabinet in November 2023. This report set out the capital expenditure requirements, revenue budget impacts, treasury management and financial policy implications of the project, highlighting the proposed approach and principles to manage finance resilience and risk as part of a sustainable budget framework. This included:
- Using the existing revenue base budgets and pre-planned revenue budget increases in future years to fund financing costs of capital expenditure in short-medium term;
  - Usage of the current Central Enterprise Zone Reserve in 2024/25 to reduce the level of capital expenditure to be paid for by borrowing.
  - Re-purposing part of the Treasury Management earmarked reserve as an Arena Contingency Fund to meet any cashflow variations against the financial model forecasts of the Arena and Enabling Works (including multi-storey car park).
109. The revenue financing costs of capital expenditure will in the short to medium term be funded by the Arena affordability envelope, as set out within the Arena Funding Strategy report approved by Cabinet in November 2023. An existing revenue budget of £1.500 million is currently in place and has been sufficient to cover all revenue costs to date. This budget will be increased by a further £1.000 million planned for 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, with this base budget to be utilised to cover initial debt repayments and interest costs in the medium-term to assist in smoothing cashflows in the early years of the project to deliver the Arena and unlock associated benefits in the longer term, both financial and non-financial. Whilst these budgets will assist the Council in dealing with short-medium term cashflow issues, it is expected the Indoor Arena and enabling developments will become self-financing and sustainable in the long-term, with these budgets able to be removed or reallocated when Arena costs and income equalise.
110. 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.
111. As part of the Cabinet approval of the Arena Funding Strategy in November 2023, it was agreed that the Council should look to constrain any future borrowing or further Council investment resulting in additional risk exposure on other Major Projects in the medium term (excluding where prior agreement has been given) to balance out the risks identified on the priority Indoor Arena project. On this basis, the Council intends to

avoid increasing its borrowing levels or increase risk exposure by focussing more on developer led solutions for Major Projects going forward, of which the following paragraph sets out in more detail.

#### Other Major Development Projects

112. The 2024/25 Capital Programme currently includes financial provisions 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. An update was provided to Cabinet in July 2023 outlining that financial challenges relating to rising interest rates and construction inflation meant the business case for investment in the leisure attractions has not been concluded and will be delayed whilst the Council continues to review the leisure proposals to ensure they are affordable. 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) and proposals (approved by Cabinet in July 2023) will remain critical to the achievement of objectives. Any delays or loss of value of proposed disposals will directly impact the Council's ability to recover initial capital outlay on land acquisitions and subsequently any funding available to deliver proposed capital schemes at ISV, as well as effecting revenue costs required to hold the site.
113. The Council is considering a number of major projects including the regeneration of Atlantic Wharf. Schemes such as this will remain subject to robust business cases being considered by Cabinet in due course, although at this stage this is not currently included within the 2024/25 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.
114. A report to Cabinet in June 2023 set out an outline business case for a Core Office Strategy and future options for core office accommodation as well as seeking authorisation to progress to a Full Business Case (FBC) for the preferred option. In July 2023, Cabinet received an updated masterplan vision for the whole Atlantic Wharf site including the existing County Hall site. At the same July meeting, Cabinet agreed to the development of a business case for the existing County Hall site, now also known as Area A, and approved a procurement strategy for the site consisting of 5 development areas including new offices and revised highways infrastructure.
115. Works have been undertaken at County Hall during 2023/24 to consolidate existing Council services to the East and North wings of the building. This is considered to have reduced the currently occupied County Hall footprint and is expected to generate savings to help offset energy costs.
116. In addition, City Hall was closed in November 2023 in order to carry out urgent maintenance work, including installation of a new heating system.

Ongoing works may be required in 2024/25 and future years but this is subject to a future decision and approval of a Full Business Case which is currently planned for Summer 2024.

### **Treasury Management Strategy 2024/25**

117. The Treasury Management Strategy is included at Annex 4 and covers the following areas:
- Highlighting the borrowing levels to finance the cash requirements arising from the Council's proposed Capital Programme, and
  - Treasury investments and determining how short-term cash flows will be safely managed to meet the Council's financial commitments and objectives.
118. 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 2024/25 to 2028/29 based on the proposed Capital Programme.
  - Investment policy and strategy, including security and investments approved for use.
  - The Treasury Function.
119. 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.

