CYNGOR CAERDYDD
CARDIFF COUNCIL

CARDIFF
CAERDYDD

COUNCIL: 28 FEBRUARY 2019

CABINET PROPOSAL

BUDGET PROPOSALS 2019/20

Appendix 10 (c) is exempt from publication because it contains information of the kind described in paragraphs 14 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972

Reason for this Report

To enable the Cabinet to:

1. Submit to Council their proposal for the estimates of expenditure and income in order to set the Council Tax in accordance with the Local Government Finance Act 1992, having considered and reflected on the responses to all aspects of the budget consultation.

2. Recommend to Council the strategy and plan, for the control of the Authority's borrowing and investments for the year 2019/20 (the Annual Treasury Management Strategy), including the Council's Minimum Revenue Provision Policy for 2019/20.

3. Recommend to Council the Prudential Code, capital expenditure and treasury indicators for 2019/20 – 2023/24.

4. Recommend to Council the Capital Strategy for 2019/20.

5. Recognise the financial challenges facing the Council, as set out in the Medium Term Financial Plan, and note the opportunities for savings.

6. Recognise the work undertaken to raise awareness of, and to ensure the financial resilience of the Council.

7. Set the rent levels for Housing Revenue Account properties, service charges and management fees for leaseholders for 2019/20.

8. Agree the rates of fees and charges for Council services for 2019/20.

Structure of the Report

9. The Council's Budget Report needs to provide sufficient assurance that a balanced budget and affordable Capital Programme have been set and that robust consideration has been given to the Council's financial

standing. It also needs to set out the Council's financial strategy over the medium term.

10. This year for the first time, the Budget Report is supported by a number of Annexes that can stand alone as documents but are also integral parts of the Report. When taken together they form the essential elements for Members when they are considering the adequacy of resources to support a balanced budget for the Council. While summary positions are included within the Report, the Annexes contain a combination of high-level strategic direction and detailed information in respect of the particular topics.

Annex 1 - Revenue Budget Directorate Commentaries
Annex 2 - Medium Term Financial Plan
Annex 3 - Capital Strategy 2019/20
Annex 4 - Treasury Management Strategy

11. The following table summarises the location of key sections of the report. The implications to the report, particularly the statement made by the Section 151 Officer contained within those implications, should be noted.

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Background

12. Cabinet received the 2019/20 Budget Strategy Report in July 2018. The report identified a significant budget reduction requirement for the period

2019/20 to 2021/22 and set a framework for addressing the identified gap. Since July, the position has been updated to take account of more recent information, and further review of savings proposals has taken place, including public consultation. All updates are reflected in the Council's Revenue Budget for 2019/20, which is set out in detail later in this Report.

13. The 2019/20 Budget Strategy Report also sets the approach for the development of the Council's Capital Programme. Given significant affordability constraints, the approach recommended that capital investment should be limited to existing assets, except where external financing is available, or where there is a robust invest to save business case. Work has been ongoing to set a level of investment in existing assets that is realistic and affordable and this is reflected in the Capital Programme 2019/20 - 2023/24.

Issues

14. Under Section 33 of the Local Government Finance Act 1992, it is a statutory requirement for the Council to produce a balanced budget. This Budget Report sets out the financial issues facing Cardiff Council. Within that context, it outlines the 2019/20 Revenue Budget and the likely position over the medium term. It sets out the Capital Programme for 2019/20 - 2023/24, the Capital Strategy and the Treasury Management Strategy. It also considers the Council's financial standing in respect of risks, reserves and resilience.

Strategic Context

15. The Administration's key priorities and principles for change are set out in their policy programme, Capital Ambition. The Wellbeing Plan and the Corporate Plan translate this vision into key objectives. The Council's key strategic financial documents are framed by these priorities and objectives. This ensures that scarce resources support corporate priorities, and that financial strategy considers future generations.

16. Capital Ambition priorities are set out below:

- **Working for Cardiff:** making sure that all our citizens can contribute to and benefit from the city's success.

- **Working for Wales:** a successful Wales needs a successful capital city.
- **Working for the Future:** managing the city's growth in a sustainable way.
- **Working for Public Services:** making sure our public services are delivered efficiently, effectively and sustainably in the face of rising demand and reducing budgets.

17. In translating Capital Ambition into deliverable objectives, the Wellbeing Plan focusses on areas of collaborative advantage in the city. The seven objectives contained in the Wellbeing Plan have been adopted by all Members of the Cardiff Public Services Board (PSB). They were developed in the context of the Wellbeing of Future Generations (Wales) Act, and complement national wellbeing goals. The Corporate Plan focusses on areas that the Council has prioritised. It is supported by Directorate Delivery Plans that provide further detail on how objectives will be delivered, and is supported by the Performance Management Framework.

18. The following table contains examples of how the Council's key priorities are reflected within the 2019/20 Revenue Budget and the 2019/20 – 2023/24 Capital Programme:

	Wellbeing Objectives	**2019/20 Revenue Budget 2019/20-2023/24 Capital Programme**
Working for Cardiff	Cardiff is a great place to grow up Cardiff is a great place to grow older Supporting people out of poverty Safe, empowered communities	• Net additional funding for Social Services • Net additional funding for Schools and investment in the School Estate • Focus on prevention / early intervention • Funding to deliver the Older Persons Accommodation Strategy • Long term investment in new social housing and housing estates • Capital investment in disabled adaptations to help people remain in their own homes
Working for Wales	A Capital City that works for Wales	• Capital investment in transport and infrastructure • Support for the Capital City Region City Deal • A capital strategy that promotes engagement with partners to take forward key Economic Development Schemes
Working for the Future	Cardiff grows in a resilient way	• Capital investment in energy sustainability and regeneration • Capital investment in strategic cycle routes and active travel • Capital investment to secure match-funding for management of coastal erosion

Working for Public Services	Modernising and integrating our public services	• Capital investment in modernising ICT to improve business processes • Savings that focus on how the Council can work differently by generating income, reviewing processes, continuing collaboration and focussing on prevention and early intervention.

19. In times of budgetary pressure, it can be more challenging to maintain a focus on the long term. However, it is important to continue to be mindful that decisions taken now have a lasting impact. The Wellbeing of Future Generations (Wales) Act aims to improve the social, economic, environmental and cultural wellbeing of Wales by encouraging public bodies to think about the long term, how they can work together and with communities to prevent problems and take a joined up approach (known as the five ways of working). The previous table outlined how the 2019/20 Budget targets resources in line with the Council's priorities. Further detail on how the Budget invests in the future of the city and supports the five ways of working is contained in Appendix 1.

20. The Medium Term Financial Plan (MTFP) paints a challenging financial outlook. Capital Ambition sets a series of principles for the Council's development, which will inform future financial strategy. They are:

- **Getting the Basics Right**: maintaining a relentless focus on the performance of key statutory services.
- **Digital First**: making the best use of new technologies to deliver our services, and providing digital access indistinguishable from that available to citizens in every other aspect of their lives.
- **Putting Communities Front and Centre**: Aligning community services, making sure that developments and investment in local communities are well planned and maximise the impact of public investment through a new approach to 'locality working', building on the success of the Community Hub Programme.
- **Joining up Frontline Services**: Staff from across the Council, and across public services, will work increasingly across departmental and organisational boundaries, with a focus on delivering the best for citizens, communities and the city.
- **Purposeful partnerships:** We will build strong partnerships at the local, city, regional and national level to deliver for Cardiff.
- **A New Deal with Citizens:** Keeping our streets clean, reaching our sustainable transport targets and looking after our most vulnerable people cannot be achieved by the Council alone. We need a new deal with citizens through which we can work together to tackle problems and realise our shared ambitions for Cardiff.

21. Future financial planning will also be linked to the four-year Capital Ambition Delivery Programme, which focusses on areas in which fundamental change is required. The programme is summarised below:

Capital Ambition Delivery Programme	
Modernisation *Transformation of corporate systems and processes that support service delivery*	**Resilient Services** *Transformation of front line services*
Programmes: • Digital First • Corporate Landlord • Service Reviews	**Programmes:** • Improving Outcomes for Children • Improving Outcomes for Adults • Street Scene • Inclusive Growth
Aims: An interlocking programme of work to modernise the Council's corporate systems and processes that support service delivery; streamlining and simplifying internal processes and systems; making better use of the Council's (and partners') asset base; and finding new and better ways of working to take advantage of new technology.	**Aims:** Addressing the need for the Council to work across the public service in order to deliver lasting solutions to complex problems. Projects in this portfolio will typically require change across services, often working in partnership with other organisations, with local communities and with those who receive the service.

Consultation and Engagement

22. Consultation and engagement on the 2019/20 Budget took a number of forms as set out in the following table while responses received are attached as Appendix 2.

Consultee Group	Nature of Consultation / Engagement
Public Consultation	Public consultation began as part of the Ask Cardiff Survey over the summer. This consulted on budget themes and received 4,587 responses. A more detailed consultation took place between 16 November 2018 and 2 January 2019. There were three strands to this stage of consultation: • **City-wide public consultation** on issues of general interest. Some headlines from the city-wide consultation are summarised below and further detail is included in the "Changes for Cardiff" consultation document at Appendix 2 (a). • **Service specific consultation** with identified service users / groups of organisations • **General council consultation** on internal changes within the Council including process changes, staff changes and broader changes around income generation and other service implications.
Scrutiny Committees	Budget briefings and consideration of detailed budget proposals took place during February 2019. Responses received in respect of Scrutiny Committees' deliberations will be tabled and considered as part of the Cabinet meeting.
Trade Unions	Consultation has taken place with the Trade Unions and any comments will be considered in advance of the Cabinet meeting.
Employees	Consultation has taken place both generally through staff meetings and particularly with employees impacted by individual savings proposals.

School Budget Forum	Following a number of briefings over the budget formulation period, the Forum met on 5 December 2018 to consider Cabinet's budget proposals as they affect their remit. Appendix 2 (b) includes their responses.
Audit Committee	As its meeting on 22 January 2019, the Audit Committee considered the Treasury Management Strategy as part of their oversight function. The relevant parts of the report reflect their views.

City-wide Consultation

23. The city-wide survey was primarily online, and was accompanied by a comprehensive communications package to maximise exposure. Alternative mechanisms of engagement focussed on less well represented groups, and were informed by ongoing monitoring of demographic and geographic responses throughout the consultation period. Mechanisms to promote engagement included:

- The consultation was featured on a rolling banner on the front page of the Council's website. Links to the survey and dedicated budget pages were available for further information.
- A link to the consultation was emailed to members of the Citizens' Panel, totaling approximately 6,000 residents, in November 2018 with a reminder in December 2018.
- Direct links were forwarded to PSB Members and approximately 100 third sector organisations working with target groups including Black and Minority Ethnic (BAME), younger people and those with a disability.
- A separate, shorter survey, was distributed to secondary schools across Cardiff.
- There was online promotion of the consultation via Facebook and Twitter both on Cardiff.gov and CardiffDebate.com, representing a combined following of almost 90,000.
- A total of 2,500 hard copies (plus 500 Welsh) of the consultation document were distributed to libraries, hubs, core Council buildings and key community locations.
- Hard copies, with freepost return envelopes, were also delivered to selected streets in St Mellons, Llanrumney, Ely and Caerau (typically areas with a poor response rate).

24. The city-wide consultation received 2,048 responses for the main survey plus 30 responses for the youth survey. The consultation reflected support for budget proposals including:

- More than two-thirds of respondents (68.0%) supported the proposal to increase school budgets.
- Opinion was mixed on whether delegated school budgets should contribute to the financial challenge facing the Council, with 45.1% agreeing, 24.4% disagreeing.
- There was significant support to increase charges for littering, with almost nine in ten respondents (89.6%) in favour.
- Almost two-thirds of respondents (64.7%) supported the principle of reducing the subsidy for entertainment and art events.

- Almost three in five respondents (59.2%) support the proposal to secure a private tenant for the New Theatre to develop and sustain the current theatre offer in the city.
- Just under half of respondents (46.8%) supported the proposal to further transfer park assets to local sporting leagues and governing bodies.
- Overall, there was support to increase ‘walking routes’ to schools in a bid to improve air quality and encourage walking as a means to get young people to school, with 84.3% in favour of this proposal.
- Over nine in ten (91.8%) supported the pursuit of producing renewable energy at Lamby Way, with just 2.8% against this proposal.
- Just under two-thirds of those surveyed (64.5%) supported the proposal to increase the number of automated citizen enquiries.
- More than half of those responding to this question (55.1%) supported the proposal to increase the cost of cremations and burials, whilst just under a third were against (32.8%).
- More than three quarters of respondents (77.5%) supported the proposal to increase the cost of rehoming a dog or puppy from the Cardiff Dog’s Home.

Revenue Budget

25. Preparation of the Revenue Budget involves comparing the resources available to the Council, with the estimated cost of continuing to deliver services. If estimated costs exceed estimated funding, they must be brought back into balance. This can be achieved through:

- **Increasing funding** – this is limited to areas of funding within the Council’s control, namely increasing the rate of Council Tax or using reserves.
- **Decreasing net expenditure** – making savings, increasing service specific income or limiting new financial pressures.

