



CABINET – 22ND FEBRUARY 2023

SUBJECT: BUDGET PROPOSALS FOR 2023/24

REPORT BY: CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To seek Cabinet endorsement of the 2023/24 budget proposals contained within this report prior to final determination by Council on 23 February 2023.

2. SUMMARY

- 2.1 At its meeting on 18 January 2023, Cabinet endorsed the 2023/24 Draft Budget Proposals based on the Welsh Government (WG) Provisional Local Government Financial Settlement for 2023/24.
- 2.2 The report provided details of a range of cost and service pressures that require funding, proposed permanent and temporary savings, the proposed one-off use of reserves, and a proposed increase of 7.9% in Council Tax to enable the Authority to set a balanced budget for the 2023/24 financial year.
- 2.3 Following a period of consultation this report now presents Final Budget Proposals for the 2023/24 financial year. The report also contains additional information for Cabinet consideration in respect of movements on the General Fund, and the proposed Capital Programme for the three-year period 2023/24 to 2025/26.
- 2.4 An updated indicative Medium-Term Financial Plan (MTFP) is also appended to the report showing a potential savings requirement of £48.335m for the two-year period 2023/24 to 2024/25.

3. RECOMMENDATIONS

- 3.1 Prior to consideration and determination at the Council meeting on 23 February 2023, Cabinet is asked: -
 - 3.1.1 To endorse the revenue budget proposals for 2022/23 of £438.722m as detailed throughout the report and summarised in Appendix 1.
 - 3.1.2 To endorse the proposed budget virements in relation to Additional Learning Needs as detailed in paragraph 5.3.12.
 - 3.1.3 To endorse the proposed use of £346k of the LMS Contingency Reserve as a one-off

sum to support the Education & Lifelong Learning Directorate's 2023/24 contribution to the 50% repairs and maintenance budget for schools (as detailed in paragraph 5.5.3).

- 3.1.4 To note the movements on the General Fund in Appendix 5 and the current projected balance as at 31 March 2023 of £13.041m.
- 3.1.5 To endorse the proposed Capital Programme for the period 2023/24 to 2025/26 as set out in Appendix 6.
- 3.1.6 To 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).
- 3.1.7 To note the updated MTFP in Appendix 7 showing an indicative potential savings requirement of £48.335m 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 Budget Proposals and the medium-term financial outlook.
- 5.1.2 The Bank of England (BoE) increased the Bank Rate by a further 0.5% to 4% in February 2023. This followed a rise of 0.75% in November 2022 which was the largest single rate hike since 1989, and a rise of 0.5% in December 2022.
- 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 Gross Domestic Product (GDP) for quarter 4 of 2022 was 0%, thus narrowly avoiding a recession. Growth is expected to fall throughout 2023 and the first half of 2024.
- 5.1.5 CPI inflation for January 2023 was 10.1%, but this is now expected to 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 £27.179m 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 £48.335m will be required for the two-year period 2024/25 to 2025/26.

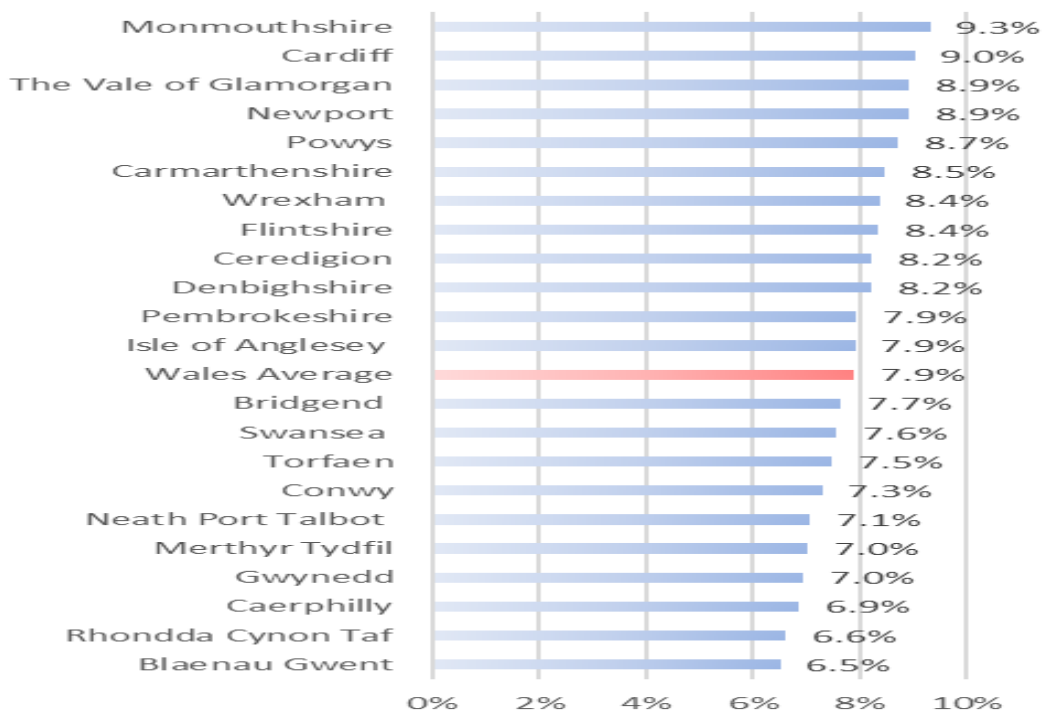
5.1.7 The scale of the challenge facing the Council cannot be underestimated. Clearly, a financial strategy that seeks to continuously salami slice our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than 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 2024/25 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 £55.478m 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.
- 5.2.9 Details of the 2023/24 Final Local Government Financial Settlement will not be announced until early March 2023, however it is anticipated that this will not vary significantly from the position set out in the Provisional Settlement.

