

Pecyn Dogfennau Cyhoeddus

Penallta House,
Tredomen Park,
Ystrad Mynach,
Hengoed CF82 7PG

Ty Penallta,
Parc Tredomen,
Ystrad Mynach,
Hengoed CF82 7PG



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Am unrhyw ymholiad yn ymwneud â'r agenda hwn cysylltwch â Emma Sullivan
(Rhif Ffôn: 01443 864420 Ebst: sullie@caerphilly.gov.uk)

Dyddiad: Dydd Mercher, 12 Ionawr 2023

I bwy bynnag a fynno wybod,

Bydd cyfarfod aml-leoliad o'r **Cabinet** yn cael ei gynnal yn yn Nhŷ Penallta a thrwy Microsoft Teams ar **Dydd Mercher, 18fed Ionawr, 2023** am **1.00 pm**. i ystyried materion a gynhwysir yn yr agenda canlynol. Mae croeso i chi ddefnyddio'r iaith Gymraeg yn y cyfarfod, a dylid rhoi cyfnod rhybudd o 3 diwrnod gwaith os ydych yn dymuno gwneud hynny. Bydd gwasanaeth cyfieithu ar y pryd yn cael ei ddarparu ar gais.

Gall aelodau'r Cyhoedd neu'r Wasg fynychu'n bersonol yn Nhŷ Penallta neu gallant weld y cyfarfod yn fyw drwy'r ddolen ganlynol: <https://civico.net/caerphilly> .

Bydd y cyfarfod hwn yn cael ei ffrydio'n fyw ac yn cael ei recordio a bydd ar gael i'w weld ar wefan y Cyngor, ac eithrio trafodaethau sy'n ymwneud ag eitemau cyfrinachol neu eithriedig. Felly, bydd delweddau/sain yr unigolion sy'n siarad ar gael yn gyhoeddus i bawb trwy'r recordiad ar wefan y Cyngor: www.caerffili.gov.uk

Yr eiddoch yn gywir,

Christina Harrhy
PRIF WEITHREDWR

A G E N D A

Tudalennau

- 1 I dderbyn ymddiheuriadau am absenoldeb
- 2 Datganiadau o Ddiddordeb.

A greener place Man gwyrddach



Atgoffi'r Cynghorwyr a Swyddogion o'u cyfrifoldeb personol i ddatgan unrhyw fuddiannau personol a/neu niweidiol mewn perthynas ag unrhyw eitem o fusnes ar yr agenda hwn yn unol â Deddf Llywodraeth Leol 2000, Cyfansoddiad y Cyngor a'r Cod Ymddygiad ar gyfer Cynghorwyr a Swyddogion.

I dderbyn ac ystyried yr adroddiad(au) canlynol y mae angen penderfyniadau gweithredol arnynt: -

- | | | |
|---|--|---------|
| 3 | Amnewid Offer Gwresogi – Tŷ Penallta. | 1 - 10 |
| 4 | Cynigion y Gyllideb Ddrafft ar gyfer 2023/24 | 11 - 32 |

Cylchrediad:

Cynghorwyr

C. Andrews, S. Cook, E. Forehead, N. George, P. Leonard, S. Morgan, C. Morgan, J. Pritchard, J. Simmonds a E. Stenner,

A Swyddogion Priodol.

SUT FYDDWN YN DEFNYDDIO EICH GWYBODAETH

Bydd yr unigolion hynny sy'n mynychu cyfarfodydd pwyllgor i siarad/roi tystiolaeth yn cael eu henwi yng nghofnodion y cyfarfod hynny, weithiau bydd hyn yn cynnwys eu man gweithio neu fusnes a'r barnau a fynegir. Bydd cofnodion o'r cyfarfod gan gynnwys manylion y siaradwyr ar gael i'r cyhoedd ar wefan y Cyngor ar www.caerffili.gov.uk. ac eithrio am drafodaethau sy'n ymwneud ag eitemau cyfrinachol neu eithriedig.

Mae gennych nifer o hawliau mewn perthynas â'r wybodaeth, gan gynnwys yr hawl i gael mynediad at wybodaeth sydd gennym amdanoch a'r hawl i gwyno os ydych yn anhapus gyda'r modd y mae eich gwybodaeth yn cael ei brosesu.

Am wybodaeth bellach ar sut rydym yn prosesu eich gwybodaeth a'ch hawliau, ewch i'r [Hysbysiad Preifatrwydd Cyfarfodydd Pwyllgor Llawn](#) ar ein gwefan neu cysylltwch â Gwasanaethau Cyfreithiol drwy e-bostio griffd2@caerffili.gov.uk neu ffoniwch 01443 863028.



SPECIAL CABINET – 18TH JANUARY 2023

SUBJECT: HEATING PLANT REPLACEMENT – TY PENALLTA

REPORT BY: CORPORATE DIRECTOR FOR ECONOMY AND ENVIRONMENT

1. PURPOSE OF REPORT

- 1.1 To update Cabinet in relation to works required to the heating plant at Ty Penallta and to outline the costs and work programme involved in the upgrade.
- 1.2 To seek Cabinet approval for the upgrade to be funded through a combination of a Salix interest free loan and a contribution from uncommitted capital earmarked reserves.

2. SUMMARY

- 2.1 The Ty Penallta building was constructed some 16 years ago and officially opened in 2008. Consequently, there is an inevitability linked to this timeline that some maintenance works (particularly mechanical and electrical) will now be required. Furthermore, technology advancement linked to being more carbon efficient will influence some maintenance strategies moving forward.
- 2.2 Ty Penallta has an energy centre with ground source heating and cooling plant that supplies heat and cooling via air handling equipment and under floor systems. Gas boilers are installed in a separate fifth floor plant room and supply space heating via radiators and hot water to the building. The heating and cooling system was installed in 2007/2008 and comprises of three heat pumps, two of which are reversible for cooling. The source for the heat pumps is a vast array of vertical closed loop boreholes installed beneath the car park of the site.
- 2.3 The heating system is currently exhibiting a number of problems and is at risk of failing if a package of upgrade/replacement works are not implemented.

There are several reasons why the existing system needs to be replaced: -

- A review of the operation and performance of the existing system finds that there are operational issues with the system and the conclusion is that the system is not performing as well as expected.

- The system design does not allow variable speed control of the bore hole pumps and as a result contributes to high parasitic electrical demand leading to costs that could otherwise be avoided with improved system design.
 - Recent operational information has revealed the equipment is no longer supported by the installer/manufacture and spare parts are not available.
 - The compressors that form the main element of the heating and cooling system use refrigerant R134a which has a high Global Warming Potential (GWP) and is being phased out as part of the Kigali amendment to the Montreal Protocol.
 - The current system is designed to only provide low carbon heat to some parts of the building and due to temperature limitations of the existing heat pumps do not heat the whole building which leaves a large proportion of heat and hot water being generated by gas boilers increasing the carbon intensity of the building.
 - The ground source array of boreholes represents a considerable capital investment and following some outline testing and review it is understood that the bore field is in serviceable condition and as such represents a significant asset in the objectives to decarbonise the heat, hot water and cooling systems at Ty Penallta.
- 2.4 As a result of the issues outlined above, the Ty Penallta heating system requires a significant upgrade.
- 2.5 Welsh Government Energy Service (WGES) were asked to undertake a review of all technologies for the replacement of the heating plant, this included the use of wood chip/pellets, the use of gas as a primary heating fuel and other formats. WGES concluded that the existing heat pump technology remains the most appropriate technology confirming that Ty Penallta' s heating is from a sustainable source. It is also renewable given that the electricity supply to the building is 100% green renewable energy.
- 2.6 The installation of a gas system would represent a retrograde step given the climate emergency declaration and would emit significantly more CO₂e over the lifetime of the installation whilst simultaneously increasing reliance on fossil fuels and the associated costs.
- 2.7 As a result of confirmation by WGES that ground source heat pumps represent the most carbon efficient system, officers have engaged with Welsh Government's public sector decarbonisation delivery body Salix to explore interest free "invest to save" loan options. Salix has indicated that the business case is likely to be supported (dependant on a formal application being considered and approved) for circa £1m of loan funding which can be repaid from the resultant energy savings over the 8 year repayment period. However there will still be a shortfall of circa £0.4m which will need to be funded by the Authority.

3. RECOMMENDATIONS

- 3.1 That Cabinet agrees the upgrade to the heating system set out in this report and the project timeline set out in Appendix 1 to this report.

- 3.2 That Cabinet approves the overall funding envelope of £1.4m and agrees that this is funded through an application for a Salix interest free loan (£1.015m), and a contribution from uncommitted capital earmarked reserves (£0.385m).

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the heating and cooling system at Ty Penallta is fit for purpose and also contributes to the authority's carbon reduction targets, which is estimated to be in the region of 2,264 tonnes over the 20-year project lifetime.
- 4.2 To give officers the authority to make a funding application and ensure that the scheme is progressed in a timely manner in order to achieve the energy, financial and CO₂e savings as soon as possible.

5. THE REPORT

- 5.1 Ty Penallta is the main corporate office of Caerphilly County Borough Council and will be developed into an agile working hub. This will provide a mix of fixed and hot desks, meeting rooms and other collaborative spaces. As asset rationalisation workstreams are completed the importance of providing an efficient, resilient and productive working environment for officers, members and visitors is essential for the services based there.
- 5.2 The heating and cooling for the air handling and under floor systems are supplied by an energy centre comprising three heat pumps, two of which are reversible for cooling. The source for the heat pumps is a vast array of vertical closed loop boreholes beneath the car park. Three gas boilers are installed in a separate 5th floor plant room and supply space heating via radiators and hot water to the building.
- 5.3 In late 2021/22 Sustainable Energy Ltd (SEL) were appointed by Caerphilly County Borough Council to review the heat pump installation and to investigate problems experienced with high pumping rates, under-utilisation of heat and cooling from the heat pumps, plant reliability issues, poor comfort conditions and poor control of heating and cooling. SEL undertook site visits on the 27th April and 26th May 2022.
- 5.4 The review process was broken down into the following workstreams: -
- Bore field operation assessment.
 - Energy demand and supply assessment.
 - Development of concepts and design approach for the upgrade of the heat pump system.
 - Carbon and cost assessment and presentation of findings.
- 5.5 The three heat pumps referred to in paragraphs 2.3 and 5.1 above are no longer supported by the installer / manufacturer and spare parts are not available. 50% of the three pumps have been stripped to enable the continued operation of the remaining plant, which is currently keeping the building serviced.
- 5.6 Discussions between relevant officers and Gibsons Specialist Technical Services, who are our current Mechanical and Electrical (M&E) Engineers have concluded that there are ongoing significant challenges, which will result in total failure of the system should a suitable replacement not be procured.