26. The resources available to the Council in 2019/20, the estimated cost of services and the strategy to align them are set out below.

Resources Available

27. The resources available to the Council in funding the budget include non-hypothecated revenue funding from Welsh Government (WG) and Council Tax. The level of these resources for 2019/20, before any Council Tax increase, are set out in the following table:

Resources Available	**£000**
Aggregate External Finance	444,629
Council Tax at nil increase	167,979
Total Resources Available	**612,608**

28. Aggregate External Finance (AEF) is the collective term for the Revenue Support Grant (RSG) and re-distributed non-domestic rates (NDR) the Council receives from WG. The Council's AEF for 2019/20 was confirmed by the Final Local Government Revenue and Capital Settlement for 2019/20, on 19 December 2018. The main points to note from the settlement, at an All Wales level are:

- a range of change in AEF of between minus 0.3% and plus 0.9% with a Welsh average of plus 0.4%
- the provision of top-up funding to ensure that no authority received a settlement decrease of more than 0.3%
- the transfer into AEF of two specific grants, the 2018/19 Teachers' Pay Grant and the Free School Meals Grant
- the information published in respect of specific grants is incomplete but currently as known, is set out in Appendix 3. At an All Wales level, grants to the value of £134 million at 2018/19 levels, are yet to be confirmed in 2019/20. In addition, there is currently no information regarding distribution across individual authorities.

29. The published AEF increase for Cardiff in 2019/20 is 0.9%. On a like for like basis, this would usually generate almost £3.9 million additional cash for Cardiff compared to the previous year. However, due to a technical adjustment within the funding formula in respect of the Council Tax Base, Cardiff will only receive £2.2 million additional grant funding in 2019/20, which also included £637,000 as an additional responsibility.

30. The Council Tax Base approved by Cabinet on 13 December 2018 anticipated an increase in the number of Band D equivalent properties by the end of March 2020. In setting the tax base, it was considered prudent to retain the current ultimate collection rate of 98.5%. The change in Council Tax Base results in an increased level of resources of £2.363 million for 2019/20, before any increase to the rate of tax.

Resources Required

31. The following table summarises the resources required to fund services in 2019/20. Appendix 4 contains a more detailed version of this table whilst Appendix 5 contains a detailed list of new directorate pressures.

Resources Required	**£000**
2018/19 Adjusted Base (after transfers)	610,400
New Responsibilities (per settlement)	637
New Specific Grant funding for Social Services (per settlement)	(3,000)
Employee Costs	4,412
Demographic Pressures	3,500
Commitments	2,997
Directorate Expenditure Realignments	5,599

Exceptional Inflation	3,186
Schools Pressures	12,520
New Directorate Pressures	4,795
Total Resources Required	**645,046**

Funding Gap

32. Comparing the resources available to the Council (before any increase in the rate of Council Tax) with the resources required results in the following shortfall:

Funding Gap	**£000**
Resources required	645,046
Resources available	612,608
Funding shortfall before savings	**32,438**

33. The table below identifies how the funding shortfall will be addressed:

Funding Gap	**£000**
Directorate Savings	(19,157)
Partial deletion of Financial Resilience Mechanism	(200)
Schools' contribution to meeting pressures	(3,586)
Net Council Tax increase at 4.9%	(6,745)
Use of Reserves	(2,750)
TOTAL	**(32,438)**

34. The savings of £19.157 million build on the £136 million that were required over the past five years. A full list of savings proposals is set out at Appendix 6. Continued delivery of significant levels of savings over a sustained timeframe becomes increasingly difficult. In recognition of this, work has been ongoing throughout the current financial year to progressively challenge the 2019/20 budget proposals put forward by directorates in order to ensure that all savings:

- included within directorate proposals are owned by the relevant director
- have been properly evaluated for residual and achievability risk
- have been subject to a robust equality impact assessment where relevant
- include wherever possible, the full time equivalent employee implications of the saving proposal
- identify both cross directorate opportunities and risks that have been discussed by relevant senior officers and Cabinet Members

- demonstrate transparency to ensure clarity at scrutiny committees and with other stakeholders.

35. As part of budget proposals, schools will contribute to meeting some of their own pressures. Expressed as a percentage of current schools budgets, the £3.586 million contribution is equivalent to 1.5%. After having made this contribution and taking into account specific grant transfers of £1.487 million, schools will still receive £10.4 million growth in 2019/20, a net increase of 4.5%.

36. The £6.745 million that will be raised from the proposed Council Tax increase of 4.9% is a net figure. In budgeting for the additional income that will be raised from increasing the rate of tax, it must also account for the impact that this will have on the budget for paying Council Tax support to eligible recipients.

37. The drawdown from reserves reflects the planned use of £2.5 million from the Strategic Budget Reserve in 2019/20, as well as £250,000 from the Energy Reserve. The drawdown from the Energy Reserve is to fund potential price increases in this area. Further information on the level of reserves and balances is contained in a later section of the report.

Service Implications of the Budget

38. The following paragraphs describe the general assumptions that are reflected within the 2019/20 Revenue Budget in respect of significant council-wide issues. The specific impact of these issues on individual directorates, along with further detail on those directorates' savings and financial pressures are detailed later in Annex 1 to the Report. In addition, Appendix 7 shows the overall changes to individual directorate budgets between 2018/19 and 2019/20 whilst Appendix 8 shows the same information on a Cabinet Member portfolio basis.

39. The Budget proposal includes £19.157 million in savings. As outlined elsewhere in the Report, wherever possible directorates have sought to minimise the impact on front line services. The savings that are set out in more details in Appendix 6 can be summarised into the following themes:

2019/20 Savings Proposals by Theme	**£000**
Income Generation	2,114
Collaboration	2,537
Business Processes	7,700
Review of External Expenditure	3,306
Strength Based Practice and Preventing Escalation of Need	3,500
Total	**19,157**

40. The budget includes significant resources in relation to employee related costs and these are set out in the following table:

	Non-Schools £000	Schools £000	Total £000
National Joint Committee (NJC) Pay Award	4,245	2,447	6,692
Teachers' Pay Award	0	2,390	2,390
Teachers' Pensions Costs	0	4,312	4,312
Teachers' Increments (pay progression)	0	1,351	1,351
Contribution to Redundancy Financial Model	167	0	167
Total	**4,412**	**10,500**	**14,912**

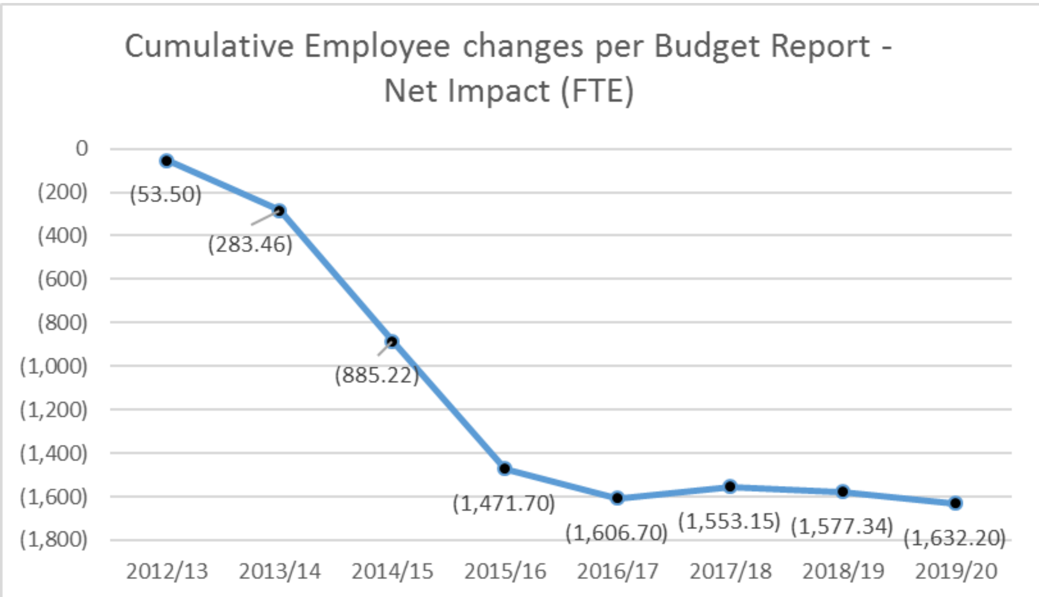
41. For non teaching staff, local government pay is a matter for collective bargaining between the national employers and trade unions through the National Joint Committee (NJC). The pay award for 2019/20 which is not the same for all grades reflects the second year of a two-year agreement. In addition to a pay award, the agreement includes the transition to a revised pay structure. The previous pay structure was no longer deemed fit for purpose due to the erosion of differentials between lower spinal points, following the introduction of the National Living Wage in 2016.

42. The 2019/20 Budget includes the full year effect of the September 2018 teachers' pay award. In the absence of an agreed award for September 2019, an award of 2% has been assumed. Teachers' pensions' costs reflect an anticipated increase in the level of employers' contributions to the Teachers' Pension Scheme (TPS) from 16.48% to 23.6% with effect from September 2019. The rate of increase has been determined by the Government Actuary's Department following the most recent valuation of the fund. It is mainly attributable to a change in the discount rate set by HM Treasury for the valuation of unfunded pension schemes. In England, the Department for Education is providing additional funding to help meet this pressure. Whilst representations have been made for a similar approach to be taken in Wales, no funding has been confirmed to date.

43. The posts deleted or created as part of the budget are set out in Appendix 9. This shows that there will be a net decrease of 54.86 full time equivalent posts, comprising 123.40 FTE deletions offset by the creation of 68.54 new FTE posts. It is anticipated that post deletions will take effect through the following mechanisms.

Employee Implications of Budget	FTE
Voluntary Redundancy	(38.95)
Vacant Posts	(48.32)
Retirement	(0.48)
Redeployment	(0.85)
TBC	(34.80)
Total FTE posts deleted	**(123.40)**
Total FTE posts created	**68.54**
Net Impact	**(54.86)**

44. Employee changes since 2012/13 are shown in the following graph. The figures shown are the net impact as detailed in previous Budget Reports. They show a net reduction of over 1,600 FTE. They include vacant posts and posts that have transferred out of the Council's direct control, as well as posts deleted through redeployment or redundancy. Over the period shown, 2017/18 is the only financial year in which there was a net increase in posts. This was largely attributable to the creation of additional Social Services posts to address demand pressures and the requirements of the Social Services and Wellbeing Act 2014.



Price and Income Inflation

45. Established budgetary policy is that directorates will manage the impact of price inflation within existing resources except in exceptional circumstances. These may relate either to the scale of the increase or the quantum of the budget to which the increase applies. The budget includes inflationary provision for Social Services to meet the cost of anticipated fee increases on commissioned services. Provision is also made for the 2019/20 NDR multiplier uplift, and to allow for anticipated

increases in energy prices that will affect the Council's buildings and street lighting across the city.

46. The Budget does not include a general uplift to fees and charges for Council services. In preparing their fees and charges for 2019/20, directors were advised that they should consider the particular circumstances for which they charge for services and reflect any proposed changes within their savings proposals. In proposing uplifts to fees and charges, directorates are expected to consider statutory frameworks as well as any adverse impact on demand for the service. Appendix 10 sets out the list of proposed revisions to fees and charges in 2019/20.

47. Appendix 6 identifies that a number of savings are based on the generation of income. Some savings have assumed securing a wider market share such as Pest Control (£30,000), whilst others generate additional income through price and volume increases. Bereavement & Registration will increase their income by £301,000 and the Council's Branding team by £100,000, whilst Fleet Services are expected to generate an additional £200,000. The Council's Additional Learning Needs service is expected to generate a further £140,000 and Commercial Waste and Recycling Centres an extra £100,000.

48. In 2019/20, income will also be generated through a number of new initiatives and schemes having taken in account any associated costs. This includes new legislative requirements such as Sustainable Drainage (SuDs) (£220,000), clamping and removal of nuisance vehicles in partnership with the DVLA, (£120,000) and the sale of equipment to those not eligible for support through the Joint Equipment Service (£30,000). Other areas have looked at achieving additional income through improved income recovery and maximising opportunities for recharging existing costs such as Transport Policy (£160,000).

49. It is important that the Council is able to react quickly and appropriately to changing events, both in terms of opportunities and shortfalls. To enable this to happen, it is proposed that the Council continues to delegate to the appropriate officer where necessary in consultation with the Cabinet Member, the ability to introduce and amend fees and charges as and when needed. Such changes also apply where discounts are introduced for a particular time period or clients groups with the same authorisation arrangements followed. Decisions will be taken in consultation with the Section 151 Officer and the Cabinet Member for Finance, Modernisation and Performance. Where appropriate, Cabinet will need to consider a report within a reasonable timescale of the decision.

