
Budget Proposals for Consultation 2019/20

Reason for this Report

1. To provide an opportunity for the Committee, as a stakeholder in the Council's financial strategy,
 - a. to consider progress in addressing the Budget Reduction Requirement for 2019/20,
 - b. to consider the budget consultation Changes for Cardiff, and
 - c. take a strategic overview of the proposals currently published for consultation.

Background and Context

2. The Committee's Terms of Reference include responsibility for scrutiny of the Council's financial policies, and its systems of financial control. Scrutiny Committees routinely have an opportunity to scrutinise budget proposals in February, and regularly monitor the Council's financial performance throughout the year.
3. In February 2019 the draft budget proposals that make up the budget consultation will be allocated across the five scrutiny committees, according to the Terms of Reference they fall under, for in depth scrutiny as draft proposals.
4. Members are reassured that, whilst today they will have oversight of all 110 lines, those budget lines that relate directly to this Committee's Terms of Reference can be scrutinised in February.

5. The Cabinet report attached at **Appendix A** “2019/20 Budget Proposals – For Consultation” was discussed at Cabinet on 15 November 2018. The report provides an update on the Budget Reduction Requirement for 2019/20, including the reflection of the Provisional Local Government Financial Settlement. It also sets out details of the consultation to inform Cabinet’s final 2019/20 Budget Proposal.
6. In July 2018 the budget strategy report to Council stated that the budget gap was estimated to be £34.2 million in 2019/20 and £91.4 million over the next three years.
7. In September 2018 Members of this Committee heard, when considering the budget strategy, that the Council has been dealing with increasing financial constraints for several years, however over the next three years, the pace of change would accelerate. Members need to be an active part of the oversight for these changes and ensure the Council has the finances in place to continue to deliver sustainable local services. Scrutiny has a critical role to play in ensuring that councils have realistic plans in place that take account of their financial constraints and challenges.
8. The Council’s budget for the current year is £609m, of which £231m is allocated to schools, £166m to Social Services, £113m to other services, £46m to capital financing and £53m is non-controllable.

The Budget Strategy - update

9. The strategy to address the budget gap of £34.2m in 2019/20 was framed around four assumptions;
 - a. A Council Tax Increase of 4.3% generating £5,785m;
 - b. A 30% cap on schools growth generating £2,796m,
 - c. The use of earmarked reserves generating £1,5m; and
 - d. Directorate savings required of £24,117m.

10. Since the Committee last considered budget preparations, the Provisional Local Government Financial Settlement was published in October 2018, indicating a 0.4% funding increase for Cardiff. This settlement is a real term reduction and the £1.658 million increase does not offset inflationary and demand pressures.
11. The Provisional Settlement also announced specific grants for Social Services and Schools, and at this stage it is unclear to what extent they will enable the Council to address the identified budget gap.
12. In respect of Capital, the announcement in the Provisional Settlement of an additional £157,000 for Cardiff will not have a material impact on the Council's capital programme.
13. The Final Settlement will be published on 19 December 2018, and Welsh Government has indicated that, should additional funding be made available to it from the UK budget, then Local Government is its priority. As the UK budget announced an indicative additional £550million for Wales over three years, it is possible that the Final Settlement will allocate additional local government funding.
14. Notably, since the July budget strategy report the budget reduction assessment has increased by £1million. Therefore the budget consultation is based on a gap of £35.2 million, rather than £34.2 million as projected in July 2018. A budget update that analyses and explains the increase between July and November can be found on **Page 3 of Appendix A, points 11-21.**

Savings Proposals for Consultation - Changes for Cardiff 2019/20

15. The public consultation on savings proposals, '**Changes for Cardiff 2019/20**', opened on the 16th November 2018 and will run until 2 January 2019. The consultation document as published is attached at **Appendix 1 of Appendix A.**
16. Directorate savings formed the largest component of the budget strategy set out in July 2018. All services, with the exception of Schools and Social Services, were

required to identify 17% savings. Those savings identified to close the budget gap now form the budget consultation a total of £19,377million, achieved within the following themes - from income generation, collaboration, business processes, review of external spend and prevention and early intervention. These proposed savings can be referenced at **Appendix 2 of Appendix A** to this report.

17. A range of mechanisms will be used to provide opportunities for stakeholders to engage and provide comments that help inform the budget process as part of the process, including:

- An online survey promoted electronically and made available on dedicated Council Web pages.
- A paper survey – hard copies distributed through hubs, libraries and other key community buildings.
- A co-ordinated social media and press campaign throughout the consultation period.
- Partner involvement
- Audit Committee
- Schools Budget Forum
- Staff and trade union engagement
- Scrutiny Committees

18. Members may recall that Cardiff's 2018-21 Corporate Plan included an objective to ensure that the Council's consultation and engagement work is as representative as possible through reviewing and refreshing the Council's citizen engagement tools, including the Citizen Panel, by June 2018.

Employee implications

19. The Cabinet report clarifies that the need to reduce costs will inevitably shape the workforce. Employees will be consulted throughout the budget process and there will be an opportunity to take voluntary redundancy or to access the redeployment process. It suggests there is likely to be in excess of twenty redundancies within the Council's workforce during the 2019/20 financial year.

Scope of the Scrutiny

20. This item will give Members the opportunity:

- a. To consider the Council's financial strategy, and progress in addressing the Budget Reduction Requirement for 2019/20;
- b. To consider the budget consultation Changes for Cardiff; and
- c. To take a strategic overview of the proposals currently published for consultation.

21. To facilitate the scrutiny in attendance will be:

- d. Cabinet Member for Finance, Modernisation & Performance, Councillor Chris Weaver,
- e. Corporate Director Resources, Christine Salter,
- f. Head of Financial Services, Ian Allwood, and
- g. Policy, Partnerships and Citizen Focus Manager, Gareth Newell.

22. Officers will advise the Committee on the updated budget strategy, present the budget consultation on which the 2019/20 budget consultation is based, and answer Members questions.

Legal Implications

23. 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 on 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

24. 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.

RECOMMENDATIONS

25. The Committee is recommended to:

- i. Note the updated Budget strategy to address the revised budget gap of £35.2million;
- ii. Note the budget savings proposals for consultation;
- iii. Consider the Changes for Cardiff consultation 2019/20;
- iv. Consider whether it wishes to relay any comments or observations on (i) to (iii) for consideration by the Cabinet Member for Finance, Modernisation & Performance.

DAVINA FIORE

Director, Governance & Legal Services

6 December 2018