- 5.7 If the remaining heat pumps fail, there will not be sufficient gas pressure within the building to sustain all services. However, mitigation could be the temporary installation of an oil tank linked to the plant room, the costs of which would need to be determined if the scheme does not progress.

6. CONCLUSION

- 6.1 The existing heating and cooling system installed at Ty Penallta is no longer fit for purpose and a suitable replacement system needs to be procured. Currently the aging system is failing due to the lack of ongoing support from the manufacturer and availability of parts combined with some design flaws when the building was constructed in 2007/8.
- 6.2 If the outline design approach for connecting the two plant rooms and installing dedicated heat pumps and chillers is agreed as the way forward, a RIBA Stage 3 design and specification should be developed to take the project to tender with the requirement for a main contractor to develop RIBA Stage 4 and 5 design, with an independent client engineer engaged to ensure compliant delivery. The project timeline is set out in appendix 1 to this report.
- 6.3 The proposal to expand the work of the heat pumps to offset heat generated by gas boilers will result in a reduction of fossil fuel use and therefore carbon emissions. The carbon savings are estimated at 84 tonnes per year. Given the significant carbon savings we would be eligible to make a SEELS funding bid to Salix Finance to part fund the project via an interest free "Invest to Save" loan
- 6.4 The SEELS funding will be an interest free "Invest to Save" loan. The loan repayments will be made from the gas budget and repaid over a maximum of 8 years. Calculations and data will need to be verified by Salix however issues are not anticipated following on from initial discussions regarding the application. If the application is unsuccessful, a further report will be presented to Cabinet with alternative funding proposals.
- 6.5 There are further carbon savings to be made through the use of a variable speed drive on the heat pump and through improved building energy management controls. Information to establish how much additional energy can be saved is shown in Appendix 2. This would allow for a SEELS bid value of £ 1,015,296.
- 6.6 Caerphilly County Borough Council has declared a climate emergency and to be a net carbon neutral authority by 2030. To achieve this the authority has developed a new carbon strategy which outlines key areas for consideration, one of which is energy use within buildings. National guidance states that the UK needs to decarbonise the gas network or to step away from using gas by using alternative fuels for heating, this is essential for meeting Net Zero targets.
- 6.7 Improvements and replacement of the heating plant will result in a positive improvement on the buildings Display Energy Certificate, which is a public facing document. The proposal in this report to further reduce our reliance on gas, by using the building's gas boilers less, and to increase the work undertaken by the heat pumps will make Ty Penallta a more sustainable building and reduce national demand on fossil fuels and help us reach our Net Zero goal.
- 6.8 As the building will use substantially less gas for heating as a result of the investment there will be an annual energy cost saving of £126,912, which can be used to service the interest free "Invest to Save" loan.

6.9 With the improved levels of control, and monitoring there will be an improvement in comfort levels throughout the building.

7. ASSUMPTIONS

7.1 It has been assumed that the defects with the existing heating plant will worsen over time and the unavailability of parts will continue to present challenges.

8. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

8.1 As this report only relates to the replacement of existing heating plant, no Integrated Impact Assessment is required.

9. FINANCIAL IMPLICATIONS

9.1 The total cost of the project is estimated at circa £1.4m (including design and supervision fees).

9.2 As outlined above, officers will explore opportunities for interest free loan funding (SEELS) from Salix. An interest free loan of £1,015m should be feasible (over an 8-year repayment period). If the loan application is successful, then a balance of £0.385m will remain and it is proposed that this is funded from uncommitted capital earmarked reserves. If the Salix loan application is not approved, a further report will be presented to Cabinet with alternative funding proposals.

9.3 In the event of failure there will be ongoing additional revenue implications to procure, rent and maintain a suitable temporary oil-fired plant alongside additional gas costs.

10. PERSONNEL IMPLICATIONS

10.1 There are no direct personnel implications associated with this report.

11. CONSULTATIONS

11.1 The views of the listed consultees have been incorporated into this report.

12. STATUTORY POWER

12.1 Local Government Acts.

Author: Mark Faulkner, Facilities Manager – Corporate Services
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Consultees: Corporate Management Team (CMT)
Christina Harrhy, Chief Executive
Cllr Nigel George, Cabinet Member for Corporate Services and Property

Cllr James Pritchard, Cabinet Member for Prosperity, Regeneration and Climate Change.

Mark S Williams, Corporate Director Economy and Environment

Stephen Harris, Head of Financial Services and S151 Officer

Robert Tranter, Head of Legal Services and Monitoring Officer

Ben Winstanley, Head of Land and Property Services

Mel Hunt, Building Services Engineer

Paul Rossiter, Energy and Water Officer

Background Papers:

Ground Source Heat Pump Review report by Sustainable Energy, September 2022

Appendices

Appendix 1 - Project Timeline

Appendix 2 - Salix Seels Loan Calculation

Gadewir y dudalen hon yn wag yn fwiadol

SALIX SEELS BID CALCULATION FOR THE OFFSETTING OF GAS USED FOR HEATING AT TY PENALLTA

Data:

- Annual gas consumption is 1,040,000kWh.
- Assumed 85% efficiency the heat produced by gas boiler is 884,000kWh
- Operation of existing heat pump provides 500,000kWh of heat which at a COP of 3 the electricity consumed by the heat pump is 166,667kWh
- 884,000 kWh plus 500,000kwh 1,384,000kWh which is the total heat consumption on the building
- The borehole pumps are running fixed speed at circa 15kW which is an annual electricity use of 120,000kWh (based on 8000 running hours per year)
- Cost of Gas next year is expected to be £0.1303/kWh
- Cost of Elect next year is expected to be £0.4128/kWh

Estimated cost of heating in 2023:

Cost of gas in 2023 is therefore is $1,040,000\text{kWh} * £0.1303 = £135,512$ per year.

Cost of electricity from heat pumps in 2023 is $166,667 * £0.4128 = £68,800$

Cost of electricity from borehole pumps is $120,000 * £0.4128 = £49,536$

Total energy costs for heating are **£253,848**

Upgrade BMS and optimise heating controls and install new heat pump to replace gas boilers:

Heat reduction of 25% (building currently using more energy than it should and can be reduced by this value based on kwh/m2 benchmarking) will reduce heat consumption by 346,000kWh

Therefore total heat demand will be 1,038,000kWh

New heat pumps at an increased COP of 4 configured to supply all the heat will require an total input electricity to heat pumps of $1,038,000 / 4 = 259,500\text{kWh}$

Cost of electricity to heat pump will be $259,500 * £0.4128 = £107,121$

The new borehole pumps to operate on a variable rate to match heat demand from heat pumps will reduce electricity use to 40% (based on energy demand of the new heat pumps meeting the 1,038,000 value, taken of a flow rate curve) which will equal 48,000kWh of electricity

Cost of electricity from borehole pumps is $48,000 * £0.4128 = £19,814$

Total energy costs for heating are reduced to **£126,936 per year**

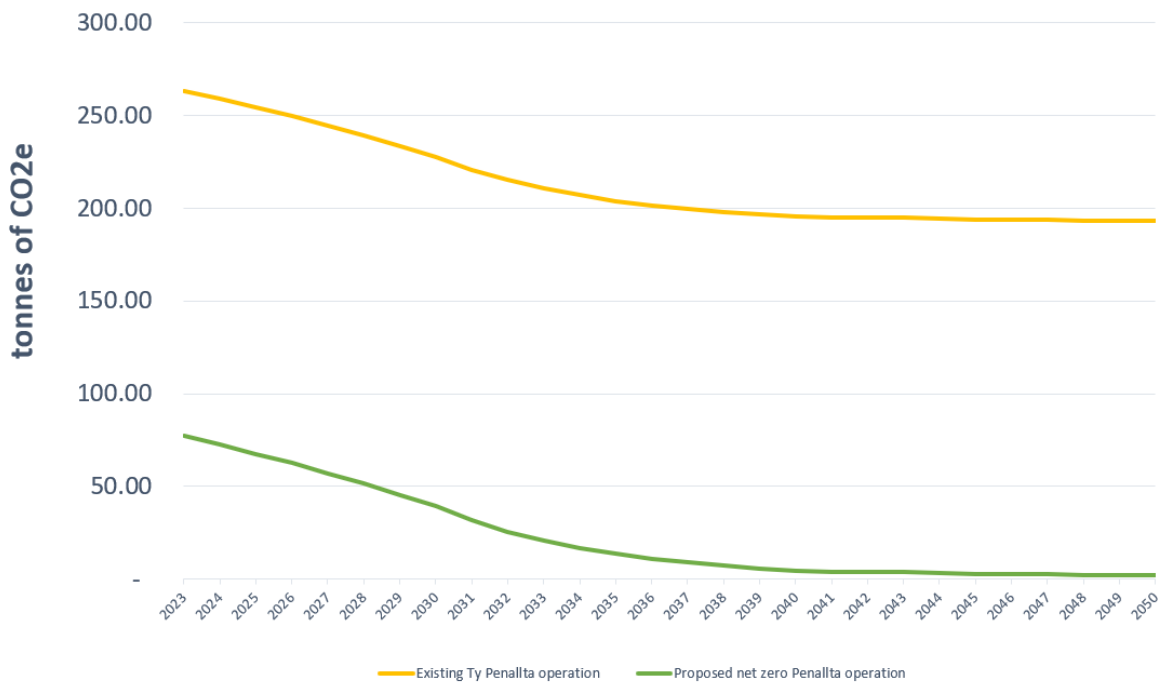
Annual cost savings by proposed scheme:

Total energy costs reduced from £253,848 to £126,936 = saving of £126,912 per year

Therefore we can apply for a Salix Seels loan of : £126,912 * 8 years = **£1,015,296** to save carbon.