5.3 2023/24 Budget Proposals

- 5.3.1 Further to Cabinet endorsement of the 2023/24 Draft Budget Proposals on 18 January 2023, there have been further emerging costs pressures that require consideration in terms of funding. These are listed in Table 2 along with proposed adjustments to some of the initial savings proposals in response to the feedback from the consultation process on the Draft Budget Proposals.

Table 2 - Proposed Adjustments to the 2023/24 Draft Budget Proposals

| Description | £m |
|--|----------------|
| Additional Growth Requirements: - | |
| • Confirmed 21.88% increase in the Coroner’s Levy (originally assumed to be 10.7%) | 0.037 |
| • Regrading of 3 posts to support the delivery of the emerging Waste Strategy | 0.034 |
| • Additional staffing capacity in Electoral Services to deliver new regional responsibilities and voter ID requirements | 0.051 |
| • Additional staffing capacity to deal with the rollout of a new contract management approach across the Council | 0.230 |
| • Migration of OLAS General Ledger system to Cloud platform | 0.087 |
| | |
| Adjustments to Proposed Savings: - | |
| • Initial £10k proposed saving for the withdrawal of the subsidy at Markham Community Leisure Centre to now be tapered over a three-year period from April 2023 | 0.007 |
| • Proposed 20% increase in fees for Sports pitches to be reduced to 12% | 0.011 |
| • Proposed reduction of 5.5 hours in funding for caretaker costs in Community Centres to be changed to a reduction of 4 hours and tapered over a three-year period from October 2023 | 0.053 |
| • Community Empowerment Fund budget to be reduced to £250k instead of being withdrawn completely | 0.250 |
| • Proposed 10% saving for SENCOM to be postponed pending discussions on an agreed regional approach from 2024/25 | 0.078 |
| Total: - | 0.838 |
| | |
| Funded By: - | |
| • Adjustment to energy cost pressure based on latest Crown Commercial Services (CCS) projections | (0.544) |
| • Additional one-off call on reserves | (0.294) |
| | |
| Net: - | 0.000 |

5.3.2 The proposals contained within this report (including the adjustments in Table 2 above) will deliver a balanced budget for 2023/24 on the basis that Council Tax is increased by 7.9%. Table 3 provides a summary: -

Table 3 – 2023/24 Budget Proposals Summary

| Description | £m |
|--|---------------|
| Cost Pressures: - | |
| • General Fund Services inflationary pressures (pay and non-pay) | 24.381 |
| • General Fund inescapable service pressures | 18.542 |
| • Schools cost pressures | 12.555 |
| Total: - | 55.478 |
| | |
| Funded By: - | |
| • 6.9% uplift in Provisional Settlement | 22.152 |
| • Permanent savings proposals | 4.972 |
| • Temporary savings proposals | 6.862 |
| • One-off use of reserves | 15.345 |
| • 7.9% proposed increase in Council Tax | 6.147 |
| Total: - | 55.478 |

- 5.3.3 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 £15.345m through the use of reserves. These temporary one-off measures totalling £22.207m 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.
- 5.3.4 The 2023/24 General Fund Services inflationary cost pressures totalling £24.381m are set out in Table 4 below: -

Table 4 – 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 | 13.262 |
| Non-Pay Inflation (Fees and Charges) | (0.793) |
| TOTAL: - | 24.381 |

- 5.3.5 **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. Any increase above the assumed level of 5% for 2023/24 will need to be funded in-year from reserves, with the recurring impact then being factored into the budget from 2024/25 onwards.
- 5.3.6 **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 2024/25 and 2025/26 respectively.
- 5.3.7 **Foundation Living Wage** – £218k is included in the 2023/24 Budget Proposals to allow for an increase in the Foundation Living Wage hourly rate for General Fund Services staff.
- 5.3.8 **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 January 2023 showed CPI at 10.1%. 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 210% for gas and 131% for electricity are currently anticipated for 2023/24, equating to an additional cost of circa £4.5m 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 Budget Proposals.
- 5.3.9 **Non-Pay Inflation (Fees and Charges)** - A generic increase of 5% is assumed for Fees and Charges.
- 5.3.10 Table 5 provides a summary of the 2023/24 General Fund Services inescapable service pressures totalling £18.542m. These pressures have been subject to a detailed review and have been incorporated into the 2023/24 Budget Proposals on the basis that they are essential. Full details are provided in Appendix 2 for Members' consideration.

Table 5 – Summary of General Fund Inescapable Service Pressures

| Service Area | £m |
|-------------------------------|---------------|
| Corporate Services | 1.470 |
| Miscellaneous Finance | 1.800 |
| Economy & Environment | 1.316 |
| Social Services | 9.293 |
| General Fund Housing | 2.397 |
| Education & Lifelong Learning | 2.265 |
| TOTAL: - | 18.542 |

5.3.11 A growth bid of £319k is included in the Education & Lifelong Learning total above in relation to Additional Learning Needs (ALN). A key priority for the Directorate is ensuring compliance with the ALN Act and Code, and ensuring that statutory duties for pupils with ALN are met. Neighbouring authorities and the majority of Local Authorities across Wales have delegated additional support funding to schools. In Caerphilly CBC, funding for additional support for schools has historically been retained centrally. The Additional Learning Needs and Education Tribunal (Wales) Act (2018) provides the context for revisiting activity with schools to progress an open and transparent model to distribute the majority of this central budget directly to our schools to support pupils with additional learning needs.