Capital Financing

50. The Capital Financing Budget includes the Council's external interest on borrowing, interest on temporary cash balances and provision for the prudent repayment of debt. There is an increased budget requirement of £1.208 million in 2019/20. This is based on the following assumptions:

- There will be no new commitments funded by additional borrowing unless they are funded on an invest to save basis or in line with the Affordability Envelope set out later in the report
- The timing and delivery of expenditure will be as profiled in the Capital Programme
- The assumed interest rate for new borrowing is 3.25%
- Capital receipt targets will be met
- The timing and method of managing borrowing repayments will be as set out in the Treasury Management Strategy
- There will be one pool of debt for the General Fund and HRA

Council Tax Reduction Scheme

51. It is proposed that the approach to the Council Tax Reduction Scheme (CTRS) should remain unchanged for 2019/20. The scheme will continue to comply with the relevant WG regulations. In addition, the scheme will continue to provide additional help for war pensioners by disregarding the income from war pensions including War Widows Pensions, War Disablement Pensions and income from the Armed Forces and Reserve Compensation Scheme. This is in line with the Council's commitment to support veterans and their families. The budget provides for the impact on the CTRS of the proposed 2019/20 Council Tax increase.

Amendments since publication of Consultation Proposals

52. Budget proposals were released for consultation in November 2018. Since then the Council's funding positon for 2019/20 has been confirmed and a number of other technical updates and new commitments have emerged. These updates, which are set out in full in Appendix 11, include:

- the receipt of the Final Local Government Finance Settlement on 19 December 2018 confirming the level of AEF for 2019/20 along with a new responsibility
- the approval of the 2019/20 Council Tax base by Cabinet on 13 December 2018
- confirmation of the 2019/20 levies and contributions the Council must pay to relevant bodies including the South Wales Fire Service and the Coronor service
- updates in relation to pricing information and projected demand
- partial reinstatement of the Council's Financial Resilience Mechanism (FRM)
- The reduction of two savings proposals and minor quantum amendments to several others
- The increase in financial pressures from £4.496 million to £4.795 million

53. In drafting the final Budget Proposal, Cabinet have had regard to consultation feedback. As the consultation identified significant support for key budget assumptions and themes, no consultation related changes have been made to the budget savings proposals.

54. Since 2016/17, the Council has had a £4 million budget called the FRM that was set up to help the Council deal with the uncertainty of funding. It is used to invest in priority areas, but that investment must be one-off and decided afresh each year. This means that the budget is used proactively, but could be deleted without affecting day-to-day services if required. As the pressures facing the Council far outweigh funding increases in 2019/20, the FRM will be reduced by £200,000 to help balance the budget. This is an improvement on the position outlined at consultation, when it was anticipated that the FRM would have to be completely removed.

55. The table below summarises the proposed use of the mechanism for 2019/20 and further detail is set out in Appendix 12.

Financial Resilience Mechanism – One-off use for 2019/20	
Category	**£000**
Visible street scene	2,100
Transport initiatives	1,180
Other	520
Grand Total	**3,800**

Financial Standing, Risks and Financial Resilience

56. When setting the budget, Members must have regard to the Council's financial standing, risks and resilience, both now and in the future. The extended period of financial challenge which the Council has faced, renders these considerations even more important. In order to help provide a rounded view of the Council's financial position, snapshots of financial health are regularly prepared and reported to Cabinet, Council and senior management on a regular basis.

57. Financial snapshots contain information on:

- **Past performance** – including levels of reserves and financial performance ratios
- **The current year's monitoring position** – for capital and revenue outlining the quantum of savings proposals that are expected to be unachieved
- **Future outlook** – including a summary of the MTFP and capital financing requirements for future years

58. The Financial Resilience Snapshot at the time of setting this Budget is included at Appendix 13. The information it contains is considered over the next few pages, along with a summary of the more general financial challenges and issues facing the Council.

59. The first column of the snapshot considers historic information. This is important in setting the scene for financial planning, as it helps to

highlight any trends or concerns that may need to be addressed. A key point to note from this column is that the Council has identified savings of over £159 million since 2013/14. This is an extremely challenging backdrop, against which a further £19.157 million savings must be delivered in 2019/20, followed by an anticipated £77 million savings requirement over the medium term. In recognition of the challenges associated with continued delivery of material levels of savings over an extended timeframe, the following practices are aimed at understanding and mitigating risk:

Practice	Description
Initial Risk Assessment	• Directorates assess and report the risk associated with their budget proposals in accordance with the Council's risk methodology. • The equalities impact of all proposals is considered and full impact assessments are undertaken for those with a red or red-amber rating. • The planning status of all proposals is regularly reviewed to identify those that are not yet at a detailed planning stage.
Review & Challenge	• Cabinet Members and Senior Management Team receive regular updates on the overall components of the budget, emerging financial issues and key areas of risk. • Scrutiny committees are given the opportunity to review and scrutinise budget proposals.
Monitoring	• Budgets are monitored closely throughout the year and Cabinet members and directorates receive regular monitoring information. • Progress towards achievement of savings is reviewed as part of the monitoring process and directorates are challenged to bring delivery of savings back on course where issues of achievability are identified.

60. In recognition that it is impossible to eliminate all risk relating to the achievability of savings proposals, the budget retains a general savings contingency of £3.0 million. This is an important part of the Council's financial resilience, especially as the Council's General Reserve, which is intended to help cushion the impact of unexpected events or emergencies, is comparably low for an authority of the size of Cardiff.

61. The first column of the snapshot also shows the components of the Council's funding over a four-year period. The proportion of general funding that is raised through Council Tax has increased over recent years, from 25% in 2014/15 to over 28% in 2017/18. This is largely because AEF, the other main component of funding has been subject to annual real terms reductions over this period. There is a benefit to this subtle shift, as it means the Council is in control of a greater proportion of its funding. However, there are also risks; the most significant being the risk associated with collection rates. If these fall below expected levels, the Council could be left with a significant in-year funding shortfall. In order to mitigate this risk, the collection rate is robustly challenged on an annual basis and review of Council Tax collection statistics is an integral

part of budget monitoring. Collection rate risk is potentially higher for 2019/20, due to a combination of factors, including an increasing number of properties in the city, changes to eligibility for Council Tax discounts and the unknown impact of welfare reform. In light of the additional risk, the 2019/20 Budget provides resources for two additional revenue collection officers.

62. Despite the fact that Council Tax as a proportion of general funding is increasing, the snapshot illustrates that AEF still accounts for the most significant proportion of funding. From a financial planning perspective, this is extremely challenging. Indicative funding allocations, via the Local Government Settlement, are usually limited to the forthcoming financial year, are often not available until October and even then, are on a provisional basis. This means that there is a window of less than five months between the Council being notified of the largest element of its funding and the requirement to set a balanced budget. If indicative funding is worse than the Council's planning assumptions, there may be a need to identify significant additional savings at short notice. This could pose a material risk to the Council's financial resilience, as the achievability risk associated with such savings is likely to be high. In order to address this, the Council has a £3.8 million base budget called a FRM to help the Council deal with uncertainty of funding. It is used to invest in priority areas, but that investment must be one-off and decided afresh each year. This means that the budget is used proactively, but could be deleted without affecting day-to-day services if required.

63. The financial snapshot also contains information on financial ratios. Whilst, care should be taken in interpreting and extrapolating ratios, generally those identified reflect a positive position. Over a four-year period, the "Working Capital Ratio" has increased from 5.02% to 8.69%. The inference from this is that the Council has a good cash flow position and is in a strong position to cover day-to-day expenditure. Both the "Long Term Borrowing to Long Term Assets Ratio" and the "Long Term Borrowing to Taxation and AEF Ratio", increased in 2015/16. This is a result of additional borrowing that was undertaken to facilitate the Housing Subsidy buy-out. Since then, there has been a general plateau in both these measures. Prudential indicators considered later in this report, provide additional consideration of the affordability of borrowing.

64. The other information in the first column of the snapshot focusses on the level of reserves. Reserves are a very important part of resilience as they provide a cash buffer in times of uncertainty, improve the Council's cash position and avoid the need to incur short-term borrowing and its associated costs. The level of both the General Reserve and earmarked reserves as a percentage of expenditure has remained relatively stable over the past three years. Prior to that, there was an increase in the level of earmarked reserves in 2015/16. This was primarily the result of a favourable outturn position, which allowed the opportunity to strengthen financial resilience by increasing reserves. The position on reserves is considered in detail in the next section of this report.

65. The middle column of the snapshot considers the 2018/19 monitoring position as at Month 9. It shows a balanced position against the overall Council Budget. This includes an anticipated contribution of £917,000 to the Council's Strategic Budget Reserve, which will provide funding in support of the budget for 2020/21 and future years.

66. Within the balanced position there is a projected overspend of £4.9 million in relation to directorate budgets. This is partly offset by the £3.0 million general savings contingency and by savings in corporate areas including capital financing, NDR refunds on Council properties and a surplus on Council Tax collection. The overall position also takes into account the release of £1.1 million set aside for grant relief via the FRM, as this budget is no longer required for that purpose in 2018/19.

67. The projected overspend in directorate budgets includes £3.230 million in Social Services. This reflects a projected overspend of £4.206 million in Children's Services, partly offset by savings in Adult Services. As part of due diligence considerations, the 2019/20 budget includes £5.546 million in order to reflect the effect of these budget pressures in Children's Services. The 2019/20 budget also includes £53,000 to reflect the write out of a 2018/19 budget saving in Education, which is no longer considered achievable. This relates to the proposed saving in relation to the Central South Education Consortium, as the confirmed 2018/19 reduction in the Council's funding contribution was lower than anticipated. All other budget saving shortfalls that are reflected within the 2018/19 projected outturn are expected to be achieved in 2019/20.

68. In order to help deal with monitoring risk associated with areas which can be unpredictable or volatile, the 2019/20 Budget will continue to include issue specific contingency allocations. These include:

- A £350,000 contingency to offset potential income shortfalls in relation to the Material Recycling Facility that may result from market volatility for recycling materials.
- A contingency budget to reflect the potential for further in-year increases in the number of looked after children together with a recognition of the high cost of external placements where these are required. This recognises the difficulty in modelling the likely demand and complexity of services in this area. The external placements budget has seen significant growth in recent years with in-year pressures also contributing to budget overspends during the year as identified in the financial monitoring and final outturn positions of the Social Services Directorate. To assist in mitigating these on-going pressures, the contingency budget has been increased from £950,000 to £2.0 million in 2019/20.
- A contingency in relation to the CTRS, which is to reflect potential changes in the volume of claimants. The contingency budget includes an additional £1.486 million to reflect the proposed increase in the rate of Council Tax. After reflecting this amendment, the revised balance in contingency for 2019/20 is £2.586 million. This is considered sufficient to meet price and demand pressures in the forthcoming year.

- A contingency budget of £750,000 in order to create a fund to support the Council's approach to providing a social subsidy to bus routes where deemed necessary. This will be funded via the FRM and will be used over a two year period following an assessment of route priorites.

69. The final and forward-looking column of the snapshot identifies the challenges facing the Council over the period to 2023/24. Clearly, the need to address a further budget gap of £105 million will be an enormous task given the historic context already considered. The particular risks associated with the revenue budget over the medium term are detailed in the MTFP and are not repeated in full here. However, it should be emphasised that regular consideration of financial resilience will continue to be crucial to ensuring the Council's long-term financial standing. The importance of adhering to budgetary principles that are designed to protect the Council's resilience should not be understated. Given the scale of savings requirements, robust monitoring of the achievability of savings proposals will be key in this regard.

70. The risk analysis of the 2019/20 budget savings proposals is set out in detail at Appendix 14 (a) and summarised in the table below. The Appendix also indicates the planning status of each saving proposal. This identifies that savings of £571,000 have been realised, £15.062 million are at detailed planning stage and £3.524 million have a higher degree of risk as only general planning has been undertaken to date.

Risk Assessment	**Residual Risk £000**	**Achievability Risk £000**	**Equality Impact Assessment £000**
Red	1,800	850	0
Red-Amber	5,694	7,251	585
Amber-Green	6,330	6,231	6,068
Green	5,333	4,825	12,504
TOTAL	**19,157**	**19,157**	**19,157**

71. The final column of the financial resilience snapshot identifies the Council's capital financing requirement over the medium term, as well as the Council's local affordability indicator. Ongoing monitoring of these indicators is key to understanding the Council's exposure to borrowing and its affordability in light of reducing revenue budgets. A key means of undertaking such monitoring is via Prudential Indicators. These are supported by CIPFA's Prudential Code and CIPFA's Treasury Management Code. These are professional codes of practice aimed at supporting the decisions local authorities have to make when planning capital investment and in undertaking treasury management activities. Authorities are required to have regard to the Codes when carrying out their duties under Part I of the Local Government Act 2003 i.e. compliance with the Code is a statutory requirement. The key objectives of the Codes are to ensure that:

- capital expenditure plans are affordable, prudent and sustainable
- treasury management decisions arising from capital expenditure plans are taken in accordance with good professional practice
- local strategic planning, asset management planning and proper option appraisal are part of routine practice
- governance of activities is clearly defined
- there is accountability as part of a clear and transparent framework

72. The Code requires various indicators to be prepared. Some are required indicators, whilst the creation and publication of local indicators to support decision-making is encouraged. Although separate indicators are no longer required for the HRA, the Council opts to continue to prepare these, given the significance to the Council of the HRA, its statutory ring-fence and specific income stream from rent. Additional indicators may also be prepared if this is considered to aid the assessment of risk and proportionality.