Carbon emissions of the proposed project will reduce as the grid electricity decarbonises.

The following graph shows the existing operation in yellow and the proposed operation in green.





SPECIAL CABINET – 18TH JANUARY 2023

SUBJECT: DRAFT BUDGET PROPOSALS FOR 2023/24

REPORT BY: CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To present Cabinet with details of the draft budget proposals for the 2023/24 financial year to allow for a period of consultation prior to a final decision by Council on 23 February 2023.

2. SUMMARY

- 2.1 The report provides details of draft budget proposals based on the Welsh Government (WG) Provisional Local Government Financial Settlement for 2023/24.
- 2.2 The report also provides details of a range of cost and service pressures that require funding, details of proposed savings and the use of reserves, along with a proposed increase of 7.90% in Council Tax to enable the Council to set a balanced budget for the 2023/24 financial year.
- 2.3 An updated indicative Medium-Term Financial Plan (MTFP) is also appended to the report showing a potential savings requirement of £48.047m for the two-year period 2024/25 to 2025/26.

3. RECOMMENDATIONS

- 3.1 Cabinet is asked to: -
 - 3.1.1 Endorse the 2023/24 draft budget proposals, including the proposed permanent and temporary savings totalling £12.421m and the proposed one-off use of reserves of £15.051m.
 - 3.1.2 Support the proposal to increase Council Tax by 7.9% for the 2023/24 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,353.01).
 - 3.1.3 Agree that the draft budget proposals should now be subject to consultation prior to final 2023/24 budget proposals being presented to Cabinet/Council in February 2023.
 - 3.1.4 Note the indicative potential savings requirement of £48.047m for the two-year period 2024/25 to 2025/26.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 Council is required annually to approve proposals to set a balanced budget and agree a Council Tax rate.
- 4.2 Council is required to put in place a sound and prudent financial framework to support service delivery.

5. THE REPORT

5.1 Background and Economic Context

- 5.1.1 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, are major influences in determining the 2023/24 Draft Budget Proposals and the medium-term financial outlook.
- 5.1.2 The Bank of England (BoE) increased the Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989, and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.
- 5.1.3 The November 2022 quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with Consumer Prices Index (CPI) inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected to remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.
- 5.1.4 The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline by 0.75% in the second half of the calendar year, due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.
- 5.1.5 CPI inflation was expected to peak at around 11% in the last calendar quarter of 2022 (10.7% in November with December to be confirmed), and then fall sharply to 1.4% in two years' time and to 0% in three years' time. This assumes that the Bank Rate follows the path implied by financial markets at the time of the November 2022 MPR (i.e. a peak of 5.25%). However, the BoE has stated that it considers this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.
- 5.1.6 The current economic situation means that the Council (along with all others) is faced with unprecedented financial challenges. Due to austerity, between 2008/09 and 2021/22 the Council has already delivered savings of £106m to address reductions in funding and inescapable cost pressures. However, the details set out in this report show a savings requirement of £27.472m for 2023/24 alone, and due to the temporary nature of many of the measures proposed to balance the budget for 2023/24, it is currently anticipated that total permanent savings of £48.047m will be required for the two-year period 2024/25 to 2025/26.
- 5.1.7 The scale of the challenge facing the Council cannot be underestimated. Clearly, a financial strategy that seeks to continuously salami slice our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever, as our communities continue to present far greater and increasingly complex needs to us. To ensure we are able to meet the needs of our communities, whilst

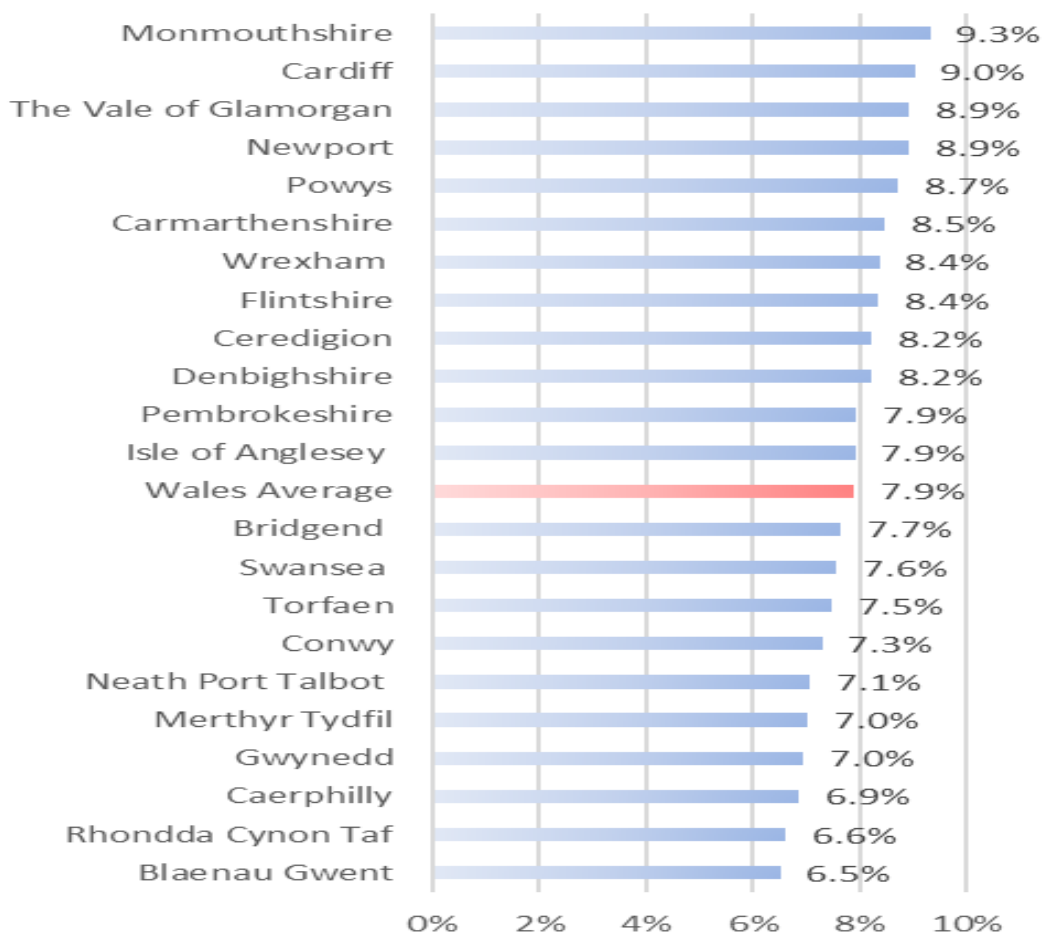
operating with reduced funding, a whole council and a whole county borough holistic approach is needed, and it is inevitable that some difficult decisions will need to be made at pace.

5.2 Welsh Government (WG) Provisional Local Government Financial Settlement for 2023/24

5.2.1 The Local Government Financial Settlement received from WG on an annual basis is referred to as Aggregate External Finance (AEF). This consists of a Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates (business rates). Details of the Provisional Local Government Financial Settlement are usually announced by WG in early October each year. However, in recent years due to economic uncertainty the announcement has been delayed until December and details of the Provisional Local Government Financial Settlement for 2023/24 were not released until 14 December 2022.

5.2.2 On an All-Wales basis there is an increase in Aggregate External Finance (AEF) of £403m or 7.9% on a like-for-like basis. Table 1 below shows the range around the average of 7.9% driven by the funding formula. This is largely a reflection of data movements in pupil numbers and free school meal entitlement derived from the schools' census, as well as the impact of the decennial Census on the population counts/estimates. The lowest increase is Blaenau Gwent with 6.5% and the highest is Monmouthshire with an increase of 9.3%.

Table 1 - Changes to AEF by Local Authority (2022/23 to 2023/24)



5.2.3 Overall core revenue funding rises to £5.5bn for 2023/24. For planning purposes an indicative figure of £5.7bn has been provided for 2023/25 which equates to an uplift of £169m (3.1%). This figure is dependent on current estimates of NDR income but the forward indication is helpful.

5.2.4 There is a small transfer in of resource for the coastal protection programme that affects Gwynedd, Conwy, and Swansea, otherwise there are no significant transfers into or out of the Settlement.

5.2.5 In terms of public sector pay, the Minister for Finance & Local Government is cognisant of the pay pressures in the future and makes specific reference to pay for social care workers and teachers: -

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

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

5.2.6 In cash terms, the 6.9% increase for Caerphilly CBC provides additional funding of £22.152m for 2023/24. Whilst this is of course welcomed, the increase is well below the current unprecedented levels of inflation and the Council faces cost pressures totalling £55.771m for 2023/24 alone.

5.2.7 Changes to other pass-ported grants in the Provisional Settlement result in a net reduction of £202k for Caerphilly CBC in relation to the tapering of WG funding for Private Finance Initiative (PFI) Schemes.

5.2.8 The capital allocations available to Caerphilly CBC in the RSG and from the General Capital Grant have increased by £1.615m from the 2022/23 financial year. An updated Capital Programme will be presented to Cabinet and Council in February 2023.