5.3.12 Officers have been working with representative primary and secondary headteachers to identify an option that schools will feel is fit for purpose. The current budget for additional support is circa £4.2m, however over recent years this budget has consistently overspent by circa £500k. This cost has been met from within the vulnerable learner’s budget, specifically from the Out of County Placement element, as pupils have remained with Caerphilly schools. It is proposed that this budget is realigned internally, increasing the additional support budget by the £500k. In recent discussions with Headteachers it has become more apparent that there is a “hidden” additional cost pressure within our schools. It is proposed that the additional support budget is further increased by £1m in 2023/24 to recognise the pressure that schools have been facing. In 2022/23 there is an amount of £681k held against the Miscellaneous Finance budget, specifically for schools. This funding was not required when the original 2022/23 formula funding allocations were calculated in February 2022, and has not been required in year. It is therefore proposed that this funding is vired into the additional support budget to support the financial pressures in this area and along with the £319k proposed growth this will provide the £1m required. Whilst the work to support the proposed delegation of the additional support budget is not been yet complete, this additional funding is essential for supporting pupils with ALN in any model moving forward.

5.3.13 The Schools cost pressures totalling £12.555m are set out in Table 6 below -

Table 6 – 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 | 5.524 |
| Other Service Pressures | 1.509 |
| TOTAL: - | 12.555 |

5.3.14 **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 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. However, an improved 2022/23 pay offer has recently been made to teachers following industrial action and this will

result in additional in-year costs and have a recurring budgetary impact. This recent offer has now been rejected and further industrial action is planned. It is currently assumed that WG will provide funding to meet the additional costs of the final 2022/23 pay settlement.

- 5.3.15 A further pay award of 3.5% is currently assumed for teachers from September 2023 (in line with the indicative uplift figure provided by the Independent Pay Review Body on Teachers Pay).
- 5.3.16 **National Joint Council (NJC) Pay Award (School-Based Staff)** – The 2023/24 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.
- 5.3.17 **Increase in Employer Pension Contributions (NJC Staff)** – As mentioned in paragraph 5.3.6 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.
- 5.3.18 **Non-Pay Inflation** - As detailed in paragraph 5.3.8, 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 £4.682m are anticipated for 2023/24 and other inflationary increases are expected to result in additional costs of £842k.
- 5.3.19 **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 Savings Proposals

- 5.4.1 Savings proposals have been identified for the 2023/24 financial year totalling £11.834m. These are summarised in Table 7 with further details being provided in Appendix 3.

Table 7 – 2023/24 Draft Savings Proposals

| Service Area | Permanent Savings £m | Temporary Savings £m | Total Savings £m |
|-------------------------------|---------------------------------|---------------------------------|-----------------------------|
| Corporate Services | 0.366 | 0.742 | 1.108 |
| Miscellaneous Finance | 0.527 | 4.092 | 4.619 |
| Economy & Environment | 0.804 | 1.334 | 2.138 |
| Social Services | 0.594 | 0.000 | 0.594 |
| Education & Lifelong Learning | 0.341 | 0.693 | 1.034 |
| Schools | 2.341 | 0.000 | 2.341 |
| TOTAL: - | 4.972 | 6.862 | 11.834 |

- 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 £2.341m for schools. To put this into context, Table 6 of this report shows total schools cost pressures of £12.555m for 2023/24. It is proposed that additional funding of £10.214m is allocated to schools which is an uplift of 8.4%. This will result in anticipated pay awards and general non-pay inflationary increases being funded but estimated energy cost increases of £4.682m will only be funded at 50%. Schools

will therefore be asked to manage £2.341m of the energy increase themselves through energy reduction initiatives and wider cost efficiencies.

- 5.4.4 The proposed growth of £10.214m 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 8 are released to support the budget for 2023/24.

Table 8 – 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 | 3.262 | |
| • Social Services | 1.119 | |
| • Education & Lifelong Learning | 0.951 | 5.332 |
| TOTAL: - | | 15.345 |

- 5.5.2 Members will note the proposed use of service reserves totalling £5.332m. These reserves have been reviewed in detail and can be repurposed to support the 2023/24 budget. Further details are provided in Appendix 4
- 5.5.3 The proposed savings for Education & Lifelong Learning in Appendix 3 include a temporary saving of £346k in relation to the budget for the Directorate's 50% repairs and maintenance contribution to schools. This saving is proposed for 2023/24 only and the £346k will instead be met through a one-off contribution from the LMS Contingency Reserve.

5.6 General Fund Balances

- 5.6.1 Details of the projected movement on General Fund balances are provided in Appendix 5.
- 5.6.2 The current General Fund balance is £11.852m, which reflects the position previously agreed by Council.
- 5.6.3 Based on the 2022/23 month 9 Whole-Authority Revenue Budget Monitoring Report, it is currently anticipated that there will be a net transfer to the General Fund of £2.239m from a projected year-end net underspend across all Directorates.
- 5.6.4 Cabinet will recall that in previous years the Council Tax surplus has been channelled through the General Fund each year to support the base budget in the following financial year. In normal years this surplus is estimated to be circa £1.050m but Members will be aware that Council Tax collection has been adversely impacted during the pandemic. It would not be prudent at this stage to assume that the Council Tax surplus for 2022/23 will be at the levels achieved prior to the pandemic. It is therefore recommended that the £1.050m required to support the 2023/24 budget should be funded through a call on the General Fund.
- 5.6.5 After allowing for the above movements the updated projected balance for the General Fund as at 31 March 2023 is £13.041m. The Section 151 Officer usually recommends a minimum

General Fund balance of 3% of the Net Revenue Budget which for 2023/24 is £13.162m. The current projected balance of £13.041m is marginally lower than this but this will be reviewed again when the 2022/23 Provisional Revenue Budget Outturn Report is presented to Cabinet and Council in July 2023.