73. One locally prepared indicator at Cardiff Council is the Affordability Indicator, which is set out in the final column of the snapshot. This identifies the trend in capital financing costs as a proportion of the revenue budget over which the Council has direct influence. This gives a better understanding of affordability over the medium term, taking account of MTFP assumptions regarding future Government funding and revenue pressures. Further Prudential Indicators are included in this Report as part of the section on Treasury and Capital Strategy. Over the past year, CIPFA has been developing and consulting on a further set of financial resilience indicators to be used in England. Welsh Treasurers are currently considering a similar approach but on a voluntary basis and the Council will keep this work under review.

74. Appendix 14 (b) contains a summary of the financial resilience challenges facing the Council, along with mitigating actions. These challenges are regularly reviewed as part of financial resilience updates, the budget monitoring process and updates to the Corporate Risk Register, which contains a specific risk in relation to financial resilience. The Section 151 Officer will continue to highlight the financial standing of the Council on a regular basis, as part of Members' overall awareness of financial matters and as an indicator of financial resilience. As already noted, a key factor in relation to the Council's financial resilience is its General and Earmarked Reserves, which are considered in further detail in the next section.

Council Reserves

75. The Council's strategy for holding and utilising reserves is set out in its Financial Procedure Rules. Members, following advice provided by the Section 151 Officer, will consider both the level of reserves held and whether any amounts should be used to support the budget setting process. As part of this consideration, Members are made aware that the use of reserves is finite in nature and therefore care is required to ensure that their use does not create a significant budget gap which would need to be filled in the following year.

76. CIPFA recommended accounting practice requires the Section 151 officer to create a protocol for reserves and balances which sets out the purpose, usage and the approval processes for transfers in and out of reserves and whether the intended use of the reserve is still valid. The Council's Audit Committee considered and noted the protocol in November 2017.

77. The next table shows the actual balance at 31 March 2018 and projected balances for 31 March 2019 and 31 March 2020 for the General Fund and Housing Revenue Account (HRA) earmarked reserves. The projection at 31 March 2019 includes assumptions contained within the Month 9 Monitoring Report and, as such, there is potential for certain estimates to change before the end of the financial year. The projected balances as at 31 March 2020 include the impact of the movements stated in the following paragraphs as well as the contributions to and from other earmarked reserves in line with the purposes set against each reserve.

78. Previous benchmarking reports published by WG have identified that the Council has one of the lowest levels of general and earmarked reserves in Wales. The financial resilience snapshot in Appendix 13 shows that earmarked reserves represented 7.85% of the gross revenue expenditure in 2017/18 (7.79% in 2016/17). There is no set statutory minimum level of reserves and decisions made should reflect the individual position of each council.

79. The Council's General Fund earmarked reserves which exclude the HRA are outlined in Appendix 15(a) and are held to meet known or predicted commitments. Appendix 15(b) shows the earmarked reserves in relation to the HRA. The General Housing Reserve comprising accumulated housing surpluses from previous financial years is ring-fenced for use in connection with the HRA and cannot be used to fund the Council's overall budget.

	Actual at 31 March 2018 £000	**Projection at 31 March 2019 £000**	**Projection at 31 March 2020 £000**
General Fund Reserve	14,255	14,255	14,255
General Fund Earmarked Reserves	54,809	40,736	29,344
HRA General Reserves	8,983	8,983	8,983
HRA Earmarked Reserves	3,223	1,054	254

80. The Council also maintains a General Reserve to help cushion the impact of unexpected events or emergencies. The Council's General Reserve as at the end of the 2017/18 financial year was £14.255 million. This reserve is anticipated to remain the same in the current year with

the Month 9 Monitoring report showing a balanced position with no transfers to or from the General Reserve. Following consideration of the Council's current position, in relation to risks and the advice of the Section 151 Officer, it is the intention of Cabinet not to make any use of the General Reserve to fund the 2019/20 budget.

81. The Council takes a proactive role in relation to the use of its reserves and identified, as part of its 2019/20 budget strategy at consultation stage, that a figure of £2.5 million would be released to support the budget. This will be a contribution of £2.5 million from the Strategic Budget Reserve which was set up specifically to support financial resilience and the future budget requirements of the Council over the medium term.

82. School balances represent the accumulated surplus or deficits generated by individual schools. Although they form part of the Council's overall balance sheet, school balances are different to earmarked reserves in that the annual movements in balances are not directly controlled by the Council. As a result, school balances are not available for use in funding the Council's budget, but may still represent a risk to the Council's overall financial resilience, should a net deficit position occur. On this basis, it is of critical importance that due diligence is undertaken in respect of school spending plans, ensuring that they are in alignment with approved budgets. To ensure that this is the case, work will continue to be carried out with all schools, especially those causing significant financial concern. Where the Council's Section 151 Officer determines that the provisions contained within the relevant schemes or procedure rules have been substantially or persistently breached, or a budget share has not been satisfactorily managed, then intervention powers will be taken to suspend delegations for that school.

83. The total school balances as at 31 March 2018 were a net surplus of £6.0 million. Included within this overall balance was a cumulative deficit balance relating to the Schools' Mutual Supply Fund, amounting to £1.3 million. This means that the total of individual school balances amounted to £7.3 million. The total balance included both surplus and deficit balances in respect of individual schools, with total deficits amounting to £1.6 million. A total of nine schools held deficit balances, with the majority of the deficit balances relating to secondary schools. This included a significant deficit in respect of Cantonian High School. This deficit amounted to £869,000 at 31 March 2018. A planned deficit repayment plan has been agreed with the school, with the aim being to clear this balance over a ten-year period. The position at 31 March 2018 represented an improvement on the position at 31 March 2017 and signalled a continuation in the reduction of the balance.

84. As well as deficit balances, a number of schools held significant surplus balances at the end of the previous financial year. This was partly the effect of late notification and receipt of a WG grant for school maintenance, which amounted to circa £1.4 million and resulted in an increase to overall school balances. However, after allowing for this, a number of schools held balances in excess of 4% of their budget

allocation and have done so for at least a three-year period. This represents a trend where net balances have increased for the last four financial years, particularly in respect of primary schools and there are a number of schools that have persistently held a balance in excess of the 4% threshold. To address the build-up of excess balances, the Council is implementing steps to address this issue, including directions to schools to utilise their balances and clawback of excess balances.

85. The judgement of the Council's Section 151 Officer, taking into account the budget monitoring forecast as at 31 December 2018, the corporate budget position, the General Reserve, as well as the General Contingency budget of £3.0 million is that the projected level of both general and earmarked reserves up until 31 March 2019, is sufficient to allow the £2.75 million drawdown to contribute to funding the 2019/20 budget and that the level of reserves remains adequate to 31 March 2020.

86. Overall, the position in respect of reserves, particularly in light of the achievability of savings and unexpected financial issues that may occur will require careful monitoring throughout the financial year to understand any impact on financial resilience. Beyond this, given the information and uncertainty contained in the MTFP, the position with regard to reserves will continue to be carefully monitored alongside the Council's general standing in respect of financial resilience.

Landfill Tax

87. The Council's Statement of Accounts for 2017/18 included a contingent liability in respect of a purportedly under-declared landfill tax assessment received from HMRC. Given that this is a specialist and technical area, the Council has engaged PWC environmental tax experts to support this work. Analyses continue to understand the quantity and nature of the materials disposed of to demonstrate that the "qualifying fines" regime does not apply. The Council, PWC and HMRC continue to work constructively on the matter but as yet the final outcome is still unclear. The Month 9 monitoring report, also to be considered by Cabinet on 21 February, comments on the position and determines that windfall income of £2.494 million received in respect of a previous year's VAT refund be set aside in order to provide a payment on account in respect of these purported liabilities. The allocation of a payment on account would enable the Council to reduce the impact of any interest payments, should an actual liability arise. At this stage in the discussions with HMRC the actual scale of liability, if any, remains to be determined and so this action is deemed appropriate with no other impact on the 2019/20 budget. The position will be kept under review and a further update included in both the Council's Outturn Report and the 2018/19 Statement of Accounts.

Medium Term Financial Plan and Strategy

88. The Council's MTFP for the period 2019/20 – 2023/24 is contained in Annex 2 to this Report. There is little sign that the extended period of

financial challenge will improve over the medium term. The MTFP estimates that the budget gap of £32 million that has been addressed in this Report, will be followed by a further gap of £105 million between 2020/21 and 2023/24. The budget gap is a result of assumed funding failing to keep pace with expected demand, inflation and other financial pressures as set out in the table below:

Components of Budget Gap	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**TOTAL £000**
Financial Pressures	25,909	25,216	22,108	20,851	**94,084**
Funding Reductions - AEF	2,223	2,212	2,201	2,190	**8,826**
Funding Reductions - Reserves	2,000	0	0	0	**2,000**
Budget Requirement Reduction	**30,132**	**27,428**	**24,309**	**23,041**	**104,910**

89. The wider context and the assumptions underpinning the above figures are set out in detail in the MTFP. There are a number of uncertainties inherent in the above position. In particular, no indicative AEF figures are available and these are difficult to predict, especially in light of the unknown impact of Brexit and the impending 2019 Spending Review by the UK Government. The MTFP also explains the extremely challenging context of continuing to deliver significant levels of savings, building on the material sums already identified in recent years.

90. The table below identifies the high-level strategy for addressing the budget gap:

Budget Assumptions	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**TOTAL £000**
Council Tax Increase	6,464	6,755	7,059	7,376	**27,654**
Savings	23,668	20,673	17,250	15,665	**77,256**
Total Strategy	**30,132**	**27,428**	**24,309**	**23,041**	**104,910**

91. Council Tax figures are based on the assumption of annual increases of 4.5% although this is not fixed and will be kept under review over the medium term. An increase of this level on the Council Tax generates an overall funding increase of approximately 1%.

92. The MTFP models the longer-term budgetary outlook. This shows that the approach to identifying savings needs to change in order to protect the Council's ongoing financial resilience. There is a need to move beyond the traditional approach of targeted directorate savings and limiting schools growth. There will be a need to:

- Capture the full financial benefit of the significant amount of early intervention and preventative work ongoing across the Authority, in order to manage the pattern of future demand for Council services.

- Consider the level at which it is affordable to continue to subsidise services of a more discretionary nature.
- Continue to maximise income streams and explore the potential for new income streams, particularly where services are not universal.
- Continue to target efficiencies, including baseline efficiencies for *all* services including schools.
- Continue to undertake service reviews and to identify cross-directorate savings in areas such as corporate landlord functions and transport.
- Identify opportunities to work across directorates and in partnership with other organisations.
- Target productivity savings to ensure that optimum value for money is achieved within scarce resources, including making best use of digital technology.
- Consider how targeted capital investment may deliver revenue savings.

93. In developing detailed savings proposals for the medium term, there will be a need to work across directorate boundaries, to review all elements of expenditure that the Council is able to influence. This will include working with delegated schools to identify efficiency opportunities in relation to the £231 million Schools' budget. Further work on developing a fully defined set of proposals for these years and for 2020/21 in particular, will take place over the spring in order to inform the 2020/21 Budget Strategy Report which will be considered by Cabinet in July 2019.

Cardiff Capital Region City Deal

94. The Cardiff Capital Region City Deal (CCRCD) valued at £1.2 billion was signed in Cardiff on 15 March 2016. The core proposition is to provide provision of funding to support investment in projects to stimulate economic growth. There is £734 million allocated to the Metro while £495 million covers a Wider Investment Fund (WIF) to support additional economic development activities. The WIF consists of a Local Government capital contribution of £120 million and UK Government Grant of £375 million provided over a 20-year period. The local authority partners operate within an affordability envelope of £210.8 million within which they will manage the total capital and revenue financing costs of the WIF over its life. The local authority contributions are calculated on a population basis with Cardiff's contribution proportion of 23.7% representing £50 million.

95. The basis of how the CCRCD is governed (Joint Working Agreement), how the WIF is managed and approved (Assurance Framework) and the proposals for implementing the CCRCD (Implementation Plan) were approved by Cabinet and Council in January 2017. Cardiff Council has been approved as the Accountable Body to administer the CCRCD, hold the funds from UK Government, local government and other sources and to ensure financial and legal compliance, for which resources are met from a Regional Cabinet budget. The Cardiff Capital Region Joint

Cabinet (Regional Cabinet) was established in 2017 to oversee the delivery of the CCRCD and has overall collective responsibility for decisions relating to the WIF. The Regional Cabinet is being requested to approve its annual budget on 18 February 2019. The budget proposed to be funded by the 10 Local Authority Partners is £1.09 million with Cardiff's contribution being £258,449.