### **Budgetary Framework**

120. 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 expenditure. The Council's Financial Procedure Rules also allow virements within directorate budgets.
121. 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 a result of management and organisational changes within the Council.

122. 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**

123. To enable Cabinet to recommend to Council approval of:
- The Revenue and Capital Budget and to set the Council Tax for 2024/25
  - The Revenue and Capital Budget for the Housing Revenue Account
  - The Capital Strategy
  - The Treasury Management Strategy
  - The Prudential Code of Borrowing Indicators for 2024/25 – 2028/29
  - The Capital Programme for 2024/25 and the indicative programme to 2028/29, 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 2024/25 (as included in the Council's Capital Strategy at Annex 3)

### **Financial Implications**

124. This section provides an opportunity for the Council's Section 151 Officer to summarise key aspects and comment on the robustness of the details of the proposed Revenue and Capital Budget Strategy for 2024/25. The financial assumptions, basis and implications of which are set out in the covering report, annexes and appendices.
125. The Revenue Budget Strategy for 2024/25 has been constructed on the basis of a 4.3% increase in WG funding (after the impact of the funding consequential) and a proposed 6.0% increase in Council Tax. Pressures identified in the report include pay inflation and the increasing demand and complexity of service provision. Financial resilience against these ever-increasing pressures remains a key factor in the construction of next year's budget.
126. The level of Settlement has resulted in the need for Services to identify significant savings for 2024/25. Efficiency savings of £10.470 million have been identified by services with an additional £4.052 million of Service Change proposals. Each saving proposal has been risk rated for both achievability and impact and will be monitored during the financial year to ensure all proposals are delivered on time and at the level required. The notion of continuously seeking out opportunities to deliver efficiency savings remains a central part of the Council's financial framework.
127. Using the Council's Income Generation framework, fees and charges proposals have been built into the Revenue Budget Strategy for 2024/25

that reflect all applicable statutory requirements, adequately cover the cost of service provision and can help manage the demand for services.

128. 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 £142 million by 2028/29. As stated previously, budget consideration and savings delivery should not be seen as an 'annual event' and work will need to commence early in year and continue throughout in order to ensure full year budget savings are delivered in 2025/26 and beyond. This ongoing robustness of budget management needs to be maintained alongside a regular review of key financial risks which will require a constant refresh of medium to long term risks.
129. Appendix 6 details both the level of reserves and the movement during 2024/25 of the earmarked and general reserves of the Council. The level of General Reserves is anticipated to remain at its current level. The level of earmarked reserves is planned to reduce during 2024/25 and in addition some earmarked reserves have been set aside that will not be required for a period of three to five years. It is also noted that despite individual governing School bodies being responsible for delivering a balanced budget, the Council has to be prepared for individual school balances being in a cumulative deficit position for 2024/25. This deficit balance will primarily be due to in year deficits and costs incurred upfront to generate savings over future years for individual schools. The deficit balances will need to be recovered over the following period to ensure that the reserves that have been borrowed from will be available when required. The cash flow impact of these deficits and the overall level of earmarked reserves will require careful management of both the overall council finances and be underpinned by credible and deliverable payback schemes by those individual schools in deficit.
130. 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.
131. 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 2023/24 Statement of Accounts.
132. 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.

133. The Council has removed the General Contingency budget for 2024/25 but has used £1 million from the FRM to manage any timing issues on savings. In addition, the level of savings required in order to reduce the budget gap does emphasise the need for all budget proposals to be delivered at the level anticipated or service areas will need to put other saving mitigations in place during the year. There are specific contingencies in key areas such as Adults, Waste recycling income and Children's Social Services. The additional use of a further £1 million from the FRM has been used for specific one-off financial resilience support in key areas as described in paragraph 60.
134. 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. The Arena Financial Strategy as agreed must be kept under constant review and future business cases for any major projects must continue to minimise risk from a Council perspective. 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.
135. 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.
136. As set out in detail in Annex 2, 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, although pressures are noted where budget gaps are projected in future years in advance of offsetting income streams. 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 and cost of build.
137. 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.
138. 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.

139. 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 2024/25 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 both the short and medium term with 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 2024/25.
140. 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**

141. 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)).
142. 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).

143. 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.
144. 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.
145. The body of the report makes a number of references 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.