5.3 2023/24 Draft Budget Proposals

5.3.1 The proposals contained within this report will deliver a balanced budget for 2023/24 on the basis that Council Tax is increased by 7.9%. Table 2 provides a summary: -

Table 2 – 2023/24 Draft Budget Proposals Summary

Description	£m
Cost Pressures: -	
• General Fund Services inflationary pressures (pay and non-pay)	24.739
• General Fund inescapable service pressures	18.104
• Schools cost pressures	12.928
Total: -	55.771
Funded By: -	
• 6.9% uplift in Provisional Settlement	22.152
• Permanent savings proposals	5.559
• Temporary savings proposals	6.862
• One-off use of reserves	15.051
• 7.9% proposed increase in Council Tax	6.147
Total: -	55.771

- 5.3.2 Whilst the proposals in this report present a balanced financial position for 2023/24, a significant element of this is being achieved through one-off temporary measures i.e. £6.862m of temporary savings and £15.051m through the use of reserves. These temporary one-off measures totalling £21.913m will only support the budget for 2023/24 and they provide some breathing space to identify, agree and implement permanent savings for the 2024/25 financial year. This will be a significant challenge for the Council and it is vital that an early start is made to identify proposals to address the financial shortfall.
- 5.3.3 The 2023/24 General Fund Services inflationary cost pressures totalling £24.739m are set out in Table 3 below: -

Table 3 – General Fund Services Inflationary Cost Pressures

	£m
National Joint Council (NJC) Pay Award	10.588
Increase in Employer Pension Contributions (NJC Staff)	1.106
Foundation Living Wage	0.218
Non-Pay Inflation	13.620
Non-Pay Inflation (Fees and Charges)	(0.793)
TOTAL: -	24.739

- 5.3.4 **National Joint Council (NJC) Pay Award** – The 2022/23 budget approved by Council in February 2022 assumed a NJC pay award of 3% from April 2022. However, the final approved pay award was an uplift of £1,925 across all pay scales which required additional funding of £4.788m to be identified. This has been funded in 2022/23 by a one-off contribution from surplus General Fund balances, and the additional cost has also now been factored into the base budget for 2023/24. In addition to this a further pay award of 5% is assumed from April 2023. The assumed 5% uplift will be held corporately in the first instance and released to budgets once the actual pay award for 2023/24 has been determined.
- 5.3.5 **Increase in Employer Pension Contributions (NJC Staff)** – The Greater Gwent (Torfaen) Pension Fund is subject to an independent triennial valuation of its assets and liabilities. The draft results of the 2022 valuation require a 1% increase in the employer’s contribution for 2023/24. Further increases of 1% and 0.5% are also required for 2023/24 and 2025/26 respectively.
- 5.3.6 **Foundation Living Wage** – £218k is included in the 2023/24 Draft Budget Proposals to allow for an increase in the Foundation Living Wage hourly rate for General Fund Services staff.
- 5.3.7 **Non-Pay Inflation** – Inflation is at its highest level in 40 years with the Consumer Prices Index (CPI) inflation rate peaking at 11.1% during 2022. The most recent published data for the 12 months to November 2022 showed CPI at 10.7%. Much of this increase is being driven by the significant increases in the cost of energy, fuel, and food and drink. Forward purchasing arrangements for energy have largely protected the Council from the impact of energy price increases in the current year but increases of circa 250% for gas and 150% for electricity are anticipated for 2023/24, equating to an additional cost of circa £4.9m for the General Fund. Increases of 22.2% for fuel, 16.5% for food and drink and 5% for all other categories of expenditure have also been factored into the 2023/24 Draft Budget Proposals.
- 5.3.8 **Non-Pay Inflation (Fees and Charges)** - A generic increase of 5% is assumed for Fees and Charges.
- 5.3.9 Table 4 provides a summary of the 2023/24 General Fund Services inescapable service pressures totalling £18.104m. These pressures have been subject to a detailed review and have been incorporated into the 2023/24 Draft Budget Proposals on the basis that they are essential. Full details are provided in Appendix 1 for Members’ consideration.

Table 4 – Summary of General Fund Inescapable Service Pressures

Service Area	£m
Corporate Services	1.104
Miscellaneous Finance	1.764
Economy & Environment	1.282
Social Services	9.293
General Fund Housing	2.397
Education & Lifelong Learning	2.265
TOTAL: -	18.104

5.3.10 The Schools cost pressures totalling £12.928m are set out in Table 5 below -

Table 5 – Schools Cost Pressures

	£m
Teachers' Pay Award	4.423
National Joint Council (NJC) Pay Award (School-Based Staff)	0.935
Increase in Employer Pension Contributions (NJC Staff)	0.163
Non-Pay Inflation	5.897
Other Service Pressures	1.509
TOTAL: -	12.928

5.3.11 **Teachers' Pay Award** – The 2022/23 budget approved by Council in February 2022 assumed a teachers' pay award of 3% from September 2022. However, the final approved pay award was an uplift of 5% which required additional funding of £2.072m to be identified. This has been funded in 2022/23 by a one-off contribution from surplus General Fund balances, and the additional cost has also now been factored into the base budget for 2023/24. In addition to this a further pay award of 3.5% is assumed from September 2023 (in line with the indicative uplift figure provided by the Independent Pay Review Body on Teachers Pay). The assumed 3.5% uplift will be held corporately in the first instance and released to budgets once the actual pay award for 2023/24 has been determined.

5.3.12 **National Joint Council (NJC) Pay Award (School-Based Staff)** – The 2023/24 Draft Budget proposals include budgetary growth to fully fund the full-year impact of the 2022/23 pay award, along with additional budget provision for an assumed pay award of 5% from April 2023.

5.3.13 **Increase in Employer Pension Contributions (NJC Staff)** – As mentioned in paragraph 5.3.5 the draft results of the 2002 triennial valuation of the Greater Gwent (Torfaen) Pension Fund require a 1% increase in the employer's contribution for 2023/24.

5.3.14 **Non-Pay Inflation** - As detailed in paragraph 5.3.7, inflation is at its highest level in 40 years with the Consumer Prices Index (CPI) inflation rate peaking at 11.1% during 2022. For schools, additional energy costs of £5.055m are anticipated for 2023/24 and other inflationary increases are expected to result in additional costs of £842k.

5.3.15 **Other Schools Service Pressures** – This includes the following: -

- School floor area related changes.
- Retrospective adjustments in relation to pupil numbers.
- Social needs funding linked to increased free school meal numbers.
- Demand pressures linked to Specialist Resource Bases (SRB's) or Specialist Satellite provision.

5.4 2023/24 Draft Savings Proposals

- 5.4.1 Draft savings proposals have been identified for the 2023/24 financial year totalling £12.421m. These are summarised in Table 6 with further details being provided in Appendix 2.

Table 6 – 2023/24 Draft Savings Proposals

Service Area	Permanent Savings £m	Temporary Savings £m	Total Savings £m
Corporate Services	0.616	0.742	1.358
Miscellaneous Finance	0.527	4.092	4.619
Economy & Environment	0.875	1.334	2.209
Social Services	0.594	0.000	0.594
Education & Lifelong Learning	0.420	0.693	1.113
Schools	2.528	0.000	2.528
TOTAL: -	5.559	6.862	12.421

- 5.4.2 The savings proposals have been split into 2 categories, those that are permanent and those that are temporary (i.e. not sustainable in the medium to longer term). Savings of a temporary nature are not ideal but they do provide a window of opportunity to identify, approve and implement permanent savings in readiness for the 2024/25 financial year.
- 5.4.3 Members will note that there is a proposed saving of £2.528m for schools. To put this into context, Table 5 of this report shows total schools cost pressures of £12.928m for 2023/24. It is proposed that additional funding of £10.400m is allocated to schools which is an uplift of 8.5%. This will result in anticipated pay awards and general non-pay inflationary increases being funded, but estimated energy cost increases of £5.055m will only be funded at 50%. Schools will therefore be asked to manage £2.528m of the energy increase themselves through energy reduction initiatives and wider cost efficiencies.
- 5.4.4 The proposed growth of £10.400m for schools will exceed Caerphilly CBC's proportion of the consequential funding of £117m provided to WG by the UK Government for Education as referenced in paragraph 5.2.5 of this report.

5.5 Proposed Use of Reserves

- 5.5.1 To achieve a balanced budget for 2023/24 it will be necessary to utilise reserves as a further one-off measure. This again provides a short window of opportunity to develop sustainable solutions to address the budget deficit from 2024/25. It is proposed that the reserves in Table 7 are released to support the budget for 2023/24.

Table 7 – Proposed Use of Reserves

Description	£m	£m
Covid-19 Earmarked Reserve		5.000
Cost of Living Crisis Contingency		2.098
WG Council Tax Collection Grant (2020/21)		1.122
WG Council Tax Collection Grant (2021/22)		0.878
Uncommitted Capital Earmarked Reserves		0.915
Service Reserves: -		
• Corporate Services	3.046	
• Social Services	1.119	
• Education & Lifelong Learning	0.873	5.038
TOTAL: -		15.051

- 5.5.2 Members will note the proposed use of service reserves totalling £5.038m. These reserves have been reviewed in detail and can now be repurposed to support the 2023/24 budget. Further details are provided in Appendix 3.