96. Cardiff's capital planning for its WIF contribution is predicated on the Joint Working Assessment Business Plan as approved by all ten Councils in March 2018, following approval by Regional Cabinet. This approval discharged the 'reserved matter' from which time local authorities will be required to contribute their share of funding towards the approved capital project costs incurred. The contribution requirements are in accordance with a Regional Cabinet decision on 15 January 2018 to 'resource switch' and fund the initial investments in 2017/18 from capital funds, in order to preserve the £50 million of UK Government revenue funding for future use.

Housing Revenue Account and Rent Setting 2019/20 and Medium Term Financial Plan

Introduction

97. The Local Government and Housing Act 1989 places a statutory duty on local authorities to maintain a separate HRA for the costs associated with the management and maintenance of Council dwellings. The ring fenced nature of the account means that local authorities must not subsidise costs relating to Council Housing from the General Fund (i.e. from Council Tax or from the RSG) or subsidise General Fund costs from the HRA.

98. The main expenditure items within the account include maintenance and repair costs together with management costs (including rent collection, housing allocations and property and estate management). Capital financing charges include the costs of servicing and repayment of all borrowing including the repayment to the WG/HM Treasury for the borrowing undertaken in 2015/16 to exit the Housing Subsidy System. The proposed HRA budget for the financial years 2019/20 to 2023/24 is shown in Appendix 16.

2019/20 Key Assumptions

99. Key assumptions and factors which make up the HRA budget proposal include the following main items:

- Rents are uplifted by CPI only in line with the ministerial decision
- An £18.3 million budget has been set for Council Housing Repairs reflecting the estimated requirements for both planned and responsive maintenance
- The direct revenue financing budget for capital expenditure assumes a contribution of £6.4 million in 2019/20

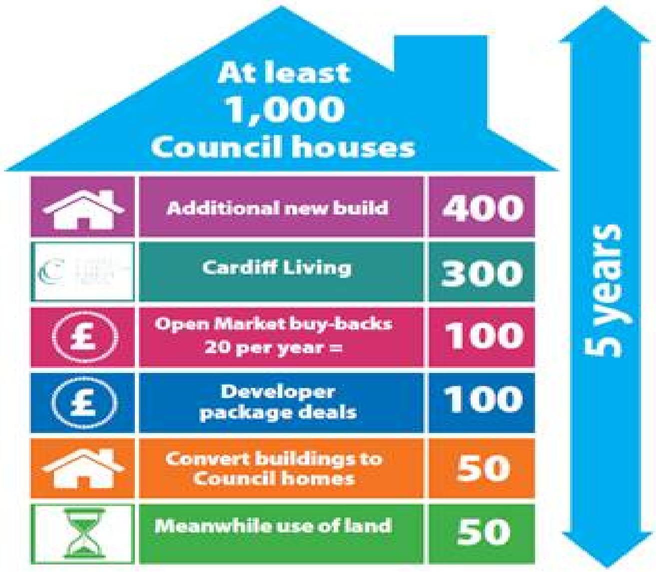
- Continued receipt of the Major Repairs Allowance (MRA) of £9.5 million
- Provision is made for the ongoing estimated impact of Welfare Reform under the Universal Credit scheme on rent income levels and additional costs of collection and recovery
- The HRA's fair contribution to planned corporate and other initiatives where HRA activities are involved

Medium Term HRA Financial Plan

100. For 2020/21 and future years to 2023/24, the budget proposals make provision for pay awards and general inflation increases.

101. Key objectives and priorities in the medium term include the following:

- Maintenance of the Welsh Housing Quality Standard (WHQS) for high quality and sustainable housing
- A new build housing programme to deliver 1,000 new council housing units by 2022 with a further 1,000 to follow by 2026/27
- Remodelling and refurbishment of existing homes with estate regeneration and area improvement works
- Continued delivery of community benefits
- Tenant participation and consultation
- Assistance to tenants with debt management and budgeting advice



Key Risks and Uncertainties

102. The proposed HRA Capital Programme includes significant additional borrowing commitments following the proposed removal of the Housing Borrowing Cap. This borrowing is partly to fund the delivery of new Council social rented homes through a combination of open market buy-backs, developer packages and new builds in order to meet demand for affordable housing in the city and to help meet national targets.

103. The restricted rent uplift for 2019/20 results in lower revenue resources which has necessitated operational savings and efficiencies and reduced flexibility in terms of planned spend and initiatives. Looking forward, the uncertainty in relation to future rent policy makes planning very difficult, particularly in respect of the new build plans. A future rent policy which imposes lower uplifts than previously assumed within the HRA Business Plan will necessitate a remodelling and review of priorities within the Plan.

104. There are no agreed pay awards beyond 2019/20 and in the absence of this, 2% annual uplifts are assumed which is broadly in line with forecast CPI inflation. Forward general inflation indicators are in line with WG guidelines and any significant changes to these assumptions will further impact on budget proposals.

105. The plan makes assumptions in relation to the potential impact of Welfare Reform and the transfer to Universal Credit on rent arrears, particularly as a result of the continuing reductions in Housing Benefit due to property rent/size restrictions. Any increased impact is likely to affect the available revenue resources and may necessitate further offsetting operational savings.

106. As part of the Affordable Housing Supply review being conducted for WG, the MRA in terms of output and value for money is being examined. Any changes to the level of MRA would have a very significant impact on the achievability or otherwise of the HRA Capital Programme.

Rent Policy

107. While the responsibility for setting rents for individual dwellings rests with individual landlords, they are required to operate within average weekly rent levels that fall within the Target Rent Band set by the WG. The WG rent policy and the five-year rent uplift formula agreement ended in March 2019. An independent rent policy review is underway which will consider issues such as affordability and comparisons with rents in England. The results of this review will feed into the Affordable Housing Supply Review conducted for the WG.

108. The Minister for Housing and Regeneration has made the decision to uplift social rents by CPI only for the transitional year 2019/20. As a result of this decision, the CPI increase will be 2.4% which will mean that the average rent for a council home will increase by of £2.42 per week (£2.57 based on the 49 week collection) exclusive of service charges.

109. For future years, the WG policy in relation to potential rent uplifts is currently unknown. Local Authorities have been advised to carry out sensitivity analysis on their 30 year HRA Business Plans on a range of rent uplifts (from CPI +1% to CPI -1%). On this basis, a prudent approach has been applied from 2020/21 onwards with uplifts of CPI plus 0.5% only. The HRA Business Plan will be reported to Cabinet in March 2019.

Tenant Consultation

110. Consultation on the rent increase took place between 18 December 2018 and 16 January 2019. A letter and flyer were sent to 1,350 randomly selected tenants with freepost return address; this represented 10% of tenants. However the numbers responding to the survey were too small to draw any conclusions from the responses.

111. Council rents remain lower than rents charged by private landlords. Approximately 75% of Council tenants are in receipt of financial assistance with their housing costs and in most cases, this will cover the increase. Those tenants most affected will be tenants in work with low earnings and those impacted by Welfare Reform such as the Benefit Cap.

112. A number of ways to mitigate this impact have been identified, including improved Into Work and Employability services to help people upskill and to seek better paid employment together with a more supportive approach to rent arrears and a Hardship Fund for tenants struggling to pay arrears.

School Organisation Plan and 21st Century Schools Programme

113. The School Organisation Plan (SOP) relates to the significant programme of capital investment that aims to ensure sufficiency of school places in Cardiff and address the most acute school building condition issues. The SOP Financial Model includes Cardiff's 21st Century Schools Band A programme, which totals £164.1 million, and the 21st Century Schools Band B programme, which is anticipated to cost in the region of £284 million. The 21st Century Schools programme is due to conclude at the end of the 2018/19 financial year, representing the culmination of a seven year programme. The 21st Century Schools Band A programme is funded on a 50:50 basis with WG, with WG's contribution taking the form of grant and Local Government Borrowing Initiative (LGBI) revenue funding to facilitate additional borrowing. The 21st Century Schools Band B programme will commence in 2019/20 and is anticipated to end in 2023/24. The WG contribution rates for the 21st Century Schools Band B programme are different to those in the 21st Century Schools Band A programme, with mainstream schools funded on a 65:35 basis and special schools funded on a 75:25 basis. Projects involving voluntary aided schools will be funded on an 85:15 basis. WG are set to contribute the higher proportion of funding in all cases, with their contribution taking the form of capital grant.

114. Whilst the capital funding intervention rates for the 21st Century Schools Band B programme have recently been confirmed, there remains a degree of uncertainty as to the final makeup of the Council's 21st Century Schools Band B programme. This is driven by the fact that WG have suggested that the pace of delivery may need to be slowed and that it may not be possible for the Council's programme to be financially supported in line with the original profile, due to WG funding constraints in certain financial years. As a consequence of this, the Council is

required to revise the programme profile and reconsider its position in respect of the Mutual Investment Model (MIM). The WG have confirmed that a revised MIM funding intervention rate will be implemented, with the WG set to fund 81% of the annual payments for schools constructed under this model, and have asked Council to reconsider whether it wants to be a participant in this public-private partnership model of funding. Council officers are currently undertaking work to assess the financial impact of potentially undertaking a MIM scheme and the impact that this will have on the overall programme, should schemes be changed to a MIM funding model, rather than capital funded, as well as elongating the residual capital programme profile to work within WG's funding availability. As part of this work, it is essential that the final programme profile, and mix of funding models, can be accommodated within the current financial envelope.

115. The SOP Financial Model comprises a projection for both capital expenditure and capital funding over the life of the plan. Funding sources that the Council has utilised in meeting its share of the plan include:

- Capital Receipts
- Capital Grants
- Section 106 Contributions
- Capital Programme Allocations
- WG LGBI
- External Borrowing

116. To date, the largest proportion of funding has been met from external grants, with external borrowing and capital receipts making up the majority of the balance. In the case of the 21st Century Schools Band B programme, it is intended that the Council's share will be met from £25 million of capital receipts, with the balance being funded by external borrowing. The £25 million capital receipts will be identified from within the Council's entire asset base.

117. Projects completed to date include four new build primary schools, the new Eastern Community Campus in partnership with Cardiff & Vale College, three replacement primary school buildings and a number of extensions to primary school buildings. The final 21st Century Schools Band A programme project is for a replacement secondary school in the west of Cardiff and is planned for completion by the end of the current financial year. The proposed 21st Century Schools Band B programme projects will see five secondary school buildings replaced or substantially refurbished, three primary school buildings replaced or extended and four special school buildings replaced. A number of these projects will also contribute towards an increase in the overall number of school places in Cardiff. Preparatory work for the first 21st Century Schools Band B programme projects is currently underway in relation to Fitzalan High School, St Mary the Virgin Primary School and a redevelopment of the Doyle Avenue site, which currently hosts Cantonian High School.

118. The capital charges arising from the borrowing undertaken are funded from the SOP Revenue Budget, via the SOP Revenue Reserve. At the

point at which SOP commenced, the revenue budget required was created by revenue release savings, which included savings from facilities management budgets from closed schools as well as efficiency savings and historical adjustments to delegated schools budgets. In order to ensure that sufficient revenue budget exists for the 21st Century Schools Band B programme, a 10-year plan is in place whereby the revenue budget will be built up by applying a reduction to the growth applied to the delegated school budget in each financial year during that period. Excluding LGBI expenditure, which has a dedicated funding stream, capital financing obligations from completed and ongoing SOP schemes are expected to peak at £5.976 million in 2019/20. The capital financing charges arising as a result of the 21st Century Schools Band B programme are expected to peak at £4.795 million in 2024/25, however this figure will change as the profile of expenditure is revised in line with the final programme plan.

119. The SOP also includes significant revenue expenditure in connection with organisational restructuring costs attached to the schemes. These include project management costs, wider Council support for the programme, external advice and additional costs incurred by schools that are transitioning to new buildings. The SOP revenue budget is regularly reviewed and submitted to the SOP Programme Board for approval.

SOP Revenue Expenditure 2019/20	**£000**
Project Team Costs	1,239
Other Council Support	500
External Advice	150
Ongoing Commitments	380
Contingency	300
Total	**2,569**

120. The overall SOP Financial Model represents a significant financial exposure for the Council and the following capital and revenue risks have been identified and are continually reviewed:

- changing scope of works as schemes progress
- cost over-runs and fluctuating construction cost inflation
- underachievement of capital receipts, failure to obtain planning consent or changes in Council policy in respect of land sales
- the potential for the revenue costs of transitioning schools to new buildings to increase beyond initial assumptions
- the risk of abortive costs, should schemes be significantly amended or not taken forward
- VAT implications of schemes, particularly those involving land transfers or voluntary-aided schools

121. At the time of developing the overall programme, cost estimates were undertaken as part of a desktop exercise. Therefore, a significant amount of work is being undertaken in respect of the 21st Century Schools Band B programme and there is the potential for changes to the profile of expenditure, and overall scale and scope of projects, as detailed cost

information is gathered. As well as this, there remains some uncertainty around the overall length of the 21st Century Schools Band B programme and further detail is required as to how the change in WG funding contribution rates will impact on affordability of the overall programme. Furthermore, a business case has to be prepared and submitted to WG for each individual project. Only at the point whereby the Full Business Case has been approved by WG, and procurement of a contractor is completed, is an accurate cost known. Until that point, there is a significant risk that unforeseen costs, scope changes and construction inflationary pressures could impact on the overall scale and affordability of the programme.