## Civil Enforcement

146. Appendix 8 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.

## Equality Duty

147. 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. Paragraphs 51 to 55 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.
148. 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.

## The Well-Being of Future Generations (Wales) Act 2015 ('The 2015 Act')

149. 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: [Well-being of future generations: guidance | GOV.WALES](#)

### Employee and Trade Union Consultation

150. The body of this report sets the employee implication at paragraph 56. 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.

### Charging

151. 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.

### Consultation

152. 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.

### General

153. 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**

154. The final budget proposals are based on the outcome of the consultation exercise and the priorities set out in the Corporate Plan.

155. Paragraph 56 and 57 of the Report sets out information regarding net reduction of 162.15 FTE Council posts overall made up of the deletion of 178.45 FTEs including the deletion of 89.75 FTE vacant posts, 26.6 FTE where voluntary redundancy or retirement applications have been approved, and 62.10 FTE posts to be determined. There is also the creation of 16.30 FTEs.
156. 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.
157. 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**

158. There are no further specific property implications in respect of the 2024/25 Budget Modelling Update and Consultation Requirements Report. The Strategic Estates Department continues to work closely with Finance colleagues to identify property income generation opportunities and specific strategies for mitigation of property costs. Support will continue for delivery in other relevant areas such as the Capital Investment Programme and Major Development Projects. Where there are property transactions, management strategies or valuations required to deliver any budget proposals, they will 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 6.0% and that the Council resolve the following terms.
- 2.0 Note that at its meeting on 14 December 2023 Cabinet calculated the following amounts for the year 2024/25 in accordance with the regulations made under Section 33(5) of the Local Government Finance Act 1992:
- a) 151,372 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.

|                 |       |
|-----------------|-------|
| Lisvane         | 3,068 |
| Pentyrch        | 3,709 |
| Radyr           | 4,090 |
| St. Fagans      | 2,006 |
| Old St. Mellons | 2,512 |
| Tongwynlais     | 830   |

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 2024/25 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 £568,735). £1,326,949,735
- b) Aggregate of the amounts which the Council estimates for items set out in Section 32(3)(a) and (c). £480,997,000
- 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. £845,952,735
- 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. £623,157,566
- 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.

£1,474.48

- f) Aggregate amount of all special items referred to in Section 34(1).  
£568,735
- 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.  
£1,470.72
- 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             | 1,494.35 |
| Pentyrch            | 1,523.32 |
| Radyr & Morganstown | 1,511.13 |
| St Fagans           | 1,496.49 |
| St Mellons          | 1,492.72 |
| Tongwynlais         | 1,505.54 |

- 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.

|                                       | A        | B        | C        | D        | E        | F        | G        | H        | I        |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                       | £        | £        | £        | £        | £        | £        | £        | £        | £        |
| <b>Area</b>                           |          |          |          |          |          |          |          |          |          |
| Lisvane                               | 996.23   | 1,162.27 | 1,328.31 | 1,494.35 | 1,826.43 | 2,158.50 | 2,490.58 | 2,988.70 | 3,486.82 |
| Pentyrch                              | 1,015.55 | 1,184.80 | 1,354.07 | 1,523.32 | 1,861.84 | 2,200.35 | 2,538.87 | 3,046.64 | 3,554.41 |
| Radyr                                 | 1,007.42 | 1,175.32 | 1,343.23 | 1,511.13 | 1,846.94 | 2,182.74 | 2,518.55 | 3,022.26 | 3,525.97 |
| St. Fagans                            | 997.66   | 1,163.93 | 1,330.22 | 1,496.49 | 1,829.05 | 2,161.59 | 2,494.15 | 2,992.98 | 3,491.81 |
| Old St. Mellons                       | 995.15   | 1,161.00 | 1,326.87 | 1,492.72 | 1,824.44 | 2,156.15 | 2,487.87 | 2,985.44 | 3,483.01 |
| Tongwynlais                           | 1,003.69 | 1,170.97 | 1,338.26 | 1,505.54 | 1,840.11 | 2,174.67 | 2,509.23 | 3,011.08 | 3,512.93 |
| All other parts of the Council's Area | 980.48   | 1,143.89 | 1,307.31 | 1,470.72 | 1,797.55 | 2,124.37 | 2,451.20 | 2,941.44 | 3,431.68 |