5.6 Council Tax Implications 2023/24

- 5.6.1 The draft budget proposals within this report include a proposed increase of 7.9% in Council Tax for the 2023/24 financial year. This will increase the Caerphilly CBC Band D precept from £1,253.95 to £1,353.01 i.e. an annual increase of £99.06 or weekly increase of £1.91.
- 5.6.2 The proposed increase of 7.9% for 2023/24 will result in the following totals for the Caerphilly CBC element of the Council Tax (the Police & Crime Commissioner and Town/Community Council precepts will be added to these totals when confirmed at a later date): -

Table 8 – 2023/24 Council Tax (CCBC Element) at 7.9% Increase

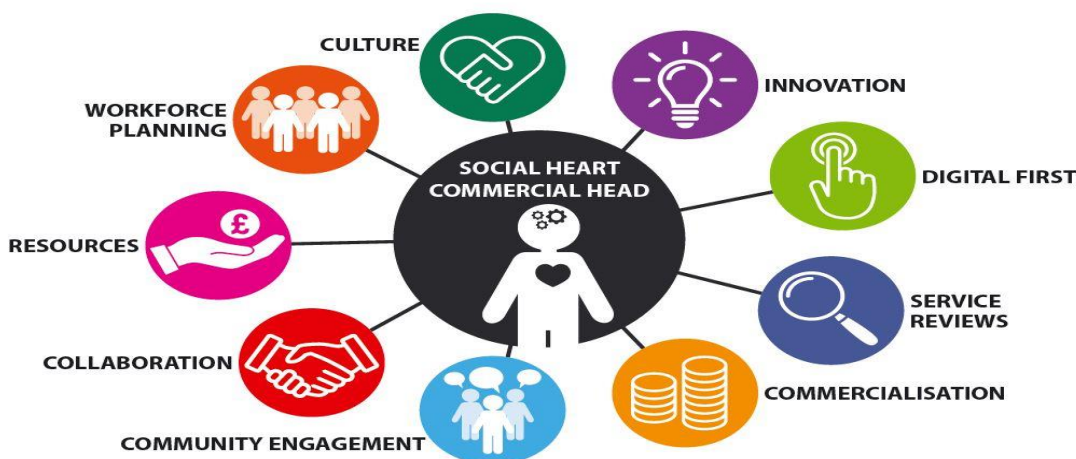
Band	Council Tax (CCBC Element) £	Weekly Increase £
A	902.01	1.27
B	1,052.34	1.48
C	1,202.68	1.69
D	1,353.01	1.91
E	1,653.68	2.33
F	1,954.35	2.75
G	2,255.02	3.18
H	2,706.02	3.81
I	3,157.03	4.45

5.7 Financial Outlook for Future Years

- 5.7.1 Due to the unprecedented levels of inflation, the current economic outlook, and the range of temporary measures that are proposed for the 2023/24 financial year, it is clear that the Council will continue to face significant financial challenges moving forward. With this in mind the Medium-Term Financial Plan (MTFP) has been updated based on a range of assumptions, resulting in a potential savings requirement of £48.047m for the two-year period 2024/25 to 2025/26. Details are provided in Appendix 4 and the following is a summary of the key assumptions: -
- An uplift in WG funding of 2.71% for 2023/24 (based on our proportionate share of the WG indicative of 3.1%) and an assumption of 1% for 2025/26.
 - An increase of 4.5% in Council Tax for 2024/25 and 3.9% for 2025/26.
 - 3% for pay inflation in 2024/25 and 2% for 2025/26 (covering all staff including teachers).
 - 1% in 2024/25 and 0.5% in 2025/26 for NJC employer contributions.
 - Non-pay inflation at 3% for 2024/25 and 2% for 2025/26.
- 5.7.2 In addition to the above, significant work has been undertaken with Directors and Heads of Service to identify further potential service cost pressures that will need to be considered in future years. These are currently estimated at circa £10.7m for 2024/25 and £5.5m for 2025/26. This is work in progress and the figures will be subject to change moving forward.
- 5.7.3 The temporary measures in the 2023/24 Draft Budget Proposals totaling £21.913m can be used for one year only. Whilst the temporary savings and the prudent use of our reserves provides an opportunity to smooth the path to major reform and transformation, we have only one chance to do this. As Members are acutely aware reserves can only be used once and therefore do not offer a sustainable long-term solution to bridging the budget gap of this and future years.
- 5.7.4 Given the scale of the challenge that we collectively face, a financial strategy that seeks to continuously salami slice our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever,

as our communities continue to present far greater and increasingly complex needs to us. To ensure we are able to meet the needs of our communities, whilst operating with reduced finances, a whole council and a whole county borough holistic approach is needed.

- 5.7.5 At its meeting on 12 June 2019 the Council's Cabinet approved the Future Caerphilly Transformation Strategy, **Team Caerphilly – Better Together**. This Strategy set out details of a major transformation programme to examine how a future operating model for the Council could be developed. The principles of the new operating model included how services are prioritized, how they can become more business efficient, to explore opportunities for greater customer focus and digital delivery, and to consider alternative delivery models and seek out commercial opportunities. Furthermore, to enable the Council to continue providing high quality value for money services in an environment that will require new approaches and new skills, the Strategy acknowledged that a new relationship will need to be built with staff and communities.
- 5.7.6 The Strategy is multi-faceted and at the core of the programme of change is the new mantra of *Social Heart and Commercial Head*. This recognises a commitment to public service and the needs of citizens, but also demonstrates a commitment to explore commercial and investment opportunities, where appropriate, to generate income that can be reinvested in services to help them remain resilient in the current challenging financial climate.
- 5.7.7 The strategic programme of “whole-authority” work is being delivered through the following key themes, which underpin the new operating model of the Council: -



- 5.7.8 Good progress has been made in implementing the Strategic Action Plan that underpins the Transformation Strategy. However, the emergence of Covid-19 and the Council's prolonged focussed response to the pandemic naturally hindered the overall intended pace of transformational change.
- 5.7.9 The Council gleaned much learning through its response to Covid-19 which helped reshape and expand the transformation programme. At its meeting on 22 July 2020, Cabinet endorsed the inclusion of ten corporate reviews within the **Team Caerphilly – Better Together** programme, all of which expand on or embed further many of the positive changes implemented in response to Covid-19. The Corporate Reviews are as follows: -

1	Walk in Services Review
2	Remote Contact Review
3	Front Line Delivery Review

4	Support Services Review
5	Information, Insight and Intelligence Review
6	Flexible Working Review
7	Sustainable Financial Planning Review
8	Workforce Development Review
9	Corporate Volunteering & Community Partnership Review
10	Decision-Making Review

5.7.10 The Council also launched an ambitious “Place Shaping” investment programme for the county borough, identifying potential investments of circa £500m spanning the next few years, which will lever in significant socio-economic benefits.

5.7.11 However, the sharp decline across the public sector financial landscape has hindered the pace of delivery across the Placeshaping investment programme and the programme requires a fundamental review, aligned with the emerging Corporate Plan.

5.7.12 Cabinet and the Corporate Management Team (CMT) have reviewed the key elements of the transformational programme and the Placeshaping programme previously agreed by Members in the context of the current financial challenges and the emerging Corporate Plan and have concluded that the model is still relevant, indeed even more relevant than before, as it offers us the strategic framework to develop a new operating model for the Council, which will ensure we don’t simply turn services off, rather we will deliver services differently and more efficiently.

5.7.13 The revised “**TeamCaerphilly – Better together**” operating model offers three distinct elements: -

1) A Transformational Programme consisting of significant corporate projects that will drive change across the whole organisation, these will include: -

- The creation of one-stop shop hubs at key locations across the county borough – providing the face of the Council within the locality, where residents can obtain information or access to key services.
- Digital by default – Service requests, routine enquiries, financial processes, to be automated.
- Agile/flexible working – implementing the next phase of our agile policy, maximising usage of our key buildings and rationalisation of our comprehensive building stock.
- Support services review – undertake a strategic review of support services across all services to create multi-disciplined roles serving the whole organisation.
- Managing the demand across Health and Social Care.
- Centralisation and rationalisation of IT systems and processes.

These strategic projects will be delivered and managed by specific project teams and a repurposed programme office.

2) Service Reviews

Each Head of Service will be required to review their service areas through the new operating model lens, demonstrating how the service can be delivered more efficiently and effectively. Annual financial targets will be provided to each Corporate Director and respective Heads of Service to help frame the overall requirement. The following list is not exhaustive but provides examples of potential areas for review: -

- Enforcement and education provision
- Catering and cleaning
- Tourism venues and income generation
- Library and customer services
- Use of our Fleet
- School improvement
- Community centres
- Waste Strategy
- Youth Service

These projects will be monitored by the Chief Executive with support from the Programme office.

3) Placeshaping Investment Programme

An integrated capital investment programme, using circa £30m of Council funding to lever in further significant investment, will be developed spanning the county borough. This will improve the economic, environmental and social prosperity of our county borough and the communities within it. Examples include the following: -

- A469 Troedrhifwuch strategic highway improvement
- New secondary, primary and Welsh Medium schools provision with integrated leisure, library and community use.
- New build passive social housing, creating new communities.
- New community hubs, providing one-stop shop access to the Council.
- Integrated public service hub with health and education.
- New Centre for Vulnerable Learners
- New bus/rail transport interchange.
- New enhanced tourism destination at Cwmcarn forest drive
- Improved trains and more frequent rail travel along the Rhymney Valley line.
- New active travel cycle provision across the county borough.
- New market and wider town centre regeneration.
- Enhancement of recycling centres.

5.7.14 This capital investment programme is significant in terms of scale and complexity and will need to be supported through a formal project management approach via a repurposed programme office. Importantly, to maximise the benefit of such an investment programme requires us to look across the county borough as a whole, rather than a sub-local level. It is important we recognise and maximise the opportunities each local ward area can bring and receive when looking at the total county borough area strategically. One such example to demonstrate this approach, is the increased and improved rail connections between Rhymney and Caerphilly, this investment could facilitate ease of access via rail across the East of the county borough if a new strategic leisure facility were located at Caerphilly.

5.7.15 Crucially, to deliver this ambitious and exciting Placeshaping investment programme, key decisions will need to be taken regarding a number of existing strategies we have in place, these include the Sport and Active Recreation Strategy (SARS), emerging draft Waste Strategy, 21st Century Schools Programme and the emerging Local Development Plan, as examples.