5.7 Council Tax Implications 2023/24

- 5.7.1 The 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.
- 5.7.2 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 9 – 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 |

5.8 Capital Programme

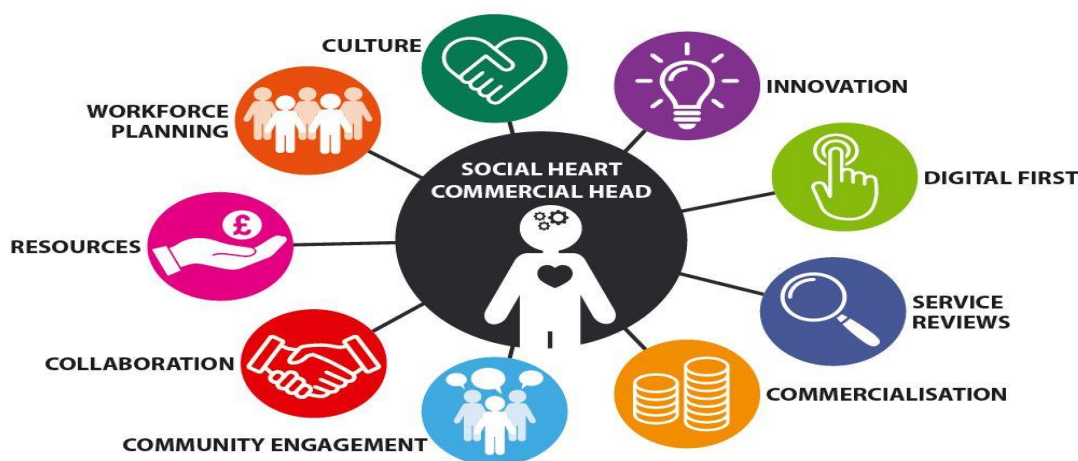
- 5.8.1 The proposed Capital Programme for the three-year period 2023/24 to 2025/26 is detailed in Appendix 6 and summarised in Table 10.

Table 10 – Summary of Capital Programme 2023/24 to 2025/26

| | 2023/24 | 2024/25 | 2025/26 |
|--|----------------|----------------|----------------|
| | £m | £m | £m |
| Capital Programme proposals | 11.636 | 9.668 | 9.599 |
| WG funding available | (9.772) | (8.157) | (8.157) |
| Capital funding gap | 1.864 | 1.511 | 1.422 |
| Funded by: - | | | |
| Surplus/(Deficit) b/fwd | 0.287 | 0.000 | 0.000 |
| One-Off funding from MRP Policy Review | 1.449 | 1.383 | 1.314 |
| RCCO budget (Miscellaneous Finance) | 0.128 | 0.128 | 0.128 |
| Total Additional Funding | 1.864 | 1.511 | 1.442 |
| Surplus/(Deficit) carried forward | 0.000 | 0.000 | 0.000 |

5.9 Financial Outlook for Future Years

- 5.9.1 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 £48.335m for the two-year period 2024/25 to 2025/26. Details are provided in Appendix 7 and the following is a summary of the key assumptions: -
- An uplift in WG funding of 2.71% for 2024/25 (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 pension contributions.
 - Non-pay inflation at 3% for 2024/25 and 2% for 2025/26.
- 5.9.2 In addition to the above, significant work has been undertaken with Directors and Heads of Service to identify further potential inescapable 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.
- 5.9.3 The temporary measures in the 2023/24 Draft Budget Proposals totaling £22.207m 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.
- 5.9.4 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.
- 5.9.5 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 prioritised, 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.
- 5.9.6 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.
- 5.9.7 The strategic programme of “whole-authority” work is being delivered through the following key themes, which underpin the new operating model of the Council: -



5.9.8 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.

5.9.9 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 |

5.9.10 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.

5.9.11 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.

5.9.12 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.

5.9.13 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 Troedrhwiwch 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.

5.9.14 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.

5.9.15 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.

5.9.16 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 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.

5.9.17 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 Budget Proposals are approved, the Chief Executive will implement a delivery plan to mobilise the organisation promptly.

5.10 Conclusion

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

5.10.2 A balanced budget can be delivered for 2023/24 based on a combination of permanent and temporary savings totalling £11.834m, the one-off use of reserves totalling £15.345m and an increase of 7.9% in Council Tax.

5.10.3 The report also provides details of the updated Medium-Term Financial Plan (MTFP), which currently shows a potential savings requirement of £48.335m for the two-year period 2024/25 to 2025/26.

5.10.4 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 2025/26 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 and integrated impact assessments (where required) have been completed and can be accessed through the following links: -

Budget Impact Assessments 2023-2024

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

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

Integrated Impact Assessments 2023-2024

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

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

- 7.2 The budget proposals include a number of areas where a full integrated impact assessment was deemed to be required due to the potential for impact on persons with protected characteristics or due to social-economic disadvantage. Each impact assessment considers the mitigating factors. The recommendations of each of these are provided below: -

7.3 Council Tax

- 7.3.1 The recommendation is to implement the proposed increase in Council Tax in the context of the significant and unprecedented financial pressures facing the Council.

- 7.3.2 The Council Tax Reduction Scheme supports people living in the county borough who face the most socio-economic disadvantage. 15,999 households receive support with their Council Tax payments representing 19.89% of all households in the county borough. 8,253 of these households (10.26%) receive the maximum 100% level of support.