- 2.2 Note that for the year 2024/25, 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      |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| £      | £      | £      | £      | £      | £      | £      | £      | £      |
| 235.11 | 274.30 | 313.48 | 352.67 | 431.04 | 509.41 | 587.78 | 705.34 | 822.90 |

- 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 2024/25 for each of the categories of dwellings shown below:-

Part of Council's Area

**VALUATION BANDS**

|   | A        | B        | C        | D        | E        | F        | G        | H        | I        |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|   | £        | £        | £        | £        | £        | £        | £        | £        | £        |
| <b>Area</b>                                 |          |          |          |          |          |          |          |          |          |
| Lisvane                                     | 1,231.34 | 1,436.57 | 1,641.79 | 1,847.02 | 2,257.47 | 2,667.91 | 3,078.36 | 3,694.04 | 4,309.72 |
| Pentyrch                                    | 1,250.66 | 1,459.10 | 1,667.55 | 1,875.99 | 2,292.88 | 2,709.76 | 3,126.65 | 3,751.98 | 4,377.31 |
| Radyr                                       | 1,242.53 | 1,449.62 | 1,656.71 | 1,863.80 | 2,277.98 | 2,692.15 | 3,106.33 | 3,727.60 | 4,348.87 |
| St. Fagans                                  | 1,232.77 | 1,438.23 | 1,643.70 | 1,849.16 | 2,260.09 | 2,671.00 | 3,081.93 | 3,698.32 | 4,314.71 |
| Old St. Mellons                             | 1,230.26 | 1,435.30 | 1,640.35 | 1,845.39 | 2,255.48 | 2,665.56 | 3,075.65 | 3,690.78 | 4,305.91 |
| Tongwynlais                                 | 1,238.80 | 1,445.27 | 1,651.74 | 1,858.21 | 2,271.15 | 2,684.08 | 3,097.01 | 3,716.42 | 4,335.83 |
| All other parts<br>of the Council's<br>Area | 1,215.59 | 1,418.19 | 1,620.79 | 1,823.39 | 2,228.59 | 2,633.78 | 3,038.98 | 3,646.78 | 4,254.58 |

- 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 2024 to March 2025 in respect of the precept levied by the Police and Crime Commissioner for South Wales in the sum of £53,384,363.
- 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 2024 to 31 March 2025 namely

£

County Council of the City and County of Cardiff      155,460

- 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 2024/25.
  - (b) Approve the Treasury Management Strategy 2024/25 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 2024/25 – 2028/29 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 2024/25.
- 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 4 (a) and 4 (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.
- 9.0 Agree that in the event that final settlement differs from Provisional Settlement (as set out in paragraph 35 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 2024/25 Budget to reflect the requisite changes.

|                                   |  |
|-----------------------------------|--|
| <b>SENIOR RESPONSIBLE OFFICER</b> | <b>Christopher Lee</b><br>Corporate Director Resources |
|                                   | 23 February 2024                                       |

*The following Annexes are attached:*

- Annex 1 Medium Term Financial Plan 2025/26 – 2028/29
- Annex 2 Housing Revenue Account 2024/25 Budget and Medium-Term Financial Plan
- Annex 3 Capital Strategy 2024/25 (including Capital Programme and Resources)
- Annex 4 Treasury Management Strategy 2024/25

*The following Appendices are attached:*

- Appendix 1 Budget Support for the Corporate Plan & Future Generations
- Appendix 2 Service Change Savings Proposals
- Appendix 3 Directorate Revenue Budgets
- Appendix 4 (a) Fees & Charges - 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 5 (a) Consultation on Cardiff Council's 2024/25 Budget  
(b) Consultation Responses Reflected in 2024/25  
(c) School Budget Forum Letter, Letters from Chairs of Scrutiny and Cabinet Response
- Appendix 6 Earmarked Reserves
- Appendix 7 (a) Financial Resilience Snapshot  
(b) Financial Risk and Mitigations
- Appendix 8 Civil Parking and Enforcement Account
- Appendix 9 Guide to Prudential Indicators

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

- Budget 2024/25 and the Medium-Term Financial Plan: Update Report (July 2023)
- 2024/25 Budget Proposals - for Consultation
- The WG Provisional Local Government Settlement (December 2023)
- Equality Impact Assessment of Cardiff Council's 2024/25 Budget Proposals
- Details of Fees and Charges