5.7.16 Whilst we have a plan to address the significant financial challenges that we face, it is important that this is mobilised quickly and progresses at pace, early within 2023. This ambitious transformation programme will need additional staff resources to implement and a growth bid of £324k is included within the 2023/24 Draft Budget Proposals. Included within the growth bid, is a new role of Head of Waste and permanent funding for four Project Managers in the Transformation Team. A draft Waste Strategy will shortly be considered by Cabinet, and if approved, this will require a dedicated Head of Service to lead and implement the required changes to ensure we not just meet the statutory waste targets, but exceed them.

5.7.17 These additional staff resources are required to deliver the exciting and bold over-arching change programme for the county borough and the organisation, ensuring that both remain sustainable and resilient, economically, socially and environmentally over the longer term. If the 2023/24 Draft Budget proposals are approved, the Chief Executive will implement a delivery plan to mobilise the organisation promptly.

5.8 Conclusion

5.8.1 This report provides details of the Draft Budget Proposals for 2023/24 based on the WG Provisional Local Government Financial Settlement.

5.8.2 A balanced budget can be delivered for 2023/24 based on a combination of permanent and temporary savings totalling £12.421m, the one-off use of reserves totalling £15.051m and an increase of 7.9% in Council Tax.

5.8.3 The report also provides details of the updated Medium-Term Financial Plan (MTFP), which currently shows a potential savings requirement of £48.047m for the two-year period 2024/25 to 2025/26.

5.8.4 The scale of the financial challenge facing the Council requires new approaches to service delivery and this will be driven through our Transformation and Placeshaping Investment Programmes. It is vital that these are developed at pace and that key decisions are made early to ensure that the projected savings requirement for 2024/25 and 2024/16 can be delivered.

6. ASSUMPTIONS

6.1 A range of assumptions have been made throughout the report in respect of pay and non-pay inflationary increases, inescapable service pressures, and the level of funding settlements moving forward.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 Budget impact assessments are in draft due to the late notification of the Provisional Settlement and will be refined over the coming weeks and supplemented by the outcomes of the public consultation, which will not conclude until 08 February 2023. All budget impact assessments and associated integrated impact assessments will be finalised for the reports to Cabinet on 22 February 2023 and Council on 23 February 2023.

7.2 Draft impact assessments can be found on the following dedicated webpage: -

Budget Impact Assessments 2023-2024

English - [budget-impact-assessments-2023-2024](#)

Cymraeg - [budget-impact-assessments-2023-2024?lang=cy-gb](#)

Integrated Impact Assessments 2023-2024

English - [integrated-impact-assessments-2023-2024](#)

Cymraeg - [integrated-impact-assessments-2023-2024?lang=cy-gb](#)

7.3 The proposed increase in Council Tax of 7.9% will result in weekly increases ranging from £1.27 for Band A properties to £4.45 for Band I properties. 75.81% of properties in the county borough are in bands A to C. Vulnerability is associated with socio-economic disadvantage and for individuals with one or more protected characteristics. The Council Tax Reduction Scheme (CTRS) mitigates against the socio-economic impacts on the most vulnerable households. 15,999 households receive support with their Council Tax payments from the scheme,

representing 19.89% of all households in the county borough. 10.26% (8,253 households) receive the maximum 100% level of support.

[Integrated Impact Assessment Council Tax 2023](#)

8. FINANCIAL IMPLICATIONS

8.1 As detailed throughout the report.

9. PERSONNEL IMPLICATIONS

9.1 Where staffing reductions are required as a consequence of savings proposals the Council will firstly try to achieve this through 'natural wastage' and not filling vacancies. However, where this is not possible the Council will utilise agreed HR policies and compulsory redundancies will only be considered as a last resort after all other options have been fully exhausted.

9.2 The Trade Unions will be consulted on the 2023/24 Draft Budget Proposals and will also be fully engaged in proposals to reshape services moving forward.

10. CONSULTATIONS

10.1 Through the Council's ongoing engagement programme 'The Caerphilly Conversation' residents have, over a period of time, given their views on which Council services are most important to them and where they feel the Council should prioritise its budget spend.

10.2 The latest phase of engagement activity, 'The Caerphilly Conversation – what matters to you?' took place during November and early December 2022 and sought to offer an early-stage insight into services that residents feel are most needed and valued. This insight has been key in shaping this report and the development of the draft savings proposals within. This phase of the engagement programme featured extensive face-to-face engagement with communities, as well as a survey – available online and in hard copy – and targeted engagement with stakeholder groups and seldom heard communities. Through this engagement activity, over 500 individual comments were received and 292 surveys completed, with key findings identified below.

10.3 In the current engagement work, in particular, 90% or more of those who responded felt that social care, community safety, education and schools, roads and highway maintenance, opportunities to be fit – physically and mentally - and jobs and employment were *more important* or *about the same* as they were a year ago.

10.4 Other themes that elicited particularly strong responses about services being *more important* or *about the same* as they were a year ago included: -

- Parks and green spaces (87%)
- Waste and recycling collections (87%)
- Housing and tackling homelessness (86%)
- Public transport (85%)
- Street cleansing and environmental improvements (81%)

10.5 In addition, comments associated with the cost of living crisis featured prominently with respondents indicating that tackling food poverty and free school meals (85%), financial and council tax support (84%), support for low income families (88%) and support for businesses (81%) were *more important* to them or *about the same* as they were a year ago.

- 10.6 A full overview of the ‘Caerphilly Conversation – what matters to you?’ engagement programme responses will be available at www.caerphilly.gov.uk/caerphillyconversation
- 10.7 The next phase of consultation and engagement work, launching on 19 January 2023 and running until the 08 February 2023, will seek views on the specific draft proposals highlighted within this report, building upon the Budget Impact Assessments, and where relevant Integrated Impact Assessments developed for each proposal. The engagement programme will once again include further extensive face-to-face engagement, a survey and targeted stakeholder engagement. Key findings and responses will help shape the final draft budget report for members’ consideration in February 2023.
- 10.8 A Joint Scrutiny Committee meeting is scheduled for 25 January 2022 which will provide an opportunity for all Elected Members to consider and comment upon the 2023/24 Draft Budget Proposals.

11. STATUTORY POWER

- 11.1 The Local Government Acts 1998 and 2003.

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Appendices: -

Appendix 1 – 2023/24 General Fund Inescapable Service Pressures

Appendix 2 – 2023/24 Draft Savings Proposals

Appendix 3 – Proposed Use of Service Reserves

Appendix 3 – Updated Medium-Term Financial Plan

Background Papers: -

[Cabinet \(12/06/19\) – Future Caerphilly Transformation Strategy, Team Caerphilly – Better Together](#)

[Cabinet \(22/07/20\) – Strengthening Team Caerphilly](#)

[Cabinet \(24/02/21\) – Caerphilly Wellbeing and Place Shaping Framework](#)

2023/24 General Fund Inescapable Service Pressures

Directorate	Service Area	Details	2023-24 Growth
			(£)
Corporate Services	People Services	CMT Support - Additional hours for two Personal Assistants	9,205
Corporate Services	People Services	Communications Team - Subscription to Copyright Licencing Agency	11,000
Corporate Services	Various	1 day additional leave arising from the 2022/23 pay settlement and 5 days additional leave endorsed by Cabinet (14 December 2022)	11,358
Corporate Services	People Services	Annual contract costs for Job Evaluation system	13,000
Corporate Services	People Services	Costs for joint arrangement for the development of a Organisational Learner Experience and Learning Management Platform	39,600
Corporate Services	Digital Services	Migration of Telephone Contracts to Cloud platform	60,000
Corporate Services	Digital Services	2 new Grade 9 posts in the Server Team	104,070
Corporate Services	Digital Services	Migration of Proactis system to Cloud platform	52,000
Corporate Services	Digital Services	Migration of Schools Information Management System (SIMS) to Cloud platform	29,160
Corporate Services	Digital Services	Licence costs of Employee Protection Register	12,500
Corporate Services	Digital Services	Office 365 licences for Servers	55,000
Corporate Services	Digital Services	Budget realignment for income targets that are unsustainable	100,800
Corporate Services	Digital Services	Migration of Midland HR system to Cloud platform	145,564
Corporate Services	Digital Services	Migration of Revenues and Benefits IT System to Cloud platform	125,368
Corporate Services	Digital Services	Migration of Pay360 IT System to Cloud platform	12,000
Corporate Services	Legal & Governance	Electoral Services - Regrading of post to reflect new responsibilities	16,930
Corporate Services	Legal & Governance	Electoral Services - Additional costs in relation to new WG voter ID requirements	50,000
Corporate Services	Legal & Governance	Net increased cost of Members Allowances following recommendations of the Independent Remuneration Panel.	28,000
Corporate Services	Financial Services	Internal Audit - Increase in hours for part-time Grade 7 post to ensure sufficient capacity in the Team	9,965
Corporate Services	Financial Services	Cashiers Administration - Increase in hours for part-time Grade 5 post to ensure sufficient capacity in Team	9,875
Corporate Services	Policy	4 x temporary Project Managers to be made permanent to support delivery of the Council's Transformation Programme	208,140
Sub-Total: -			1,103,535
Corporate Services	Miscellaneous Finance	10.7% assumed increase in Coroners Levy	18,638
Corporate Services	Miscellaneous Finance	8.75% increase in the Levy for Glamorgan Archives	2,787
Corporate Services	Miscellaneous Finance	8.1% increase in the Fire Service Levy	287,767
Corporate Services	Miscellaneous Finance	The Authority is required to fund a Council Tax Reduction Scheme (CTRS). This replaced Council Tax Benefit a number of years ago and is a means-tested benefit that assists in full or part towards a resident's Council Tax bills. The additional liability arises from the proposal to increase Council Tax by 7.9% in 2023/24	1,267,306
Corporate Services	Miscellaneous Finance	Adjustment required to reflect the net reduction in the Provisional Financial Settlement of £202k in relation to the tapering of WG funding for Private Finance Initiative (PFI) Schemes	(202,000)
Corporate Services	Miscellaneous Finance	The City Deal includes a borrowing requirement for the ten partner Local Authorities and an additional revenue budget of £389k is required for 2023/24 to meet the current anticipated cost for Caerphilly CBC's share of potential borrowing that may be undertaken during the year	389,306
Sub-Total: -			1,763,804
Economy & Environment	Various	1 day additional leave arising from the 2022/23 pay settlement and 5 days additional leave endorsed by Cabinet (14 December 2022)	701,866
Economy & Environment	Community & Leisure	Waste - Reduction in WG Sustainable Waste Management Grant	25,000
Economy & Environment	Community & Leisure	New Head of Waste post to deliver the emerging Waste Management Strategy	115,663