122. A further challenge for the SOP Financial Model is the cash flow impact of the timing of both capital and revenue expenditure and income. An earmarked reserve has been established for the SOP, and the projected movements on this reserve are shown in Appendix 17. This reserve is used to manage these cash flow implications and the risks as previously identified. In a Cabinet report, considered at a Cabinet meeting on 19 March 2015, the financial implications section referenced the advice of the Council's Investment Review Board, which had suggested that a reserve balance of no less than £1.5 million was considered prudent. Appendix 17 highlights the fact that the reserve balance is projected to decrease to a level below that recommended previously. However, it is felt that, whilst the desired level is for a balance of at least £1.5 million, a minimum level of £500,000 would be recommended, for financial resilience purposes. Appendix 17 shows that the balance is not projected to decrease below that level and that in a number of years the balance will exceed the desired level. These projected fluctuations highlight the need for continued close monitoring activity and robust governance and decision making relating to use of the reserve. This governance will take the form of the SOP Programme Board who will meet regularly and ensure that decisions taken pay due consideration to the minimum reserve level required.

Civil Parking Enforcement

123. Income and expenditure in respect of Civil Parking Enforcement is ring-fenced within the Council's accounts. The income generated from car parking fees, residents' permits, penalty charge notices and moving traffic offences (MTOs) is used to fund the associated operational costs including the cost of the enforcement service. Any surplus or deficit will be transferred to the Parking and Enforcement Reserve and can only be used for specific purposes such as supporting transportation services, parking and highway and environmental services in accordance with Section 55 of the Road Traffic Regulations Act 1984.

124. The anticipated operating surplus for 2018/19 is likely to be £6.986 million. When this, the budgeted and additional eligible expenditure for the current year are applied to the brought forward figure, the balance in the Parking and Enforcement Reserve at 31 March 2019 is estimated at £939,000.

125. For 2019/20, income from car parking fees, residents' permits, penalty charge notices and MTOs is forecast to be £14.190 million. Operating costs include staffing and other costs of enforcement services, traffic regulation orders, maintenance of parking for both on and off street parking and disabled bays. It also includes capital financing costs in respect of repayments in relation to the investment in expanding bus lane and yellow box junction enforcement. It also reflects anticipated savings identified following the Service Review undertaken by the Council in 2018/19. Overall, expenditure is estimated to be £6.963 million, leaving a net in year surplus of £7.227 million. This will be used to meet eligible expenditure commitments supporting overall highway, transportation and environmental improvements total £5.385 million in 2019/20.

126. As part of this budget further eligible expenditure is proposed in respect of other schemes and are set out in the table below:

Additional expenditure in 2019/20	**£000**
Active travel including cycle way and bus corridor infrastructure improvements and the expansion of 20 mph zones	1,433
Clean air initiatives through the conversion to and provision of electric vehicles and charging points	360
Environment and highway improvements	207
Match funding towards public transport provision as required by WG Bus Grant conditions	150
Contingency for schemes and projects that may emerge during the year	100
Total	**2,250**

127. As reflected in Appendix 18, the balance on the reserve is expected to increase as set out below. These amounts will be impacted by any new spending commitments that emerge and are approved over the period.

Parking and Enforcement Reserve As at 31 March	**Projected Balance £000**
2020	531
2021	258
2022	454
2023	693
2024	943

128. The anticipated surpluses provide significant scope for future investment in line with the Local Development Plan and Parking Strategy to assist in delivering improvements and key transport schemes in the City. Use of the reserve for investment in initiatives will be reported as part of the Council's regular monitoring arrangements including consultation with the relevant Cabinet Member.

129. A summary of the overall position on the Civil Parking Enforcement Account including the anticipated balances on the reserve is set out in Appendix 18 to this report.

Joint Committees and Relevant Bodies

130. Cardiff is currently the lead authority for Glamorgan Archives, Prosiect Gwyrdd and Cardiff City Region City Deal (CCRCD); it is also a member of the other Joint Committees shown below. In addition, the Council has to meet a number of levies and contributions.

Joint Committees and relevant Body	2018/19 Approved Revenue Contribution £000	2019/20 Estimated Revenue Contribution £000
Joint Committees		
Glamorgan Archives	209	209
Prosiect Gwyrdd	37	37
CSC Joint Education Service	1,413	1,343
Shared Regulatory Service	3,601	3,381
CCRCD	237	249
Vale, Valleys & Cardiff Regional Adoption Consortium	573	636
Joint Bodies		
South Wales Fire & Rescue	17,181	18,142
Natural Resources Wales	139	139
Cardiff Port Health Authority	114	114
Newport Port Health Authority	5	5
Coroner's Service	667	688

131. The figures shown for 2019/20 are subject to confirmation by the respective Joint Committees. The fees and charges for the Shared Regulatory Service are set by the Joint Committee or externally by statute or other regulation.

Activities inherited from Cardiff Bay Development Corporation including Harbour Authority

132. The Council agreed to take on the role of the Cardiff Harbour Authority (CHA) in April 2000 following the winding up of Cardiff Bay Development Corporation (CBDC). The functions and responsibilities of the Harbour Authority are detailed in the Agreement made between the Council and CBDC (now WG) under Section 165 of the Local Government Planning and Land Act 1980. The funding required to discharge these obligations is provided by a specific grant received from the WG. This funding and any income generated are ring-fenced.

133. The arrangement has been subject to a number of negotiated changes over the past 19 years; the latest variation was signed on 3 April 2014 and included a three year fixed cost budget for April 2014 to March 2017.

The revisions ensured that a sufficient funding level was made available to the Harbour Authority to meet the liabilities under the agreement and any additional duties relating to the Cardiff Bay Barrage Act 1993.

134. The existing agreement expired on 31 March 2017. The WG initially advised they would like an opportunity to review current arrangements and to extend the previous business period by twelve months, up until 31 March 2018. This review has been delayed by WG until recent months, although the WG has continued to have discussions with CHA over the way forward with a view to jointly agreeing a new funding agreement for 2020/21 onwards. The WG have already emphasised the pressures on this budget and indicated that supporting CHA at current funding levels is unsustainable and consequently there is a desire to explore savings with the CHA.

135. The Council has responded positively and constructively to this request and are working jointly with the WG and independent public sector advisors in developing an appropriate settlement within the context of a wide-ranging review of CHA activities. WG are conscious of CHA statutory functions, therefore exploring savings and efficiencies must be undertaken carefully and managed appropriately.

136. For 2018/19, the Council and WG agreed a single year budget of £5.4 million whilst the review was outstanding.

137. For 2019/20, the Council has worked with WG to identify achievable efficiencies, service reductions and savings against the approved Fixed Costs budget and to agree on an appropriate budget for Asset Renewal. The WG have agreed total funding of £5.265 million, representing a cash reduction of £135,000 or 2.5% on the 2018/19 budget.

CHA Funding	**2018/19**	**2019/20**
	£000	£000
Fixed Cost Budget	5,204	5,120
Asset Renewal	196	145
Total Budget	**5,400**	**5,265**

138. The funding for asset renewal is likely to become a significant issue in the future. Past renewals and replacements have been relatively small in value. This issue will be considered as part of the overall review. It is anticipated that a way forward can be agreed with WG on the basis of a medium to long term asset management plan.

139. The overall reduction in the budget reduces the ability to fund large unforeseen operational costs and consequentially increases the financial risk to the Council. Any unforeseen costs arising will be recoverable from the WG through the additional claims process, but only where those costs are legitimately agreed as part of the Deed of Variation.

140. The CHA maintains a Contingency and Project Fund, which is used to support projects and provides a contingency if the approved budget is exceeded. The Fund receives contributions from a combination of

receipts from the sale and disposal of land and a share of past year underspends on the Fixed Cost budget. The balance at 31 March 2019 is estimated at £40,000 and this is line with the amendments to the Deed of Variation as agreed in April 2018.

Supporting People Programme Grant Spending Plan

141. The Supporting People Programme provides approximately 6,000 units of housing-related support to vulnerable individuals in Cardiff to assist them to live independently and to prevent homelessness. Support can be provided in the client's own home, hostels, sheltered housing or other specialist supported accommodation. A range of third sector organisations deliver this support, the majority of which are charitable organisations and housing associations. However, the Council does provide some services directly including two homeless hostels, supported accommodation, and a homeless outreach team.

142. The WG provides Supporting People funding in the form of a grant and local authorities administer the funds. A multi-agency Regional Collaborative Committee for Cardiff and the Vale of Glamorgan operates to provide opportunities for a collaborative approach and to share best practice. The WG requires each local authority to develop a Local Spending Plan in a prescribed format that indicates the areas where the Council intends to spend the grant. This is prepared following an indicative grant allocation figure from the WG.

143. The indicative grant allocation for Cardiff in 2019/20 is £16.267 million which is unchanged since 2016/17. While no reduction has been made in the overall Supporting People Grant this year, it is anticipated that funding levels may reduce in future years. The level of intended spend within each spend category can be seen at Appendix 19. This is broadly similar to that of the current year in the majority of spend categories, with the exception of the "People over 55 years of age with Support needs Category" which has reduced slightly for 2019/20.

144. This decrease of £64,470 in the Older Person's category is largely a result of efficiency savings which will be refocussed into addressing the current priorities in rough sleeping and homelessness services across the city. The highest anticipated spend is in the spend category that predominately relates to homelessness schemes that do not clearly fit the spend categories prescribed by the WG. This expenditure totalling £3.542 million is referred to as 'Expenditure which does not directly link to the other spend plan categories'. Within this category are homelessness related services including larger frontline hostels, rough sleeper outreach provision, supported housing and young person gateway services.

145. Whilst spend in the Older Person's category will decrease slightly next year as explained above, services available for older people have increased. There is sufficient capacity within the current commissioned Generic Floating Support Service to meet the demand for older people. Also, the addition of Floating Support within the Independent Living

Team has improved service provision. By being part of an integrated team, access to a wider range of support options such as advice on benefits, disabled adaptations, grants, home energy efficiency and support to avoid social isolation are now available to older people in a more effective and streamlined way than before.

146. Alongside the increased number of rough sleepers in Cardiff over recent years, addressing the 'Revolving Door' of Homelessness to better meet those with complex needs will continue to be the priority during 2019/20. The most prominent need recorded in the Supporting People data in 2017/18 is Mental Health at 22.8%, followed by Domestic Abuse at 12.6% and the third is Substance Misuse 12.4%. There has also been a significant increase in demand for housing related services for people affected by combined Mental Health and Substance Misuse issues.

147. A phased approach has been taken to reviewing services. Phase 1 of the Accommodation and Support Review Programme is now complete with the exception of the Gender Specific service for male victims which will be completed in 2019/20.

148. Work has commenced on Phase 2 and 3 of the Support Review Programme with new contracts for services for young people due to be in place by May 2019. A full review of Accommodation and Specialist Support Services for single people with substance misuse and mental health issues is underway, including all second stage supported accommodation within the Single Persons Accommodation and Support Gateway. It is anticipated that this work will be completed by 2020/21.

Capital Strategy 2019/20

149. The Council's Capital Strategy is set out in Annex 3 to this Report. Successfully delivering the commitments set out in Capital Ambition will require capital investment and having a capital strategy in place will support Members making capital investment decisions to deliver their priorities in an informed way. The Capital Strategy will provide a framework which will:

- provide a longer term view of capital expenditure plans whilst setting out all the financial risks to which the authority is exposed
- ensure decisions can demonstrate sufficient regard to the long term financing, affordability implications and potential risks to the authority
- provide an overview of the Council's asset management planning arrangements, which includes any maintenance requirements that have resource and business planning implications.

150. The requirement for the Council to approve a Capital Strategy arises from an update to the CIPFA Prudential Code in 2017. This update was primarily in response to concerns that local authorities were undertaking activities of a more commercial nature such as investment in property and companies primarily for financial benefit.

151. The Capital Strategy is an integral part of the Council's Strategic and Financial Planning Framework. The CIPFA Prudential Code and CIPFA Treasury Management Code require that the Council determine a suite of indicators highlighting the longer term impact of capital investment decisions on the revenue budget, affordability, prudence and sustainability. Indicators for capital expenditure and affordability are set out in the sections below and the Treasury indicators are included in the Treasury Management Strategy (Annex 4).

152. The Capital Strategy sets out the approach to various factors as identified below and covers the Council's approach to:

Working with partners – recognising the enabling role played by the Council in delivering investment and the need for alignment with WG on a longer term and sustained approach to capital investment
Asset Management Planning – how the Council demonstrates stewardship of assets used in service delivery and the need to understand condition and alternative options as a basis for understanding investment requirements
Risk Appetite – the main areas where capital investment paid for by borrowing would be considered and how such decisions are informed by robust business cases
Governance and decision-making – identifying priorities for investment, securing value for money and monitoring and reporting of the approved capital programme.

