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**DRAFT BUDGET PROPOSALS 2016-17**

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**Reason for the Report**

1. To provide Members with the context for the scrutiny of the 2016-17 draft budget proposals.

**Background**

2. The Council's Constitution allows for all Scrutiny Committees to scrutinise the draft budget proposals as relevant to their terms of reference, to allow Members to feed comments, observations or recommendations to the Cabinet. The Cabinet will consider the draft budget proposals on 18 February 2016, prior to their presentation to Full Council for approval on 25 February 2016.
3. The Policy Review and Performance Scrutiny Committee will perform two roles in scrutinising the budget:
  - Firstly to 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 to 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 and in terms of impact on service delivery.
4. The four other Scrutiny Committees have been scheduled on 15 and 16 February 2016. All Committees will consider the sections of the budget proposals and draft

Corporate Plan which are 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, and a nominated representative of each Committee will have an opportunity to follow up the concerns of the four other committees during consideration of the overview of Budget Proposals 2016 -17 (*agenda item 5 (a)*).

### **Structure of the Meeting**

5. This agenda item will be structured in two parts in order to meet the Committee's responsibilities outlined above: firstly an overview of the budget proposals; and secondly, consideration of the specific services which fall under this Committee's terms of reference in turn.
6. To consider the overall budget proposals the following Cabinet Member and officers have been invited to give a short presentation giving a corporate overview of the 2016-17 Budget Proposals, and to answer any general questions arising:
  - Councillor Graham Hinchey, Cabinet Member (Corporate Services and Performance)
  - Christine Salter (Corporate Director - Resources)
  - Gareth Newell (Operational Manager, with responsibility for coordinating the production of the Corporate Plan 2016-18)
  - Edward Janes (Principal Officer, with responsibility for co-ordinating the production of the Budget Consultation Report 2016)
7. Trade Union representatives have been invited to attend 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 four Directorates (Corporate Management, Economic Development,

Governance & Legal Services, and Resources) 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 2016-17.

This Includes **A (i)** Overview of the Savings Proposals;

**A (ii)** Directorate Proposals;

**A (iii)** Council wide Budget Savings; and

**A (iv)** Addressable Spend.

**Appendix B** – Summary of Post Consultation Changes.

**Appendix C** – Directorate Controllable Budgetary Analyses. These set out for each Directorate expenditure and income for the current 2015-16 financial year, and summarise 2016-17 savings proposals, allowing Members to see the overall budget context.

This includes: **C (i)** City Operations

**C (ii)** Communities, Housing & Customer Services

**C (iii)** Corporate Management

**C (iv)** Economic Development

**C (v)** Education & Lifelong Learning

**C (vi)** Governance & Legal Services

**C (vii)** Resources

**C (viii)** Social Services

**Appendix D** – Employee Implications of budget proposals

**Appendix E** – Financial Pressures 2016-17

**Appendix F** – Capital Programme 2016-17 – 2020-21

**Appendix G** – Executive Summary of 'Changes for Cardiff' consultation report

10. To facilitate specific Directorate scrutiny all lines relevant to that Directorate throughout the suite of budget documents have been colour coded, this includes the

savings proposals, financial pressures, capital programme and employee implications:

**BLUE: Corporate Management** proposals:

- Budget Savings Proposals for Consultation 2016-17:(lines 63 to 67);
- Financial Pressures: (line 5)
- Post Consultation changes: CONSULT 65 Corporate Initiative Efficiencies; CONSULT 103 General Staffing;
- Employee Implications: Line 17 Reduction in Cabinet Office
- Capital Programme: N/A

**YELLOW: Economic Development Directorate** proposals:

- Budget Savings Proposals for Consultation 2016-17 (lines 69-73, 82);
- Financial Pressures: N/A
- Post Consultation changes:
- Employee Implications: Line 18 Service Redesign of Strategic Estates;
- Capital Programme ; Line 13 Non – Schools Property Asset Renewal; Line 47 Strategic Property Rationalisation; Line 54 CCTV System upgrade;Line 73 Invest to Save Annual Bid Allocation.

