
DRAFT BUDGET PROPOSALS 2017-18

Reason for the Report

1. To provide Members with the context for scrutiny of the 2017-18 draft budget proposals.

Background

2. The Constitution allows all Scrutiny Committees to consider the Council's draft budget proposals, as relevant to their terms of reference, to allow non-executive Members to feed comments, observations or recommendations to the Cabinet before final decisions are taken. The Cabinet will consider the draft budget proposals on 16 February 2017, prior to their presentation to Full Council for approval on 23 February 2017.
3. In line with its terms of reference the Policy Review and Performance Scrutiny Committee will therefore perform two roles in scrutinising the Council's budget:
 - Firstly, Members will consider the overall budget proposals from a corporate and strategic point of view; checking the alignment of the proposals to the Council's stated Corporate Plan priorities, as well as the processes by which they have been developed;

- Secondly, Members will scrutinise the budget proposals for those specific services under its terms of reference, in the context of the priorities set out in the draft Corporate Plan (*item 3*), and in terms of impact on service delivery.
4. Prior to the Committee meeting, on 13 and 14 February 2017, all four other Scrutiny Committees will have considered the budget proposals and the draft Corporate Plan relevant to their terms of reference. Following these meetings, the Chair of each Committee will write a letter to the Cabinet, summing up their Committee's comments. Copies of these letters will be tabled at the Policy Review and Performance Scrutiny Committee meeting, to inform Members' lines of inquiry.

Structure of the Meeting

5. This agenda item (4) will be structured in two parts in order to meet the Committee's responsibilities outlined above: firstly an overview of Council wide budget proposals; and secondly, consideration of the specific services which fall under this Committee's terms of reference (in turn, Resources, Economic Development [*property matters*], and Governance & Legal Services).
6. To consider the overall budget proposals the following Cabinet Members and officers have been invited. Members will receive a presentation by the Corporate Director (Resources), giving a corporate overview of the 2017-18 Budget Proposals, and the processes by which they were arrived. There will then be an opportunity for general questions:
- Councillor Phil Bale, Leader (Economic Development and Partnerships);
 - Councillor Graham Hinchey, Cabinet Member (Corporate Services and Performance);
 - Christine Salter, Corporate Director Resources;
 - Ian Allwood, Head of Finance;

- Gareth Newell, Partnership and Community Engagement Manager, with responsibility for co-ordinating the production of the Budget Consultation Report 2017.

7. Trade Union representatives have been invited to attend and may wish to give a short statement of their view of the budget proposals.
8. Following the corporate overview scrutiny, Cabinet Members and officers will be in attendance for three Directorates; Resources, Economic Development, and Governance & Legal Services, as set out on the meeting agenda, to answer Members' questions regarding specific service budget proposals.

Structure of the Papers

9. Attached to this report are a series of appendices to enable Members to scrutinise the draft budget proposals:

Appendix A – Directorate Budget Savings Proposal Summary 2017-18.

This includes **A (i)** Overview of the Savings Proposals

A (ii) Directorate Proposals and

A (iii) Addressable Spend.

Appendix B – Directorate Controllable Budgetary Analyses. These set out for each Directorate expenditure and income for the current 2016-17 financial year, and summarise 2017-18 savings proposals, allowing Members to see the overall budget context.

This includes: **B (i)** City Operations.

B (ii) Communities, Housing & Customer Services.

B (iii) Corporate Management.

B (iv) Economic Development.

B (v) Education & Lifelong Learning.

B (vi) Governance & Legal Services.

B (vii) Resources.

B (viii) Social Services.

Appendix C – Financial Pressures 2017-18.

Appendix D – Financial Resilience 2017-18.

Appendix E – Post Consultation Changes.

Appendix F – Employee Implications of budget proposals.

Appendix G – (i) Capital Programme General 2017-18 – 2021-22;
(ii) Capital Programme Resources 2017-18 – 2021-22.

Appendix H – Changes for Cardiff consultation report.

Budget Position: Welsh Government Settlement & Budget Reduction Requirement

10. As at 10 February 2017, the Council finds itself with a funding shortfall of approximately £16,889m for 2017/18, before savings and new pressures have been accounted for. The shortfall comprises of:

Budgetary Gap	£000
Resources Available	581,372
Resources Required	598,261
Shortfall before savings and new pressures	16,889

11. The resources available to finance the budget, before any increase in the rate of Council Tax, are made up as follows:

Resources Available	£000
Resources from WG	428,217
Council Tax (at nil increase)	151,655
Use of reserves to support the budget	1,500
Total Resources Available	581,372

12. The following table summarises the resources required to cover base expenditure, commitments and budget realignments.