153. The following sections in this Report set out the

Capital Investment Programme - the detailed five-year capital investment programme proposed for 2019/20 to 2023/24 arising from the Capital Strategy
Funding for the investment programme - the Capital Resources assumed to be used to fund the 2019/20 to 2023/24 investment programme including identification of the borrowing requirement
Managing the borrowing requirement – identifying the Capital Financing Requirement and setting out the strategy to manage Treasury activities including the borrowing requirement and treasury investments
Affordability – understanding the impact of capital investment decisions on the Council's revenue budget and MTFP via the calculation of various prudential indicators. This section also includes approval of the Council's approach to making prudent provision for the repayment of capital investment paid for by borrowing.

154. The Section 151 Officer is required to report explicitly on the affordability and risk associated with the Capital Strategy and where appropriate have access to specialised advice to enable them to reach their conclusions. This statement is incorporated within the financial implications to this Report.

Capital Investment Programme 2019/20 to 2023/24

155. The Capital Programme is set for 2019/20 and on an indicative basis for four years thereafter. It has been profiled in accordance with technical advice relating to regulatory processes, timetables and work plans. Whilst acknowledging that some delay cannot be avoided, directorates are reminded of the importance of:

- their responsibilities to ensure that they have sufficient and capable resources to undertake options appraisals, develop and deliver capital schemes
- minimising slippage wherever possible, but where likely, notifying the Finance Section at an early stage for inclusion in budget monitoring reports to Cabinet
- ensuring costs charged to capital projects meet the definition of capital expenditure
- having contract management processes and procedures in place to ensure value for money and to ensure any contract variations are essential and approved in accordance with the Council's Constitution.

156. The proposed Capital Programme is summarised in the following table:-

Capital Programme	**2019/20* £000**	**2020/21 Indicative £000**	**2021/22 Indicative £000**	**2022/23 Indicative £000**	**2023/24 Indicative £000**	**Total £000**
Annual Sums Expenditure	28,284	25,277	25,187	18,873	14,815	112,436
Ongoing schemes	14,589	18,335	17,277	9,075	3,224	62,500
New Capital Schemes	3,269	6,220	4,310	16,590	1,060	31,449
Schemes Funded by External Grants and Contributions	36,772	42,610	88,039	50,998	3,550	221,969
Invest to Save Schemes	16,257	19,695	36,988	24,190	3,011	100,141
Total General Fund	**99,171**	**112,137**	**171,801**	**119,726**	**25,660**	**528,495**
Total Public Housing (HRA)	**47,385**	**64,510**	**79,750**	**68,750**	**54,350**	**314,745**
Total Capital Programme	**146,556**	**176,647**	**251,551**	**188,476**	**80,010**	**843,240**

** Includes slippage estimated at Month 9. The final slippage figure, which will be known at outturn, will be reflected in the Month 4 2019/20 budget monitoring report.*

157. In comparison, actual capital expenditure in 2017/18 was £138 million (£113 million General Fund, £25 million HRA). Projected capital expenditure in 2018/19 is £151 million (£111 million General Fund, £40 million HRA).

158. The five year programme is detailed in Appendix 20(a) with some of the main items of expenditure highlighted below:

Theme	Types of expenditure
Annual Sums	• Disabled adaptations to allow people to remain independent in their homes • Highway infrastructure • Property asset renewal • Neighbourhood regeneration • Parks asset renewal • Road safety; cycle and public transport network improvements
Previously Agreed / Ongoing Schemes	• Facility to support victims and those at risk of domestic abuse • Whitchurch High School accessibility for disabled pupils • Bereavement Strategy • Western Transport Interchange • 21st Century Schools Band B programme • Completion of Central Square public realm • Modernising ICT to improve business process • City Centre youth hub and Butetown pavilion • Strategic cycle routes • Council contribution to support WG grant bids for coastal erosion, transport links and a targeted regeneration investment programme • Development of a new household waste recycling centre • Council agreed contribution to CCRCD expenditure in accordance with profile approved by Regional Cabinet in January 2018
New Capital allocations including invest to save proposed in 2019/20 Budget	• Additional support for disabled adaptations grant • Roll out of glass recycling collection service • Works to structures at Millennium Walkway and Roath Park dam • Enabling works, if required to implement economic development schemes • Economic Development schemes at the Chapter Arts Centre and the former Virgin Active site • Contribution towards the cost of the Indoor Arena subject to the level of capital receipts and approved affordability envelope • Road safety and other improvements proposed from parking enforcement income • Lamby Way solar farm and contribution to District Heat Network • LED street lighting in residential areas
External Grant and Contribution assumptions	• Targeted regeneration investment programme • 21st Century schools Band B programme • Public highways refurbishment • Local Transport Fund, active travel, road safety and safe routes in communities • Coastal and flood risk management programme design • Planning gain and other contributions received towards a range of schemes
Invest to Save	• 21st Century schools Band B programme • Council leisure centre investment as part of alternative service delivery • Loan to Cardiff City Transport Services Limited • New cemetery to increase burial space in the city • Building energy efficiency schemes
Public Housing (HRA)	• Improvements to garages, gullies and open spaces • Investment in existing stock to sustain Welsh Housing Quality Standards (WHQS) • Significant increase in new affordable housing proposals including land acquisition following removal of debt cap • Disabled adaptations

New schemes approved in 2019/20

159. While there is significant pressure for investment, a medium term view has been taken with new investment proposed on the following principles:

- directorates to manage emerging priorities within existing budgets where feasible
- any new investment to be managed within the level of additional General Capital Funding grant allocated by WG between 2018/19 and 2020/21.
- taking advantage of opportunities for grant match funding or earmarked capital receipts funding to increase the level of investment
- invest to save / earn.

160. New investment proposals in 2019/20 include investment in structures to meet regulatory requirements and deteriorating condition, roll out of glass recycling service as well as enabling support for economic development initiatives. An additional allocation is provided for disabled adaptations grants in 2019/20, with future years subject to a review to be considered by Cabinet in relation to impact of expenditure in other areas as a result of investment in adaptations. The impact on demand and affordability of expenditure as a result of changes in WG and Council policy in this area will also be considered.

161. Investments approved on the basis that additional investment will pay for itself over a period of time include the roll out of LED lighting in all residential areas, contributions towards infrastructure for a District Heat Network and also expanding the proposed capacity of the solar farm at Lamby Way. It is essential that due diligence is undertaken on business cases for such projects, with sourcing of external expertise where relevant to support decision making and to understand key risks and any financial liabilities that could arise from such investment.

Major Development Projects

162. There are a number of key strategic projects the Council is considering as outlined within Capital Ambition, with due diligence being carried out and business cases being developed for Cabinet to consider during 2019/20. The key projects being considered are the development of an Indoor Arena in Cardiff Bay, Core Office Accommodation and the International Sports Village.

163. Costs are being incurred in terms of surveys, valuations, due diligence and professional advice to ensure Cabinet are informed in relation to the risks and financial implications of these proposals. This includes consideration at the Council's Investment Review Board and through other relevant governance procedures. The projects for Core Office Accommodation, ISV and heritage buildings will seek to be self financing.

164. The Indoor Arena proposal may result in a number of different delivery and funding options with varying risks associated with each of them. As

such the financial implications to the Council are not confirmed, however they may require decisions to be made by the Cabinet during 2019/20 to meet timescales of external partners and to ensure the Council can play a key part in enabling the delivery of significant regeneration and economic development project. This would assist in moving the City forward in line with Capital Ambition for the benefit of the residents, the region and Wales.

Affordability Envelope

165. Subject to the funding approach identified, the project may have no net financial impact to the Council but may require some enabling costs to be financed in the medium term or it may be beneficial for the Council itself to take a leading role in the development. This could also require increases in the Capital Programme and to the Council's borrowing requirement.

166. To manage the risks and to allow such a project to proceed, subject to approval of relevant business cases, it is proposed that an affordability envelope is set for the medium term. The revenue budget implications of the project must be maintained within parameters set out in the Council's MTFP, covering any costs of servicing enabling borrowing, the costs of delivery of the project as well as any operating costs. Where costs fall outside of this envelope they will not proceed without further recourse to Council.

167. It is proposed that Council approve an affordability envelope, so that Cabinet are able to take decisions within this envelope which will commit future year's revenue budgets and also impact on the borrowing requirement.

168. The principles of the Affordability Envelope are:

- all enabling works will ultimately be self-financing in the long-term, including provision for the repayment of any loan principal
- In the medium term, defined as seven years, an allocation would be required in the Council's revenue budget via the MTFP to fund interest costs of the enabling works

169. The Affordability Envelope will provide for a maximum revenue exposure in terms of interest costs of up to £3.562 million per annum in the medium term. To enable this the existing revenue budget identified for the Central Enterprise Zone of £1.500 million will be gradually increased from 2020/21 onwards to fund any required borrowing and associated project delivery costs for enabling developments.

170. Whilst this initiative is intended to be self financing, in the first instance the arrangement could equate to financing the interest cost of a capital outlay of a maximum of £115 million. This is the maximum the Council could be exposed to at a defined point in time, and if at any point during the enabling developments this Affordability Envelope is breached (e.g.

net outlay of more than £115 million or financing costs rise above £3.562 million in any single year) this would need to be referred to Council as being outside the Affordability Envelope.

171. In approving the arrangements for the Affordability Envelope, Council will be introducing an additional flexibility to the Budgetary Framework for 2019/20 which will be governed through the arrangements set out in this Report. The key areas of change to the Budgetary Framework, subject to remaining within the Affordability Envelope will include:

a. Increases to the Capital Programme expenditure to reflect any proposals agreed by Cabinet during 2019/20.
b. An increase in the borrowing requirement and affordable borrowing limit and associated treasury management indicators to cover expenditure commitments identified in approved business cases
c. Increases in the revenue budget requirement to be included in the MTFP in future years.

172. Subject to the need to trigger the Affordability Envelope, any impact of proposals on the Capital Programme and Treasury indicators set out in this report would be included as part of the periodic reports received by Council in respect of Treasury Management.

Funding the Programme – Capital Resources 2019/20 to 2023/24

173. There are currently no nationally imposed restrictions to the quantum of borrowing that can be undertaken to pay for capital investment. The borrowing cap introduced for the HRA in Wales is proposed to be removed, as has been done in England, and the proposed Capital Programme assumes its removal. However, it should be noted that consideration is being given by Central Government as to how perceived risks to fiscal sustainability of commercial investments undertaken by some councils can be managed. The outcome of this could result in controls and will need to be monitored closely.

174. The Council approves its own affordable borrowing limit as part of the requirement of the Local Government Act 2003 and this is set at a level consistent with the programme of capital investment proposed in this report. Resources to be used to pay for capital expenditure are summarised in the table below and detailed in Appendix 20(b).

Capital Resources	2019/20* £000	2020/21 Indicative £000	2021/22 Indicative £000	2022/23 Indicative £000	2023/24 Indicative £000	Total £000	%
WG General Capital Funding - Supported Borrowing	8,566	8,566	8,566	8,566	8,566	42,830	5.1
WG General Capital Funding - Grant	7,781	8,512	8,412	5,712	5,212	35,629	4.2
Major Repair Allowance Grant (HRA)	9,500	9,500	9,500	9,500	9,500	47,500	5.6
Additional borrowing	67,111	83,662	111,844	82,812	40,872	386,301	45.8
Earmarked Capital Receipts	4,116	5,480	1,800	16,850	2,800	31,046	3.7
Non-earmarked Capital Receipts	3,000	11,500	13,000	7,000	1,000	35,500	4.2
Revenue & Reserves	8,090	5,687	5,090	5,038	4,810	28,715	3.4
Other External Grants and Contributions	38,392	43,740	93,339	52,998	7,250	235,719	28.0
Total Resources	**146,556**	**176,647**	**251,551**	**188,476**	**80,010**	**843,240**	**100.0**

General Capital Funding

175. The Council receives a base allocation of General Capital Funding from WG to spend on Council priorities. This is assumed to be £13.778 million in 2019/20 and future years through cash grant (£5.212 million) and supported borrowing approval which forms part of the Council's borrowing requirement (£8.566 million). The allocation for 2019/20 is £147,000 higher than 2018/19 but remains circa 33% lower compared with 2010/11 and does not even meet annual sum expenditure.

176. The WG budget includes proposals for an extra £100 million of General Capital Funding to be made available for local authorities over three years. The first instalment of £50 million will be paid in the 2018/19 financial year with the remaining £30 million paid in 2019/20 and £20 million in 2020/21. This equates to an estimated £4.768 million for Cardiff in 2018/19, which will be carried forward for use in 2019/20, £2.894 million in 2019/20, and £1.907 million in 2020/21. New capital investment excluding invest to save / earn schemes is managed within this additional grant of £9.569 million, thus minimising the impact on the capital financing budget.