- 7.3.3 In addition, the Council has implemented the Caerphilly Cares service to provide early-stage preventative support for the most vulnerable individuals, including signposting to financial support and advice.

7.4 Community Empowerment Fund

- 7.4.1 The Community Empowerment Fund is a relatively new 'additionality' budget and assessing the take-up and impact of the funding is ongoing. Projects tend to cover a wide variety of outcomes due to the criteria being widely drafted, having originally been based on community consultation. A survey will be undertaken this coming financial year to gather feedback on project outcomes. This will be assessed in the context of any future financial year planning beyond 2023/24.

- 7.4.2 It is recommended that a reduction in the budget will be accommodated within the likely total requests for support within each ward area. Wards will be made aware at the earliest opportunity of the amount that has been allocated for the next financial year, subject to agreement by Council on the proposal to reduce the budget by 30%.

- 7.4.3 In addition to delivering on the reduced budget, the Council will continue to promote the Welsh Church Act Fund and the Grants To The Voluntary Sector small grant scheme, as well as

working with the local Community Voluntary Council to signpost other sources of support for local organisations.

7.5 Well-being, Technical Assistance and Service Level Agreements with the Voluntary Sector

7.5.1 In the context of the funding pressures facing the Council the budget for technical assistance and sustainability/well-being should be removed. Applicant organisations will be signposted to other sources of support, as far as it is possible, and in partnership with the local Community Voluntary Council.

7.5.2 The Service Level Agreements with the three voluntary sector organisations that have previously been recipients will remain at the same level as 2022/23. Projects that may be deliverable within the available budget will be negotiated as part of the process for 2023/24 recognising that as costs of delivery increase, what may be achievable within the budget available may have to decrease.

7.6 Temporary Reduction in the Book Fund

7.6.1 The proposal to reduce the book fund by 20% is a temporary measure to meet the savings requirement for the 2023/24 budget. A series of mitigating actions are described in the impact assessment.

7.6.2 The recent 'What Matters' conversation took place in November/December 2022 and identified that residents feel that libraries are a key service that the Council should prioritise. The budget consultation undertaken in January/February 2023 told us that residents feel that libraries are a vital part of the community and could be used more. A reduction to the book fund raised some concern but overall was considered acceptable for one year only. Longer-term reductions would have a greater impact on those who need the library service most e.g. those who experience socio-economic disadvantage and people with protected characteristics.

7.7 Blackwood to Ystrad Mynach Rail Link

7.7.1 The Raillinc 901 contract between Blackwood and Ystrad Mynach rail station is the contract with the highest subsidy per passenger at £13.43 (for the 12 months to October 2022). The latest figures to October 2022 show over 900 passengers per month. The recommendation from the integrated impact assessment is to proceed with the proposal in the context of the financial pressures facing the Council.

7.7.2 The removal of subsidy for the rail link service was met with a mixed response. Residents felt that the level of subsidy was too high to be maintained, but suggested alternative routes may be more viable (nearest train station to Blackwood is Pengam) and suggested that the service could be opened up to non-rail users.

7.8 SENCOM

7.8.1 The proposal focussed on efficiencies and non-staffing costs. While the proposal recognised that further consideration and consultation would be required regarding mitigation of risk before a final agreement were made, the decision has been taken not to proceed with this proposal for the 2023/24 financial year

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 fully engaged in proposals to reshape services moving forward.

10. CONSULTATIONS

- 10.1 An ongoing period of far-reaching community engagement has supported the development of the Council's budget setting for 2023/24.
- 10.2 Initially, during November and December 2022, an engagement programme entitled 'What matters to you?' encouraged residents to give their views and consequently helped the Council to gain an understanding of the services that residents feel are most needed and valued and where residents feel the Council should prioritise its budget spend. The insights from this engagement were key in shaping the draft budget proposals for 2023/24 prior to going out to public consultation in January 2023.
- 10.3 The follow up engagement programme 'The Caerphilly Conversation – Budget Consultation 2023/24' was designed to seek the views of residents and key stakeholders in relation to the three key elements of the draft budget proposals, namely, the use of £15.051million reserves at this time, the proposed increase in council tax of 7.9% and the draft list of savings proposals (both temporary and permanent) totalling £12.421million.
- 10.4 This engagement programme, as well as offering residents an opportunity to have their say through a survey, also saw a large number of opportunities for face-to-face engagement in libraries, and also through social media and with targeted engagement with stakeholder groups that represent seldom heard communities.
- 10.5 The key findings from this engagement programme included: -
- 62% of survey respondents agreed or strongly agreed with the one-off use of reserves at this time. Feedback received through face-to-face conversations and survey comments highlighted that in many cases, where residents disagreed with the proposal, it was because they felt that the Council should be using more of its reserves at this time.
 - Over a quarter (26%) of survey respondents agreed with the proposed 7.9% council tax increase or would be prepared to pay even more. A further 39% would support a lower level of council tax increase while 35% would not support any increase in council tax. Feedback from conversations with residents reflected this view. While many said that they understood the need to increase council tax to maintain services, there was concern that, at this time, any increase in council tax would impact on those least able to afford an increase.
 - Areas of the proposals that respondents particularly agreed with included a reduction in mileage budgets, deletion of vacant posts, vacancy management across the organisation and budget realignments that will have no impact on residents. Income generation through methods such as the sale of felled timber and an increase in charges for MOTs etc was largely supported, as was a reduction in the tourism subsidy, with the suggestion that venues could generate income through visitor attendance. Reducing the frequency of grass cutting to encourage biodiversity was also received largely positively.
 - Areas of the proposals that respondents particularly disagreed with included a reduction in community grants and voluntary/community sector support, and any cuts to Social Services that will impact on the most vulnerable residents. Savings proposals associated with services for children with disabilities were of particular concern. The temporary reduction in highways maintenance budget featured throughout the discussions, as did

any cuts that would impact directly on schools and education. Protecting libraries and youth services was also a consistent theme, and while it was thought that income generation was in the main, a positive way forward, there were mixed views regarding income generation through increased charges for services that are accessed by residents and the community (e.g. review of sports and leisure fees and a proposed increase in sports pitch fees).

