

Budget Strategy Report 2019/20 - Question and Answers

Revenue Budget

What is this about?

- This is a brief overview of the Council's 2019/20 Budget Strategy Report, which you can view in full online.

What are things looking like?

- In two words, uncertain and challenging

What are the uncertainties?

There are many, but here is a flavour:-

- **General Grant Funding** - the general grant we receive from Welsh Government (WG) accounts for 72% of how we fund our budget. We have an early indication of what this may be next year at an All Wales level although this may change. Individual Councils will not have funding figures until October 2018 and these will not be finalised until December 2018.
- **The UK Budget** - this is now held in the autumn. This increases the likelihood for changes to funding between WG's initial announcement in October and finalisation in December.
- **BREXIT** - we don't yet know what terms the Government will secure and how these will affect the economy.
- **Welsh Local Government Reform and Local Government Finance Reform** - what will this mean for the future shape of Councils and their financing?

What are the challenges?

Again, there are many but here is an overview:-

- **Cost Pressures and Funding Reductions** - the Council is still facing significant cost pressures over the next few years. These pressures are partly inflation related, e.g. pay awards and external providers increasing their prices. They are also demand related, for example, increasing pupil numbers and the well-publicised pressures on social services that are being experienced UK wide. In addition, we believe that funding will continue to reduce but we don't yet know by how much. The combination of funding reductions and financial pressures creates a "budget gap." In other words, our expected need to spend exceeds the level of funding we believe we will have and so we need to bring the two back into balance.
- **The extended period of financial challenge** - every year, balancing the books becomes harder because so much of the budget has already been reduced - £145 million savings over the past five years with another £14 million in the current year.
- **The shape of our budget** - two areas of the budget that are under demand pressure – schools and social services – account for 65% of the Council's budget. This means the squeeze on other areas is even harder.

How much is the Budget Gap?

- The budget gap is estimated to be **£34 million in 2018/19 and £91 million over the next three years.**

2019/20 £m	2020/21 £m	2021/22 £m	Total £m
34.2	27.5	29.6	91.3

So how will the Council bridge this gap?

- The Council's plan to address the gap is set out in its Budget Strategy
- The four things the Council can consider to address the gap are 1) increase council tax 2) use reserves 3) limit schools growth 4) make savings.
- The Budget Strategy is about deciding the right mix. To do this we need to balance the Council's priorities as set out in the Corporate Plan and Capital Ambition document, with risk and the Council's long-term financial resilience.
- This is the strategy as outlined in the Budget Strategy Report:-

	2019/20 £m	2020/21 £m	2021/22 £m	TOTAL £m
Budget Strategy				
Limit Schools Growth - @ 30%	2.8	2.2	1.9	6.9
Council tax at 4.3%	5.8	6.0	6.3	18.1
Use of Earmarked Reserves	1.5		(0.8)	0.7
Savings	24.1	19.3	22.2	65.6
Total Strategy	34.2	27.5	29.6	91.3

£3.75m in total over 3 years

This is a cap not a cut.
Schools will receive +£21m

To be kept under review

Savings

- Savings form the largest component of the strategy at £66m over the three-year period – this will be a huge challenge in view of the significant levels of savings already found.
- The Council is reviewing and challenging all areas of the budget and work on the detailed development of 2019/20 proposals will continue over the summer months.
- Taking into account the significant levels of savings that have already been found over an extended period, the reality is that it is no longer possible that all savings will be achievable without impact on services, though every effort will be made to minimise any such impacts.
- Although the immediate focus must be on delivering savings for 2019/20, directorates are also considering in broader terms how to address savings requirements for 2020/21 and 2021/22.

How can I have my say?

- The Council is open and honest about the difficult choices it faces.
- Over the summer you can have your say by responding to budget-related questions in the "Ask Cardiff" survey.
- In the autumn, there will be a more detailed consultation, once there is a clearer picture on funding.

What if funding reductions are worse than planned?

- We have assumed that funding will reduce by 1% and that is reflected in our budget gap.
- The Council could withstand a further 1% reduction by using a budget we would otherwise use for one-off investment. This budget was set up to protect the Council from future funding uncertainties.

What next?

- We will continue to keep the budget gap under review – things change quickly and regular review is an important part of being prepared.
- General consultation on budget themes will take place during the summer
- Directorates will refine their work on the 2019/20 position during the summer
- Detailed consultation on budget savings proposals will take place in the Autumn, once 2019/20 funding levels have been announced
- Whilst immediate focus will be on developing a robust position for 2019/20, work on addressing savings requirements for 2020/21 and 2021/22 will run in parallel but will be in broader terms at this stage

The Capital Programme

What is capital?

- Capital expenditure refers to acquiring or improving assets for the long term. The way the Council can fund this type of expenditure is different to revenue.
- The capital programme sets out our expenditure plans and how we will pay for them over a five year period

What is the picture on Capital?

- To fund new capital spend, we must either sell existing assets or borrow. Borrowing places pressures on the revenue budget - debt must be repaid with interest.
- The need to maintain our essential buildings and highways as well as to address corporate priorities places pressure on the capital programme.
- Replacement of schools buildings, regeneration of the city and sustainable transport initiatives also place pressure on the programme.

How will the capital programme be updated?

- The approach is to focus on looking after our existing assets – the need to spend must be evidence based and prioritised by risk.
- Any new capital expenditure pressures that do not relate to existing assets that we intend to keep should only be considered if they can be funded externally, or if there is clear evidence that they will pay for themselves (invest to save).
- There will be a need to review the resources assumed to be available in paying for the expenditure