Resources Required	£000
2016/17 adjusted base budget (after transfers)	578,846
New Responsibilities (per settlement)	1,278
Employees (pay awards, increments, NI etc.)	2,916
Demographic pressures	4,610
Commitments	840
Directorate expenditure and income realignments (net)	2,699
Special inflation	2,507
Schools non-pupil number growth (net)	4,565
Total Resources Required	598,261

13. In addition to the budget shortfall of £16,889m, the Council has identified new directorate pressures of £4,638m, bringing the shortfall to £21,527m. Overall savings of £17,007m have been identified, resulting in £4,520,000 to be raised from additional Council Tax, as set out below:

Budget Shortfall	£000
Shortfall before directorate pressures and savings	16,889
New directorate pressures	4,638
Sub total	21,527
Less	
Total Savings	(17,007)
Net amount to be raised from additional Council Tax	4,520

14. Overall savings proposals have been identified, as shown in **Appendix A**, as follows:

Funded by:-	£000
Directorate Savings	13,264
Addressable Spend Savings	3,743
TOTAL SAVINGS	17,007

15. Comparing the resources available to the Council (with no increase in the rate of Council Tax) with the resources required results in the following shortfall.

Funding Gap	£000
Resources required	598,261
Resources available	581,372
Shortfall before savings and new pressures	16,889

16. This shortfall can theoretically be met using reserves, increases to Council Tax or through savings proposals. The Council's Section 151 Officer has consistently advised that there is limited scope to use reserves to meet the shortfall. Directors have therefore been asked to put forward savings proposals in relation to their controllable budgets.

17. The following table identifies that the amount to be raised from additional Council Tax in 2017/18 is £4.520 million after allowing for the adjustment in respect of the Council Tax Reduction Scheme amounting to £1.092 million. This will result in a Council Tax increase of 3.7%.

Budget Shortfall	£000
Shortfall before directorate pressures and savings	16,889
New directorate pressures	4,638
Sub total	21,527
Less	
Total Savings	(17,007)
Net amount to be raised from additional Council Tax	4,520

18. In terms of the Directorate savings proposals of **£13,264** million:

- a. **£4,872 million** are savings from **employee costs**;
- b. **£8,739 million** are savings from **other spend**; and
- c. **£3,405 million** from increased **income**.

19. This year, savings of £17million have been themed. The table below illustrates those themes, and their contribution to the overall total.

Savings by theme	£000
Working with partners and others	1,700
Income/commercialisation	3,300
Internally facing (C&P)	7,300
Grants and subsidies	500
Use of technology	600
2 nd /3 rd year of previous savings	3,600
TOTAL SAVINGS	17,000

20. To enable the Committee to understand the prioritisation of proposed savings across Directorates, the table below sets out the level of savings proposals as a percentage of overall budgets for each Directorate.

Total Savings	Employee £000	Other £000	Income £000	Total £000	% of overall saving
City Operations	0	695	494	1,189	7%
Communities, Housing and Customer Services	120	754	209	1,083	6.4%
Corporate Management	0	84	0	84	0.5%
Economic Development	269	542	1,359	2,170	12.8%
Education and Lifelong Learning	782	605	984	2,371	14%
Governance and Legal Services	0	102	0	102	0.5%
Resources	511	503	254	1,268	7.5%
Social Services	340	4,657	0	4,997	29.4%
Total Directorate Savings	2,022	7,942	3,300	13,264	78%
Addressable Spend	2,850	788	105	3,743	22%
Total	4,872	8,730	3,405	17,007	100%

Savings Proposals Risk Assessment Process

21. The detailed Directorate Budget Proposals at **Appendix A** have undergone a three-stage risk analysis assessing the residual risk to the Council should the savings proposal be accepted; the achievability of the saving; and its equality impact rating.
22. The **residual risk** may relate to a variety of factors including: risks to the Council's reputation; adverse implications for the achievement of a Directorate's objectives or performance targets; implications for the community; or financial implications. Residual risk may comprise several of these factors at once. The **achievability rating** indicates the feasibility of the proposed saving, and an **equality impact assessment** identifying the potential equality risks associated with each proposal.
23. The Equality Act 2010 sets out a General Duty that as a public body within Wales, the Council is required to have due regard in its decision making processes (including financial decisions) to three factors:
 - To eliminate unlawful discrimination, harassment and victimisation;
 - To advance equality of opportunity; and
 - To foster good relations between people who share a protected characteristic (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, religious belief and non-belief, race, sex, sexual orientation and Welsh Language) and those who do not.
24. Where a screening identifies a red or red/amber risk a full Equality Impact Assessment is undertaken. Members can view these at:

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Council-Budget/2017-18/Equality-Impact-Assessments-2017-18/Pages/default.aspx>
25. To assist with the scrutiny of Directorate budget proposals for services specifically within the Committee's remit, all lines relevant to that Directorate throughout the suite of budget documents have been colour coded, this includes the Budget

Savings proposals, Financial Pressures, Financial Resilience, Employee Implications and Capital Programme.