- 10.6 A full summary of the findings from the 'Caerphilly Conversation – Budget Consultation 2023/24' can be found at www.caerphilly.gov.uk/caerphillyconversation
- 10.7 On 25 January 2023, a Joint Scrutiny Committee meeting was held to consider the 2023/24 Draft Budget Proposals. The key points raised during the meeting were as follows: -
- The Leader emphasised that although the approaches taken to address the budget pressures, including the use of reserves, can smooth the path to major changes in the way the Council operates, the Authority is still faced with a starting deficit of £21m for the 2024/25 financial year and transformation will therefore be key in delivering services moving forward.
 - The Leader also explained that a holistic approach to transformation is needed and that the Council wishes to avoid the prospect of compulsory redundancies and the cutting of key services being faced by other Authorities.
 - A Member asked about the long-term goals for tourism venues in the county borough, citing the example of St David's Hall Cardiff being sold to an external organisation, and asked if this is a model that is being considered for Caerphilly owned venues. It was confirmed that alternative operating options are being examined and a review is currently underway, with a long-term tourism strategy due to be launched. The recent reduction in the subsidy to Blackwood Miners Institute was also highlighted, which is due to the increased programme of events at the venue. Members were reminded that the Council's tourism venues will also need to change the way they operate in line with the Authority's plans to change the way it delivers services.
 - Members asked if there were plans to change the grass-cutting regime in terms of the number of cuts per year, and if it would take into account biodiversity considerations, such as a wildflower seeding programme. The Committee was advised that a Grass Cutting report is scheduled for consideration by the Environment and Sustainability Scrutiny Committee which will set out these proposals but will need to take into account the impact on climate change in view of the Council having declared a Climate Emergency.
 - Members raised concerns regarding the proposed reduction in the caretaker subsidy for community centres and were of the view that this could have a significant impact on the operating viability of some centres. The Committee was advised that an Integrated Impact Assessment has been completed in respect of this savings proposal, and at present the Council funds 11 hours of caretaking costs for each centre, which is fully utilised by some centres but not by others, depending on their needs. Therefore, some centres are underused and need to become more proactive in their approach, and the Council is willing to work with these community centres to help them become more self-sufficient, as the Council cannot afford to fund caretaking hours and maintain buildings that are only used for a few hours per week.
 - A Member highlighted the reported underspends of £38m in the 2021/22 budget, together with the level of funds held in reserves, and enquired whether these could be used to fund the budget deficit for 2023/24. The Head of Financial Services & S151 Officer explained that underspends over the past two years were due to services not running at full capacity during the Covid-19 pandemic, together with significant additional funding from Welsh Government that was made available at the time. However, these underspends have been reported to Cabinet and Council and have been ringfenced for specific purposes, including

£14.3m from the General Fund being released for purposes such as funding the additional cost of pay awards, and establishing the cost-of-living hardship fund and the cost-of-living crisis fund.

- In relation to the reserves totalling £233m, a substantial portion has been allocated or ringfenced for specific purposes including the Housing Revenue Account, the 21st Century Schools Programme, a new respite facility, the highways programmes, and funding to support the wellbeing and placeshaping framework. It was also clarified that a large proportion of reserves cannot be reallocated elsewhere as they have already been agreed for specific purposes.
- During the meeting, reference was also made to the proposed use of reserves totalling £15m, with assurances sought that the Council is able to release the reserves relating to £5m for Covid-19 and £2.098m for the Cost-of-Living Crisis Contingency. The Head of Financial Services & S151 Officer confirmed that the proposal to release these reserves has been reviewed in detail.
- Several Members raised concerns throughout the meeting in relation to the proposed 7.9% Council Tax increase and highlighted the impact of this increase on local residents, particularly in view of the cost-of-living crisis and the additional financial burden this would place on them. The Scrutiny Committee was reminded that 75.81% of households are in Bands A-C, and that the most vulnerable residents are supported through the Council Tax Reduction Scheme, with 15,999 households (19.89%) receiving some level of support and 8,253 of these households receiving a 100% reduction. One Member suggested alternative budget proposals, such as a one-off reduction against the General Fund balance to 2% which would release £3.9m to be offset against Council Tax, reducing this to a 2.1% increase.
- A Member questioned the need for additional staff as set out in the report when balanced against the proposed budget cuts. The Chief Executive advised the Scrutiny Committee that she has a statutory responsibility as Head of Paid Service to ensure that the Authority has the appropriate staff and skills to deliver the services that the Council is being asked to deliver, with some service areas extremely stretched and hence the proposals seek to fill these gaps. Members were asked to note the vacant posts being deleted as part of the savings proposals, together with the significant programme of change being embarked upon by the Authority, with it emphasised that to manage a programme of this scale, additional capacity needs to be secured in order to lead and implement the required changes.
- A Member raised concerns around the proposed cuts to Service Level Agreements for the Voluntary Sector and it was explained that although the Council is greatly appreciative of the value of this particular sector, the Council is faced with the alternative of making cuts to key services in order to meet the £35m funding deficit, and that the voluntary sector are still able to secure funding through alternative streams. Members also referenced the proposed deletion of the Community Empowerment Fund and felt that this proposal was premature given that many local organisations did not have the opportunity to use their allocation during the pandemic, and they sought clarification on the funding assistance available to these organisations in the future. Officers confirmed that these comments would be taken on board and considered as part of the consultation process on the draft budget proposals.
- Clarification was sought on the proposed budget realignment across Social Services, particularly in relation to the support around Children with Disabilities and domiciliary care, with a Member expressing concern around whether demand is being met, and also suggested that these underspends could be used to recruit additional foster carers to help address the overspend across Children's Services in relation to independent/residential home provision. The Committee was assured that demand is being fully met, and that there has been a reduction in demand across these particular services, hence the