**PINK: Governance & Legal Services Directorate** proposals, including Democratic Services, and Scrutiny Services:

- Budget Savings Proposals for Consultation 2016-17 (lines 96 - 100);
- Financial Pressures: lines 6,7
- Post Consultation changes: Ref: Scrutiny Capacity; Local Government (Wales) Bill 2015;
- Employee Implications: Line 28 Additional Solicitors; Line 29 Member Support.
- Capital Programme N/A

**GREEN: Resources Directorate proposals**

- Budget Savings Proposals for Consultation 2016-17 (lines 101 to 132);
- Financial Pressures N/A
- Post Consultation changes: (Ref Workforce Training and Development CONSULT 125 ADM Security and Cleaning; CONSULT 135 Staff savings in organisational development
- Employee Implications: Lines 30-40.
- Capital Programme: Line 2 Asset Renewal Facilities Management Fee; Line 10 ICT Refresh; Line 23 Vehicle Replacement; Line 30 Contingency; Line 38 Modernising ICT to improve business processes; Line 43 Social Innovation Fund

11. In its capacity as the Committee with responsibility for taking an overview of the budget proposals Members will see that all of the **Council Wide Savings** Proposals listed at **Appendix A (iii)** are relevant to the scrutiny:

12. **Appendix A (iv)** details addressable spend proposals of £5,596 million, of which lines 1-7, 9, and 10 fall within this Committee's terms of reference when scrutinising the Resources Directorate during the second part of the budget scrutiny.

13. The Employee Implications of the Budget, attached at **Appendix D**, shows the posts to be deleted or created as a result of budget proposals. Those within this Committee's terms of reference are shaded using the colours detailed at point 10.

14. The Directorate Controllable Budgetary Analysis sheets attached at **Appendix C** provide current year information and savings proposals by service divisions within the Directorates. Each line is coded alphabetically (on the far left) and the letters correspond to the 'cross-reference' column on the Savings Proposals spreadsheet.

**Budget Position: Welsh Government Settlement & Budget Reduction Requirement**

15. The Welsh Government Final Settlement will be announced on 2 March 2016. In July 2015 Cabinet considered the budget strategy report setting out the budget reduction

requirement for 2016-17 and the strategy to address this. The report projected a 3% decrease in Welsh Government funding for 2016-17.

16. The Provisional Settlement for Cardiff announced in December 2015 was better than expected. The tables below outline the position when the budget consultation proposals were released, taking into account an assessment of the Welsh Government's Provisional Settlement. The Provisional Settlement resulted in a position that was £11.56 million more favourable to Cardiff Council. In addition, the revision to the Council Tax Base which was reported to Cabinet on 10 December 2015 also provided increased income of £1.9 million before any increase in the rate of Council Tax is considered. These additional sums, along with updates of commitments, pressures and consideration of the responses to the consultation undertaken on draft proposals, have led to revised proposals as shown in **Appendix B** and includes:

- Summary of Post consultation changes - £14.095 million
- Schedule of amended 2016/17 savings proposals - £2,833 million
- Post consultation changes further details – Financial Resilience Mechanisms and Additional Pressures - £4,971 million.

17. As at 12 February 2016 the draft Cabinet Budget report identifies that the Council finds itself with a funding shortfall of approximately £33,128 million for 2016/17 (before savings or Council Tax increase). This breaks down as follows:

<b>Resources Needed</b>	<b>£000</b>	<b>£000</b>
Aggregate External Finance	426,285	
Council Tax (at nil increase)	144,461	
Use of Reserves to support the budget	<u>2,070</u>	
<b>Resources Available</b>		<b>572,816</b>
<b>Resources required</b>		<b>605,944</b>
<b>Budget Gap to be found from Savings and Council Tax</b>		<b>33,128</b>

18. This budget gap can theoretically be met through the use of 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. There is also a Welsh Government requirement to protect schools' budgets, in Cardiff by +1.00%.

19. The 2016-17 budget proposals set out savings of £28,835 million. Of these £20,344 million are from Directorate Savings, £2,895 million from Council Wide Savings, and £5,596 million from Addressable Spend Savings. It is proposed that the gap of £4,293 will be closed via a 3.7% increase in council tax.

<b>Closing the Gap</b>		
	<b>£000</b>	<b>£000</b>
Directorate Savings	20,344	
Council Wide Savings	2,895	
Addressable Spend Savings	<u>5,596</u>	
		28,835
Net Income from Council Tax		4,293
<b>Total from Savings and Council Tax</b>		<b>33,128</b>