2023/24 General Fund Inescapable Service Pressures

Directorate	Service Area	Details	2023-24 Growth
			(£)
Economy & Environment	Infrastructure	Engineering Projects Group (EPG) - Additional inspections and remedials for Structures (Bridges and Culverts)	70,000
Economy & Environment	Infrastructure	Additional Home to School Transport costs due to age eligibility increases for Additional Learning Needs (ALN) pupils	100,000
Economy & Environment	Infrastructure	Adjustment to budgets to reflect loss of income arising from reduced Car Parking charges	83,000
Economy & Environment	Infrastructure	Increased contract costs for Home to School Transport taxi provision	100,000
Economy & Environment	Infrastructure	Reduction in Concessionary Fares Administration Grant	30,000
Economy & Environment	Community & Leisure	Green Spaces & Transport Services - Additional costs arising from the switch from Red to White Diesel	34,000
Economy & Environment	Community & Leisure	Sport and Leisure - Additional budget requirement following the regrading of 2 members of staff	22,420
Sub-Total: -			1,281,949
Social Services	Children's Services	Increased demand and complexity of Children's placements	3,940,000
Social Services	Adult Services	Increased demand for care packages for vulnerable adults	510,000
Social Services	Adult Services	Reprovisioning of home care packages returned by independent providers	42,000
Social Services	Adult Services	Provision for impact of enhanced fire regulations in supported living accommodation	303,000
Social Services	Adult Services	Anticipated increases in fees for independent sector providers in relation to the Real Living Wage, energy costs and wider inflationary pressures.	2,833,000
Social Services	Various	Additional posts (3.52 FTE's) required to address increasing demands	158,000
Social Services	Various	1 day additional leave arising from the 2022/23 pay settlement and 5 days additional leave endorsed by Cabinet (14 December 2022)	500,000
Social Services	Adult Services	Review of supported living rotas to address support needs of current service users	232,000
Social Services	Adult Services	Contribution to Regional Independent Domestic Violence Advocacy Service	78,000
Social Services	Caerphilly Cares	Review of Caerphilly Cares Service and withdrawal of short-term funding	697,000
Sub-Total: -			9,293,000
Social Services	General Fund Housing	Additional staffing capacity in the Private Housing Team to deliver emerging Strategies, and budget realignment due to reduced levels of agency fee income.	635,000
Social Services	General Fund Housing	1 day additional leave arising from the 2022/23 pay settlement and 5 days additional leave endorsed by Cabinet (14 December 2022)	15,000
Social Services	General Fund Housing	Temporary Accommodation - Significant increase in B&B placements. This increase in costs is net of 2023/24 grant funding from WG totalling £623k. The position remains volatile moving forward, albeit that a reduction is anticipated over time.	1,747,052
Sub-Total: -			2,397,052
Education & Lifelong Learning	Home to School/College Transport	Increases in prices following the renewal of bus contracts	589,000
Education & Lifelong Learning	Additional Learning Needs	Additional funding requirement to support cost pressures arising from increasing demand and to support the ALN Reform Act.	319,000
Education & Lifelong Learning	Vulnerable Learner (EOTAS)	Full-year impact of previously agreed additional classroom at Glan Y Nant	122,000
Education & Lifelong Learning	All	1 day additional leave arising from the 2022/23 pay settlement and 5 days additional leave endorsed by Cabinet (14 December 2022)	1,235,000
Sub-Total: -			2,265,000
TOTAL: -			18,104,340

2023/24 Draft Savings Proposals

Reference Number	Directorate	Service Area	Details	2023-24 Permanent Savings	2023-24 Temporary Savings
				(£)	(£)
CS1	Corporate Services	All	Adjustment to gross pay budgets to incorporate vacancy management		(742,245)
CS2	Corporate Services	All	Reduction in mileage budgets to reflect new flexible working models	(43,500)	
CS3	Corporate Services	Director	Budget realignment on various budgets	(10,000)	
CS4	Corporate Services	Legal & Governance	Service Level Agreement (SLA) income from collaborative arrangements	(20,000)	
CS5	Corporate Services	Legal & Governance	Budget realignment on various budgets	(5,800)	
CS6	Corporate Services	Financial Services	Deletion of vacant Grade 5 Housing Benefits Assessor post	(33,591)	
CS7	Corporate Services	Financial Services	Budget realignment on various budgets held by Head of Service	(5,000)	
CS8	Corporate Services	Financial Services	Deletion of vacant Grade 5 Accounts Assistant post in the Finance Support Unit	(33,591)	
CS9	Corporate Services	Financial Services	Deletion of vacant Grade 5 Administrative Assistant post in the Cahiers Administration Team	(33,591)	
CS10	Corporate Services	Policy	Deletion of the Community Empowerment Fund budget. Any underspend on the 2022/23 budget will be carried forward into the 2023/24 financial year and allocated on a first come first served basis. Once this underspend has been utilised there will be no further funding available.	(358,176)	
CS11	Corporate Services	Policy	Deletion of uncommitted community projects budget	(14,070)	
CS12	Corporate Services	Policy	Deletion of uncommitted Sustainable Development budget	(21,000)	
CS13	Corporate Services	Policy	Deletion of the uncommitted Technical Assistance budget	(12,180)	
CS14	Corporate Services	Policy	Voluntary Sector Service Level Agreement (SLA) budget realignment	(25,200)	
Sub-Total: -				(615,699)	(742,245)
MF1	Corporate Services	Miscellaneous Finance	Budget realignment for External Audit fees	(30,000)	
MF2	Corporate Services	Miscellaneous Finance	No revenue contribution to Capital Programme for 2023/24 only		(1,880,711)
MF3	Corporate Services	Miscellaneous Finance	Uncommitted Free School Meals Grant transferred into the Financial Settlement in previous years. This is for one year only and will be reviewed for 2024/25.		(322,250)
MF4	Corporate Services	Miscellaneous Finance	Additional investment income due to increases in the Bank of England Base Rate. This is for 2023/24 only at this stage due to the volatility of the Base Rate and will be reviewed for 2024/25		(1,889,136)
MF5	Corporate Services	Miscellaneous Finance	Removal of Carbon Reduction Commitment Scheme budget which has ended with no replacement scheme being implemented.	(246,839)	
MF6	Corporate Services	Miscellaneous Finance	Budget realignment on the Council Tax Reduction Scheme (CTRS) budget	(250,000)	
Sub-Total: -				(526,839)	(4,092,097)
EE1	Economy & Environment	All	Reduction in mileage budgets to reflect new flexible working models	(82,710)	
EE2	Economy & Environment	Property	Temporary 20% reduction in non-essential Building Maintenance budgets		(300,000)
EE3	Economy & Environment	Infrastructure	Temporary reduction in the Highways Maintenance budget		(922,000)
EE4	Economy & Environment	Infrastructure	Withdrawal of subsidy for the Blackwood to Ystrad Mynach Rail Link bus service	(120,000)	
EE5	Economy & Environment	Infrastructure	School Crossing Patrols - Withdrawal of funding where posts become vacant and ROSPA criteria is not met	(100,000)	
EE6	Economy & Environment	Community & Leisure Services	20% increase in fees for Sports pitches	(17,000)	
EE7	Economy & Environment	Community & Leisure Services	Reduce Grass Cutting (bio diversity) through a reduction in agency workers	(59,000)	
EE8	Economy & Environment	Community & Leisure Services	Temporary reduction in the Cemeteries Maintenance Budget		(40,000)
EE9	Economy & Environment	Community & Leisure Services	Closure of Ty Fry Farm following end of the lease in March 2023 with staff relocated to Ty Bargoed	(12,000)	
EE10	Economy & Environment	Community & Leisure Services	Reduction in transport budgets within Country Parks	(12,000)	
EE11	Economy & Environment	Community & Leisure Services	Additional Income from new Tennis facilities	(5,000)	
EE12	Economy & Environment	Community & Leisure Services	Increase in current MOT fee by £10 to £45	(5,000)	
EE13	Economy & Environment	Community & Leisure Services	Additional income from the sale of felled timber	(10,000)	
EE14	Economy & Environment	Community & Leisure Services	Review of Leisure Fees & Charges	(75,000)	
EE15	Economy & Environment	Community & Leisure Services	50% reduction in the subsidy for Caretaker costs in Community Centres (we currently fund 11 hours)	(70,500)	
EE16	Economy & Environment	Community & Leisure Services	Withdrawal of the subsidy for Markham Community Leisure Centre	(10,000)	
EE17	Economy & Environment	Public Protection	CCTV - Replace 9 4G cameras with a more cost effective option	(6,000)	
EE18	Economy & Environment	Public Protection	Management fee for CCTV Service Level Agreement (SLA) with Blaenau Gwent CBC	(10,000)	