PURPLE: Resources Directorate proposals:

- Budget Savings Proposals 2017-18 (lines 58 to 74);
- Financial Pressures (line 14);
- Financial Resilience: N/A;
- Employee Implications: (lines 15 to 21);
- Capital Programme: (lines 21,23,24,51 & 81).

YELLOW: Economic Development Directorate proposals:

- Budget Savings Proposals 2017-18 (lines 31,34,35 and 37);
- Financial Pressures: N/A;
- Financial Resilience : refer to lines under 'Property Condition';
- Employee Implications: N/A;
- Capital Programme: (lines 21, 47 & 48).

PINK: Governance & Legal Services Directorate proposals:

- Budget Savings Proposals 2017-18 (lines 56 - 57);
- Financial Pressures: (line 13);
- Financial Resilience: N/A;
- Employee Implications: (line 14);
- Capital Programme N/A.

Cabinet Budget Proposals 2017-18

26. Detailed savings proposals are set out for each Directorate (**Appendix A (ii)**), as well as a number of council wide budget savings proposals in the form of addressable spend proposals (**Appendix A (iii)**). The spreadsheet at A (ii) sets out a number of details for each proposal: For each numbered proposal (line) Members will find:

- The Directorate against which the savings is proposed;

- The Theme within which the saving falls;
- Savings proposed and an explanation of the proposal;
- Budget Analysis Reference, allowing the savings proposal to be tracked to the sub division of the service from which it is proposed to be taken, when cross referenced with the Directorate Controllable Budgetary Analyses (Appendix B);
- Breakdown of the saving, for example will it be derived from employee costs, 'other', income or a combination of these;
- A risk analysis in respect of the residual risk, an achievability rating and an Equalities Impact Assessment rating (see point 20 above);
- The Cabinet Portfolio in relation to the proposed saving.

27. **Appendix A (iii)** details addressable spend budget savings proposals. Listed are 17 proposals that will realise cross Directorate savings.
28. The eight Directorate Controllable Budgetary Analysis sheets attached at **Appendix B** provide current year information and savings proposals by service divisions within the Directorates.
29. **Appendix C** is a summary of financial pressures the Council faces in 2017/18. Members may wish to refer to all pressures listed when considering the budget overview. Total pressures council wide are £4.638 million. However, of specific interest within the services that fall directly within the Committees remit, is £82,000 for a service review of Members Business Support, and £230,000 support for a Trainee Placement Programme.
30. The Council is proposing to allocate £4million of one-off expenditure in 2017/18 for Financial Resilience purposes (**Appendix D**). Such expenditure falls into five themed categories as listed above, of which that within the 'Property Condition' category will be of particular interest when considering the Economic Development budget.
31. The Employee Implications of the Budget, attached at **Appendix F**, illustrates the posts to be deleted or created as a result of budget proposals. Overall, the Budget

makes provision for an additional 53.55 posts. Of particular interest, within the Committee's remit, will be an increase of 3 posts in Governance and Legal Services, and a decrease 12.5 posts in the Resources Directorate.

Capital Programme 2016-17 to 2020-21

32. The draft Capital Programme is attached at **Appendix G**. The proposed 2017/18 budget outlines capital expenditure proposals of **£143,049** million for 2017/18 and an indicative **£230,027** million for the 2018/19 to 2021/22 financial years.

Budget consultation on Savings Proposals

33. A public consultation on savings proposals, '*Changes for Cardiff 2017/18*', opened on 10 November 2016 and closed on 16 December 2016. Opportunities to engage with the consultation were via an electronic questionnaire distributed through social media, email address lists, paper copy distribution across libraries and hubs, postal delivery to selected households across the city, face-to-face engagement with targeted groups and selected locations across the city. The full report, analysing the responses to the consultation, is attached at **Appendix H**. A total of 2,520 responses were received and an Executive Summary of findings can be found on page 2 of **Appendix H**.

Scope of the Scrutiny

34. The scope of the scrutiny is to consider:
- The overall budget proposals in terms of their relationship to the Corporate Plan 2017-19, to test whether they will support delivery of the aims and priorities set out in the Plan, and to test the processes and assessments used in their development;

- The relevant Directorate budget proposals 2017-18 in terms of their alignment with the Corporate Plan 2017-19, to test whether they support delivery of its aims and priorities, and in terms of their potential impact on service delivery, service users and citizens of Cardiff.

Way Forward

35. Cabinet Members and officers will be attending the meeting as set out in the 'structure of the meeting' section above, and as detailed on the meeting agenda.

Legal Implications

36. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

37. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct financial implications

at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

Members are invited to consider the information presented in these papers and at the meeting, and refer any comments and concerns for consideration by the Cabinet prior to its meeting on 16 February 2017.

DAVINA FIORE

Director of Governance and Legal Services

10 February 2017