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

<b>Total Savings</b>	<b>Employee Costs £000</b>	<b>Other Spend £000</b>	<b>Income £000</b>	<b>TBC</b>	<b>Total £000</b>	<b>% of overall saving</b>
City Operations	1,820	3,013	1,903	<b>850</b>	<b>7,586</b>	<b>29.2%</b>
Communities, Housing & Customer Services	465	188	606	<b>0</b>	<b>1,259</b>	<b>5%</b>
Corporate Management	54	253	0	<b>0</b>	<b>307</b>	<b>1%</b>
Economic Development	273	263	355	<b>395</b>	<b>1,286</b>	<b>5%</b>
Education	1,249	1,580	245	<b>0</b>	<b>3,074</b>	<b>12%</b>
Governance and Legal Services	50	10	65	<b>0</b>	<b>125</b>	<b>0.1%</b>
Resources	780	313	749	<b>0</b>	<b>1,842</b>	<b>7%</b>
Social Services	635	4,230	0	<b>0</b>	<b>4,865</b>	<b>19%</b>
<b>Addressable Spend</b>	<b>1,908</b>	<b>3,674</b>	<b>5</b>	<b>0</b>	<b>5,596</b>	<b>21.7%</b>
<b>Total</b>	<b>7,254</b>	<b>13,524</b>	<b>3,928</b>	<b>1,245</b>	<b>25,951</b>	<b>100%</b>

## **Cabinet Budget Proposals for Consultation 2016-17**

21. The 2016-17 Budget Proposals for Consultation are attached at **Appendix A**. The Proposals have been amended since they were put out to consultation in December 2015. A summary of post consultation changes to the savings document is attached at **Appendix B**. Further contextual information is contained in **Appendix C**, in the form of Directorate Controllable Budget Analyses, and **Appendix D**, the Employee Implications of the Budget proposals.

22. Detailed savings proposals are set out for each Directorate (**Appendix A (ii)**), as well as a number of council wide budget savings proposals (**Appendix A (iii)**) and addressable spend proposals (**Appendix A (iv)**). The spreadsheet 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;



- 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 C)
- 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 below);
- The Cabinet Portfolio in relation to the proposed saving.

### **Savings Proposals Risk Assessment Process**

23. The Budget Proposals for Consultation have undergone a three-stage initial 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.

24. 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.

25. The **achievability rating** indicates the feasibility of the proposed saving. When the budget monitoring position for 2015/16 was last reported in November 2015, for Month 6<sup>1</sup>, an overall position of a potential surplus of £309,000 was reported, as compared to the balanced position previously reported at month four. Directorate budgets were projected to be overspent by £6.1 million however it was anticipated that management actions taken during the year would enable this to be reduced by the year end.

26. Directorates have completed an **equality risk** screening document identifying the potential equality risks associated with each proposal. The Equality Act 2010 sets out a General Duty that as a public body within Wales, the City of Cardiff Council is

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<sup>1</sup> The full Budget Monitoring Report for Month 6 2015/16 is available on the Council's website at: [https://formerly.cardiff.gov.uk/objview.asp?object\\_id=29484](https://formerly.cardiff.gov.uk/objview.asp?object_id=29484)

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.

Each of the budget proposals for consultation given a Red or Red-Amber Equality Risk rating has been subject to a full Equality Impact Assessment by Directorates; these are available on the Council's website <sup>2</sup>

27. The Assessments have been informed by public and employee feedback received during the process of consultation.

### **Financial Pressures 2016-17**

28. Attached at **Appendix E**, Members will find a list of identified Directorate Financial Pressures for 2016-17. Total pressures council wide are £2,223 million.

### **Capital Programme 2016-17 to 2020-21**

29. Attached at **Appendix F**, Members will find details of the Draft Capital Programme including proposals for the 2016/17 financial year and indicative figures for the following financial years to 2020/21. The proposed 2016/17 budget outlines capital expenditure proposals of £114,329 million for 2016/17 and an indicative £300,114 million for the 2017/18 to 2020/21 financial years.

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<sup>2</sup> The full Equality Impact Assessments by Directorates are available on the Council's website at <https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Council-Budget/2016-17/Pages/Equality-Impact-Assessment-Budget-2016-17.aspx>

## **Savings Proposals Consultation & Engagement arrangements**

30. Following agreement at Cabinet on 20 November 2015, a public consultation was launched under the Cardiff Debate. This opened on 11 December 2015 and closed on 12 January 2016. An online consultation document was available on the Council's website and hard copies distributed to Council hubs, libraries and leisure centres. A number of public drop-in consultation events were also arranged in November and December 2015. Members have previously been circulated the full report detailing the responses to the consultation, the summary of which is attached at **Appendix G**.

## **Scope of the Scrutiny**

31. The scope of the scrutiny is to consider:

- The overall budget proposals in terms of their relationship to the Corporate Plan 2016-18, 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 in terms of their alignment with the Corporate Plan 2016-18, 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**

32. 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**

33. 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**

34. 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 18 February 2016.

## **MARIE ROSENTHAL**

Director of Legal & Democratic Services

12 February 2016