2023/24 Draft Savings Proposals

Reference Number	Directorate	Service Area	Details	2023-24 Permanent Savings	2023-24 Temporary Savings
				(£)	(£)
EE19	Economy & Environment	Public Protection	Increased Ceremony Income in Registrars - Temporary saving only as additional income is due to back-log following		(10,000)
EE20	Economy & Environment	Regeneration	Tourism Venues - Reduction in subsidy across the portfolio (total subsidy is currently £1.293m)	(250,000)	
EE21	Economy & Environment	Regeneration	Deletion of Shop Administration Assistant post at Llancaiach Fawr following retirement	(30,678)	
EE22	Economy & Environment	Regeneration	Temporary reduction in the Community Enterprise Fund (CEF) budget		(62,350)
Sub-Total: -				(874,888)	(1,334,350)
SS1	Social Services	Adult Services	Children With Disabilities - Budget realignment to reflect demand	(69,000)	
SS2	Social Services	Adult Services	Budget realignment - Non-residential care income from service users	(68,000)	
SS3	Social Services	Children's Services	Reduction in mileage budgets to reflect new flexible working models	(50,000)	
SS4	Social Services	Children's Services	Budget realignment - foster care recruitment & retention	(18,000)	
SS5	Social Services	Children's Services	Budget realignment - prevention budgets	(30,000)	
SS6	Social Services	Children's Services	Reduction in contribution to regional Continuing Healthcare (CHC) post	(10,000)	
SS7	Social Services	Adult Services	Reduction in mileage budgets to reflect new flexible working models	(50,000)	
SS8	Social Services	Adult Services	Budget realignment - short-term placements	(49,000)	
SS9	Social Services	Adult Services	Budget realignment - Shared Lives placements	(225,000)	
SS10	Social Services	Business Support	Reduction in mileage budgets to reflect new flexible working models	(5,000)	
SS11	Social Services	Business Support	Budget realignment - other office expenses	(2,000)	
SS12	Social Services	Business Support	Budget realignment - Delivering Transformation Project	(18,000)	
Sub-Total: -				(594,000)	0
ELL1	Education & Lifelong Learning	All	Reduction in mileage budgets to reflect new flexible working models	(35,000)	
ELL2	Education & Lifelong Learning	LMS Contingency	Reduction in the Local Management of Schools (LMS) Contingency budget	(60,000)	
ELL3	Education & Lifelong Learning	Management & Support Services	Reduction in equipment, computer and IT related expenditure	(20,000)	
ELL4	Education & Lifelong Learning	Support Services & Resources	Deletion of vacant part-time post	(14,500)	
ELL5	Education & Lifelong Learning	Additional Learning Needs	Redesign of support for Health & Safety assessments	(35,000)	
ELL6	Education & Lifelong Learning	SENCOM	10% reduction in contribution	(78,400)	
ELL7	Education & Lifelong Learning	Music Service	10% reduction in budget	(42,600)	
ELL8	Education & Lifelong Learning	Learning, Education and Inclusion	Budget Realignment - WJEC and Subscriptions budgets	(25,000)	
ELL9	Education & Lifelong Learning	Lifelong Learning	Budget Realignment - Administration Service Level Agreement (SLA) with Property Services	(11,131)	
ELL10	Education & Lifelong Learning	Education Achievement Service (EAS)	10% reduction in contribution to EAS	(98,000)	
ELL11	Education & Lifelong Learning	Other Direct School Related Expenditure	Fund 50% Repairs & Maintenance contribution to schools from reserves for 2023/24 only		(346,320)
ELL12	Education & Lifelong Learning	Rising 3's	Budget realignment based on demand		(15,000)
ELL13	Education & Lifelong Learning	Psychology Service	Vacancy management due to staff turnover		(50,000)
ELL14	Education & Lifelong Learning	Early Years Central Team	Some existing posts to be funded through grants in 2023/24		(100,000)
ELL15	Education & Lifelong Learning	Youth Service	Temporary budget reduction		(125,000)
ELL16	Education & Lifelong Learning	Libraries	20% reduction in Book Fund		(57,000)
Sub-Total: -				(419,631)	(693,320)
ELL17	Education & Lifelong Learning	Schools	It is currently estimated that additional energy costs for schools in 2023/24 will be £5.055m. It is proposed that schools are asked to manage 50% of this increase through energy reduction initiatives and wider cost efficiencies.	(2,527,568)	
Sub-Total: -				(2,527,568)	0
TOTALS: -				(5,558,625)	(6,862,012)

Proposed Use of Service Reserves

Description	Amount (£)	Justification for Repurposing
Corporate Services		
Asylum Dispersal Area Policy Officer	6,548	Post funded from grant
Policy ASB Co-ordinator	20,000	Post funded from grant
AP Forensics Software (Fraud Monitoring)	391	Uncommitted balance on previously approved reserve
Grade 5 Council Tax	26,700	Uncommitted balance on previously approved reserve
Making Tax Digital Software Update	13,145	Uncommitted balance on previously approved reserve
Digital Strategy (Abavus)	268,955	Abavus is now funded from the Digital Services revenue budget
Welsh Community Care Information System (WCCIS) maintenance	226	Uncommitted balance on previously approved reserve
Caerphilly 2022 Leadership	922	Uncommitted balance on previously approved reserve
50% Additional Scrutiny Officer	17,685	Uncommitted balance on previously approved reserve
Additional Members Allowances	8,700	Uncommitted balance on previously approved reserve
Storm Dennis	146,000	Uncommitted balance on previously approved reserve
Ty Penallta Lighting	16,067	Scheme now completed
Health & Safety Team Laptops	3,500	Uncommitted balance on previously approved reserve
1yr Fixed-Term Post in Corporate Property (Land Sales)	48,000	Post funded from core revenue budget
1yr Fixed-Term Post Corporate Property (Electrician)	35,000	Post funded from core revenue budget
Ty Penallta Café	4,896	Scheme now completed
Careline	277,887	Uncommitted ring-fenced underspends on the Careline revenue budget
Members Allowances	396,049	Uncommitted ring-fenced underspends on the Member Allowances revenue budget
Council Tax Reduction Scheme (CTRS)	1,755,610	Uncommitted ring-fenced underspends on the CTRS budget. There is sufficient core revenue budget for CTRS as the budget is increased annually in line with agreed uplifts for Council Tax.
Sub-Total: -	3,046,281	
Social Services		
Equipment to Enable single-handed home care calls	151,800	There has been additional investment in GWICES from regional funding
Operation Jasmine Legal Support	30,000	Complete
Feasibility study in respect of delivering telecare options.	40,000	Social Care Recovery Grant used instead
Care Home Visiting and Lateral Flow Testing	184,000	Scope of WG Covid-19 Hardship Fund was extended to include testing
WCCIS Reporting Officer	95,000	£40k per year performance improvement grant confirmed to 2024/25
Regional Continuing Care post	8,713	Regional funding used instead
Tackling backlog of minor works of adaptation	100,000	WLGA promoting independence grant to be used instead
Social Work long-term absence cover	100,000	Would be at risk - Cover will need to be funded by other vacancies
Bargoed High Street - MyST Hub	188,000	Work now complete and was partially funded from the Social Care Recovery Grant
Family Intervention Team	59,700	Grant funded in 2022/23 and will not be funding the Team moving forward
Communications Officer	37,058	Only fund for 12 months
Safe Families Contract	32,700	Only fund to 31/3/23
Residential Homes management capacity	44,500	Only fund for 12 months
Hafod Deg Damp Issues	48,000	Significant increase in estimated cost for these works so did not progress
Sub-Total: -	1,119,471	
Education & Lifelong Learning		
Bridges Into Work 2	402,750	Uncommitted balance on previously approved reserve
Working Skills for Adults 2	200,250	Uncommitted balance on previously approved reserve
Inspire to Work	10,000	Uncommitted balance on previously approved reserve
Arts Practitioner	60,000	Funded from grant
Pupil Learning Opportunity	70,000	Uncommitted balance on previously approved reserve
Additional Learning Needs (ALN) Co-ordinator	130,000	Funded from core revenue budget
Sub-Total: -	873,000	
TOTAL: -	5,038,752	

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Updated Medium-Term Financial Plan

Description	2023/24 £000s	2024/25 £000s	2025/26 £000s
Increase in Aggregate External Finance (6.9%, 2.71%, 1%)	22,152	9,203	3,488
Increase in Council Tax (7.9%, 4.5%, 3.9%)	6,147	3,826	3,483
Total Funding to Support Budget	28,299	13,030	6,971
General Fund Services Inflationary Pressures			
National Joint Council (NJC) Pay Award (5%, 3%, 2%)	10,588	4,824	3,312
Increase in Employer Pension Contributions (NJC Staff)	1,106	1,117	560
Foundation Living Wage	218	218	218
Non-Pay Inflation (Various, 3%, 2%)	13,620	6,210	4,524
Non-Pay Inflation (Fees and Charges) - (5%, 3%, 2%)	(793)	(499)	(429)
Total General Fund Services Inflationary Pressures	24,739	11,869	8,186
General Fund Inescapable Service Pressures			
Corporate Services	1,104	700	392
Miscellaneous Finance	1,764	1,021	639
Economy & Environment	1,282	448	166
Social Services	9,293	6,799	4,555
General Fund Housing	2,397	1,156	(303)
Education & Lifelong Learning	2,265	556	0
Total General Fund Inescapable Service Pressures	18,104	10,680	5,450
Schools Cost Pressures			
Teachers Pay Award (3.5%, 3%, 2%)	4,423	2,880	2,235
National Joint Council (NJC) Pay Award for School Based Staff (5%, 3%, 2%)	935	488	338
Increase in Employer Pension Contributions (NJC Staff)	163	167	97
Non-Pay Inflation (Various, 3%, 2%)	5,897	899	629
Schools Service Pressures	1,509	1,292	995
Total Schools Cost Pressures	12,928	5,726	4,294
Proposed Savings/Use of Reserves			
Permanent savings proposals	5,559	70	0
Temporary savings proposals	6,862	0	0
Use of reserves	15,051	0	0
Total Proposed Savings/Use of Reserves	27,472	70	0
Reinstatement of 2023/24 Temporary Savings Proposals and Use of Reserves	0	21,913	0
Annual Shortfall	0	37,089	10,959
Cumulative Shortfall	0	37,089	48,047

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