proposed budget realignments, and in some cases the needs of service users has changed which had led to the Health Board taking on provision of this service in place of the local authority, as the level of need has changed from social care to health care. Members were also assured that foster care recruitment is the focus of a very active and successful campaign at both local and national level, and that this area does not require additional investment.

- Reference was made to the £1.747m cost pressure for temporary accommodation and a Member asked if consideration had been given towards recycling multiple units into alternative provision to offset the costs used for private provision. Members were advised that this inescapable service pressure is representative of the demands faced by all local authorities in Wales in terms of temporary accommodation, and all alternatives are being looked at, including construction methods, use of pods, bed and breakfast accommodation, and bringing empty properties back into use, and pressure is being put on Welsh Government in this regard.
- During the course of the meeting, Members expressed concerns around the proposals for increased pitch fees, stating that many of the local sports clubs and local users will find a 20% increase difficult to absorb. Queries were also received around the proposed MOT fees increase, together with a query on community asset transfer, with clarification on both matters provided by Officers.

10.8 On 02 February 2023, the 2023/24 Draft Budget Proposals were presented to the Voluntary Sector Liaison Committee. The key points raised during the meeting were as follows: -

- A representative of the Voluntary Sector sought clarification on the Voluntary Sector Service Level Agreements (SLA) budget realignment as there was no mention of which organisations it applied to and a request was made for it be removed from the 2023/24 draft savings proposals. The Corporate Policy Manager explained that the savings proposal of £25,200 has never been used for the Service Level Agreements and that it is an amount in the total Voluntary Sector budget which has been unallocated for a number of years. The proposal will therefore not result in a cash cut to the current Service Level Agreements and the budget available to support them would be the same in the coming financial year. The Corporate Policy Manager highlighted that the details of the effect of the proposed cut were set out in more detail in the Integrated Impact Assessments that are hyperlinked to the main budget report that had been circulated prior to the meeting. The Committee was informed that the recipient organisations will be contacted very soon to discuss the Service Level Agreements for the next financial year.
- The Committee raised concerns regarding the 50% reduction in the subsidy for Caretaker costs in Community Centres and it was suggested that the budget of each individual Community Centre is taken into consideration. In response to the concerns raised, the Head of Public Protection, Community & Leisure Services acknowledged that Community Centres are in different situations, in terms of how they might accommodate the savings proposal, and that some may be in a better position than others. The Committee was advised that at the moment there is a blanket service provision across all of the Community Centres and therefore the reduction is being proposed across the board. Members of the Committee were asked to note this is a part-year saving that will allow work to be undertaken in the first half of the financial year with the Community Centres to introduce the proposal. During the course of discussion, further comments were made in relation to the 50% reduction and it was felt that this would mean the closure of many Community Centres across the county borough. It was highlighted that Community Centres are also facing huge increases in their fuel costs and despite this many Centres are opening as warm spaces to help the less fortunate in the communities. In conclusion, a representative of the Voluntary Sector offered a number of solutions to help address this matter. These included asking each Community Centre Management Committee if they feel the need to close their Community Centre, to help streamline costs and the number of Centres, calculating each Community Centre's caretaking costs to base it on

actual usage and floor area instead of the current flat rate of 12 hours, adding details of each Community Centre's weekly programme to the Council's website, and providing each Community Centre with a copy of the three-yearly building condition survey in order for the Management Committees to prioritise improvements and repairs to keep the buildings up to standard.

- Concerns were also raised regarding the proposed deletion of the Community Empowerment Fund budget. It was commented that the Community Empowerment Fund has delivered some very useful projects, especially where wards are able to collaborate, and a request was made for it to continue as it strengthens the rapport between Councillors and their wards. The Corporate Policy Manager reminded the Committee that the current proposal is that any underspend in the 2022/23 financial year will be carried forward into the 2023/24 financial year, which would be on a ward basis for the first six months and then pooled for the second six months of the financial year. In conclusion, the Committee requested the Community Empowerment Fund be continued into the future and not just monies rolled over into the next financial year.
- A Councillor requested that the proposal to increase the current scale of charges for use of sports pitches by 20% be reconsidered. It was noted that the reason behind this was to minimise the impact upon individuals and target team activities, but it was argued that the proposed saving would impact on individuals as it would impact on the ability for the parents to pay for children to take part in team sports on a regular basis. The Head of Public Protection, Community & Leisure Services clarified that the proposed fee increase relates to team sports, so the total increase would be spread across all participants taking part in team sports. An alternative proposal would be to look more broadly across sport and leisure fee charges and to introduce increases for individual users, which could be suggested as an alternative proposal which would be fed in as part of the budget consultation process.
- A representative of GAVO asked how the Voluntary Sector is going to be involved in the process moving forward. In response, the Head of Financial Services & S151 Officer reiterated that as part of the TeamCaerphilly Operating Model, community engagement and collaboration will take place with the Voluntary Sector when working through proposals.
- Another Councillor referred to the proposed 50% reduction in the subsidy for Caretaker costs in Community Centres and to the proposed withdrawal of the £10,000 subsidy for Markham Community House and Leisure Centre. A number of concerns were raised including the age profile of members of the Management Committee and difficulties recruiting, paying staff wages, and service price increases. It was felt that Markham Community House and Leisure Centre was being treated differently to other areas and the proposal would impact on the facility's ability to continue service at existing levels, which could result in the closure of the facility. The Councillor highlighted that Markham Community House and Leisure Centre is a Council owned building and if the lease for Markham Community House and Leisure Centre is unable to continue, the Council would still be responsible for the repairs and maintenance of the building. A request was made for the reserves to be used for this savings proposal in order to keep the facility open. The Head of Public Protection, Community & Leisure Services noted that a discussion has taken place with the Cabinet Member for Waste, Leisure & Green Spaces who is minded to support a change to this proposal so that it would be a £5,000 reduction for 2023/24. Further comments were made in relation to Markham Community House and Leisure Centre being an anomaly within the current Community Centre and Leisure Centre network. The Sport & Leisure Facilities Manager addressed the Committee to provide context in relation to Markham Community House and Leisure Centre and addressed the concerns and comments raised. The Committee was advised that the facility was initially put in place on the very understanding that it would be delivered by a volunteer network and that reactive and statutory maintenance on the site is picked up by the Council to significant amounts. It was highlighted that Sport & Leisure Services continue to support the facility by signposting activities.

- 10.9 The 2023/24 Draft Budget Proposals were shared with the Trade Unions at a meeting on 12 January 2023, with a follow-up meeting also taking place on 09 February 2023.
- 10.10 The GMB expressed the view that the budget proposals were positive in that there would be no job losses and services would be protected, and it was stressed that it is important that Trade Unions and Officers work closely together from an early stage in relation to any future changes to services in order that they are fully informed and can advise their members. Unite echoed the views of GMB and added that there was initially concern about potential redundancies and that reassurance had now been provided that this was not the case.
- 10.11 Following the meeting on 12 January 2023, Unison provided written feedback on the 2023/24 Draft Budget Proposals, which is attached as Appendix 8. During the meeting on 09 February 2023, the Chief Executive clarified some of the points that had been raised in Unison's written feedback: -
- Section 9.2 of the report – When service reshaping proposals are being developed the Trade Unions will be invited to engage at this point.
 - In relation to meeting with Directors/Heads of Service the Chief Executive noted that she had not received any such requests from the Trade Unions. The Chief Executive confirmed that whilst she fully recognises the importance of meetings between officers and Trade Unions, as the proposals did not detrimentally affect staff and given the deadline for pulling the budget report together, there simply was not an opportunity to engage with Trade Unions any earlier. The Leader also stated that he had apologised at the meeting held on 12 January 2023 for the timing of the meeting, but with the caveat that he did not know how the meeting could have been held any earlier given that the proposals were not signed off by the Labour Group until the Monday evening, and the meeting with Trade Unions had taken place on the Thursday.
 - Cost associated to annual leave – A report was approved by Cabinet in relation to the 6 additional days annual leave for staff. The proposal to fund this is included in the budget proposals report (£2.4m).
 - Budget re-alignment – The Head of Financial Services & S151 Officer advised that these budgets were being adjusted to reflect actual patterns of spend.
 - Areas of Vacancy Management – The underspends relate to vacancies where services have been reconfigured so Heads of Service have been able to consider whether some posts are still required.
 - Creation of additional posts – These are included as growth proposals and have been subject to a robust review of growth bids.
 - Reduction in mileage budget – A calculation has been carried out on pre and post Covid-19 mileage payments. The Council is now operating in a different way whereby technology is being used thus decreasing the need for staff to drive to attend meetings. However, it should be noted that where members of staff do need to claim mileage then this will continue to be paid at the prevailing rates. Also, when fuel costs rose significantly Caerphilly CBC was one of a small number of Local Authorities in Wales to put in place a temporary mileage protocol to increase the amount reimbursed to staff.
 - Section 5.3.4 – NJC Pay Award - The Chief Executive asked the Trade Unions to bear in mind that there is only so much money available and given the financial challenges being faced any additional payment will affect the budget. It was agreed that this would be a national discussion with regards to pay, however, how the Council's budget is spent on staff will ultimately need to be agreed locally.
- 10.12 The Chief Executive stated that the narrative around this budget is that it is a temporary fix which will allow much needed time to discuss and consult further. The Chief Executive confirmed that a communication had been sent to all staff reassuring them that they were the Council's greatest asset, and that there was a need to work together to adapt to the new challenges being faced. The Chief Executive reiterated that she is extremely proud of the way staff adapted during the Covid pandemic.

11. STATUTORY POWER

11.1 The Local Government Acts 1998 and 2003.

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Appendices: -

Appendix 1 – Net Revenue Budget 2023/24
Appendix 2 – 2023/24 General Fund Inescapable Service Pressures
Appendix 3 – 2023/24 Savings Proposals
Appendix 4 – Proposed Use of Reserves
Appendix 5 – Movement on General Fund
Appendix 6 – Capital Programme 2023/24 to 2025/26
Appendix 7 – Updated Medium-Term Financial Plan
Appendix 8 – Feedback from Caerphilly Unison

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](#)
[Cabinet \(18/01/23\) – Draft Budget Proposals for 2023/24](#)