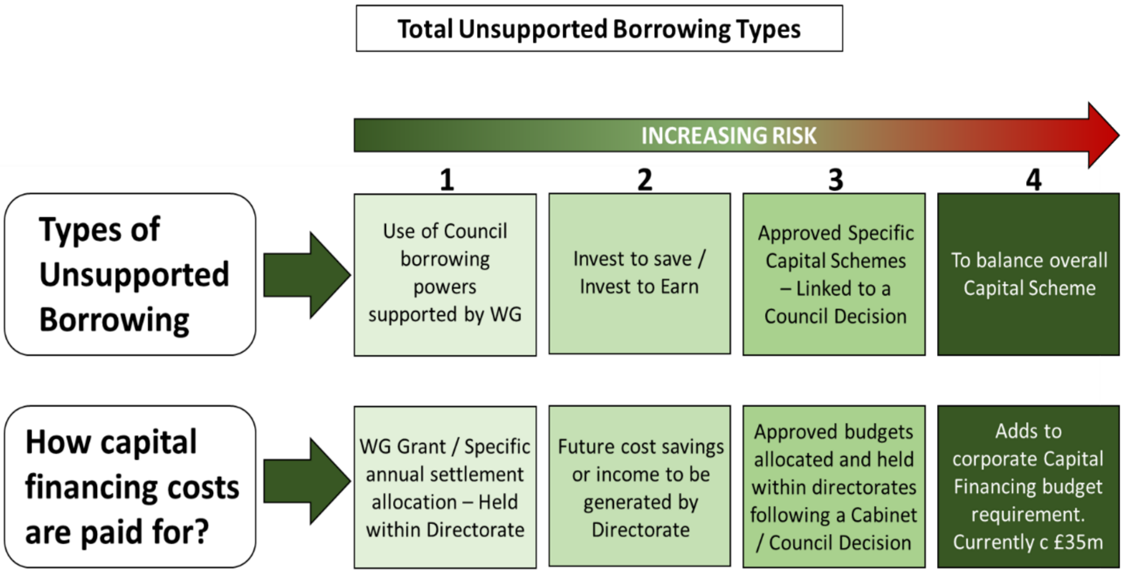
Major Repair Allowance

177. The Major Repairs Allowance grant receivable for Public Housing is estimated at £9.500 million per annum and is assumed to remain at that level consistent with WG business planning guidance issued to local authorities in December 2018. However it should be noted that a review of this grant forms part of a work stream being undertaken by WG as part of its affordable housing supply review and as such creates uncertainty for long term planning and affordability of the Council's new build programme.

Additional Borrowing

178. There are two main types of borrowing to pay for capital expenditure which form part of the Council's borrowing requirement which is managed as part of the Council's Treasury Management Strategy: -

- 'Supported Borrowing' - costs of servicing debt are included within the Revenue Support Grant (RSG) the Council receives from WG.
- 'Unsupported Borrowing' – costs of servicing debt to be met by Council tax, rent, savings, additional income or sale of assets. The types of unsupported borrowing typically undertaken by the Council and how capital financing costs are paid for are shown in the next diagram.



179. Expenditure funded by unsupported additional borrowing of £386.301 million is proposed over the five year period of the programme. This covers three main areas:-

- In order to balance the General Fund Capital Programme including expenditure commitments made in previous years amounting to £65.015 million.
- In order to pay for invest to save/earn schemes of £100.141 million modelled to pay for themselves over a set period of time, either from revenue resources expected in future years, revenue savings or income generation. Directorates responsible for such invest to save/earn schemes will need to repay amounts to service the costs of additional borrowing from existing revenue budgets irrespective of whether the level of savings or income materialise.
- In order to meet £221.145 million of public housing capital expenditure to maintain the Welsh Housing Quality Standards for existing stock and to create new Council owned affordable housing.

180. A significant element of the increase in investment to be paid for by borrowing relates to the HRA. This is only possible following the removal of the debt cap imposed by HM Treasury previously set at £316 million.

The cap was a limiting factor in allowing the Council to take steps to meet affordable housing need in the city as well as to contribute to national targets. The increase in new Council housing units is from a number of measures including, acquisitions from the open market, completion of the Cardiff Living Programme as well as major regeneration schemes proposed at Dumballs Road and Channel View.

181. As identified in the Capital Strategy robust business cases and viability assessments for new schemes are essential to ensure a long-term view of the strategic requirement for investment, affordability and risks before commitments for additional borrowing and consequential revenue budget commitments are taken into account.

Capital Receipts

182. The Capital Programme set in 2018/19 included a target of £40 million of non-earmarked capital receipts net of fees. This was a significant increase from previous years and is to be determined from a review of property assets across the Council's estate. A sum of £5.5 million is assumed receivable in 2018/19, leaving a remaining requirement of £34.5 million between 2019/20 and 2022/23. An assumption of £1 million additional receipt has been assumed in the fifth year of the programme.

183. The actual realisation and timing of capital receipts can be uncertain given the number of variable factors involved. In order to take this into account, a Capital Programme that includes assumptions on significant levels of capital receipts needs to be supported by a clear, approved strategy for the realisation and timing of such receipts. To do otherwise would be a significant risk to the Council's borrowing requirement and future revenue budget pressures.

184. The Council's approach to delivery of capital receipts is to be set out in the Corporate Land and Property Management Plan (CLPMP) to be considered by Cabinet in April 2019. The table below sets out the key areas where such receipts are proposed to be realised to meet the capital receipts target.

Source	Anticipated Receipt
Corporate Land and Property Management Plan – 2019/20-22/23	£10.5m
Schools/SOP Band B sites	£15m
Asset Review - Non-Operational Estate	£3m
Asset Review – Land	£6m
Total	**£34.5m**

185. Progress in delivering receipts will be reported periodically to the Asset Management Board and as part of the Council's budget monitoring reporting process.

186. Releasing capital receipts may also require investment in improving other assets or providing alternative facilities, which means an additional drain on realisable receipts in addition to the professional costs of disposal already allowed to be deducted towards strategic estates costs.

187. Earmarked receipts of £19.196 million have been identified to offset expenditure within the General Fund Capital Programme. This primarily relates to Economic Development initiatives including receipts currently identified and proposed to be used towards the cost of constructing an indoor arena subject to the outcome of a business case.

188. The Council's approach to utilisation of capital receipts is as follows:

- Prioritise receipts required to meet the balance of the £40 million target for General Fund Capital Receipts (net of fees), assumed in the 2018/19– 2022/23 Capital Programme.
- Receipts in excess of this target to be considered to reduce the level of debt.
- Where an asset has been funded specifically from prudential borrowing, any receipt arising from it would be utilised to reduce future repayments.
- To limit the earmarking of capital receipts only for capital expenditure essential to secure a disposal, or where approved by Cabinet as ring-fenced for specific projects or strategies.

189. Where Cabinet approve land to be appropriated between the General Fund and Housing Revenue Account, this is to be at a valuation certified by a registered valuer with the decision delegated to the Section 151 Officer.

Specific External Grants

190. The main source of external grant is from WG, which in most cases follows an application or bidding process for schemes or distributes grants based on a formula basis across Wales. The short term nature of the current process makes long term planning and delivery of strategic schemes very difficult. Where external grant funding bids are made, it is essential that these are in line with Council priorities and include consideration of any revenue budget consequences. Where grants require match funding, the Council will prioritise such support to increase the likelihood of a successful bid.

191. The level of external grants included in the programme are based on assumptions. For 2019/20 specific capital grants available at an all Wales level include:-

- Targeted regeneration investment programme
- 21st century schools and education programmes
- Public highways refurbishment
- Local transport fund, active travel, road safety and safe routes in communities

- Coastal and flood risk management programme
- Gypsy and traveller sites

192. The programme includes grants where they are either approved or approved in principle, however in many cases the level of grant is assumed. Due to uncertainty, no significant assumptions are made beyond 2019/20 and any external grant approvals received during the year are reported as part of the Council's budget monitoring process as a basis for inclusion in the Budget Framework.

External Contributions such as Planning Gain (Section 106)

193. Directorates must use contributions within relevant timescales and in accordance with the terms and conditions of the agreements. The following table summarises the balances forecast to be held by the Council at 31 March 2019 on a service basis, together with a planned profile of spend over future years, as determined by directorates. Due to the level of uncertainty, future amounts potentially receivable have not been included, but could be significant in relation to large sites. Capital Investment to be funded by contributions are only commenced when there is certainty of receipt of those contributions.

Areas of Service	**Projected Balance at 31 March 2019 £000**	**Planned Use 2019/20 £000**	**Planned Use 2020/21 £000**	**Planned Use 2021/22 and beyond £000**
Traffic & Public Transport	2,780	802	962	1,016
Parks & Sport	3,659	1,342	852	1,465
Strategic Planning & Regulatory	207	156	47	4
Education	2,694	330	90	2,274
Economic Development	449	382	67	0
Neighbourhood Regeneration	1,354	349	991	14
General Fund Total	**11,143**	**3,361**	**3,009**	**4,773**
Public Housing Total	**1,653**	**520**	**1,133**	**0**
Total	**12,796**	**3,881**	**4,142**	**4,773**

194. Some of the schemes included in the above profile for 2019/20 are:

- Traffic & Public Transport – footpath and cycle improvements, in Creigiau/St Fagans (£202,000), public transport (£140,000), highway improvements (£78,000), installation of CCTV and real time information (£44,000), telematics and transportation schemes including bus service improvements and bus boarders (£187,000) and traffic orders throughout the city (£73,000).
- Parks & Sport – Adamsdown open space (£281,000), public realm and footpath improvements in Plasnewydd (£100,000), the Roath Park corridor cycle improvements (£141,000) and play area improvements at Despenser Gardens (£127,000) and Llanishen Park (145,000).
- Strategic Planning & Regulatory – public realm improvements at Mount Stuart Square and City Road district centre regeneration scheme. Air quality monitoring in Cathays and Canton.

- Education – school condition works at Llanishen High School (£274,000) and towards an extension at Pentyrch Primary School (£55,000).
- Economic Development – a proposed new sporting facility as part of a residential scheme in Butetown
- Neighbourhood Regeneration – the refurbishment of community facilities in Butetown, Caerau, Heath and Lisvane.
- Public Housing – contribution towards Council affordable housing projects.

Managing the Borrowing Requirement

The Council's Capital Financing Requirement (CFR)

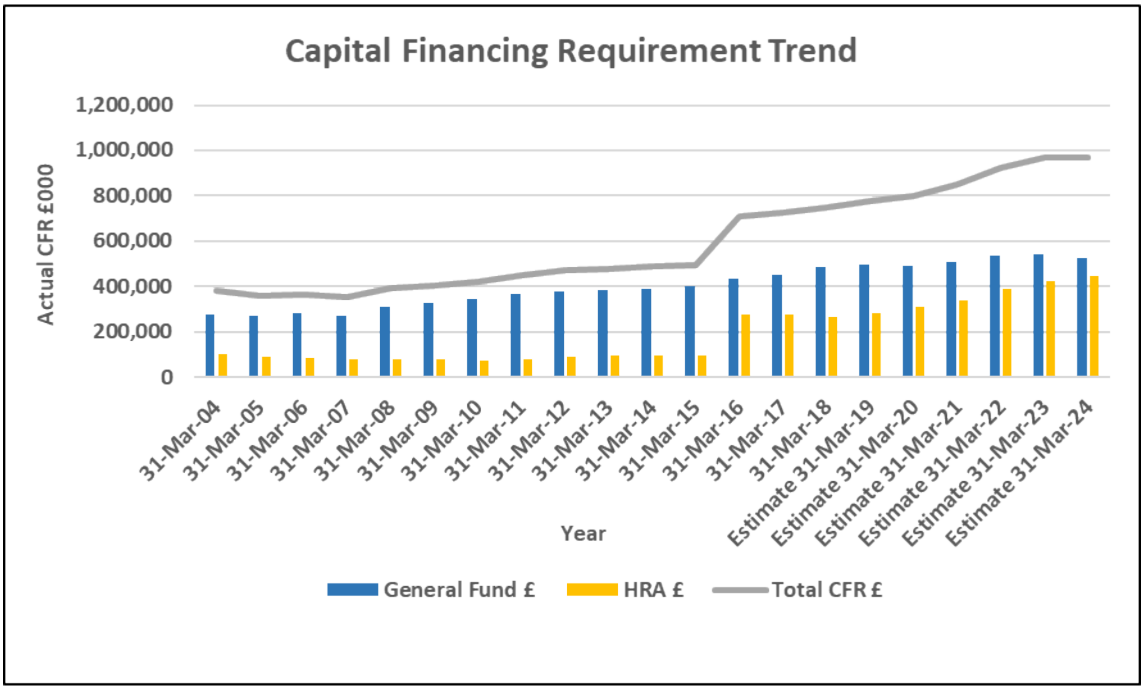
195. Where capital expenditure has been incurred without a resource to pay for it i.e. when proposed to be paid for by supported or unsupported borrowing, this will increase what is termed the Council's Capital Financing Requirement (CFR) which is the Council's underlying need to borrow. The Council is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget. This reduces the CFR. Calculation of the CFR is summarised in the table below and results in the need to borrow money.

	Opening Capital Financing Requirement (CFR)
+	Capital expenditure incurred in year
-	Grants, contributions, reserves and receipts used for capital expenditure
-	Prudent Minimum Revenue Provision & Voluntary Repayment
=	Closing Capital Financing Requirement (CFR)

196. The actual CFR as at 31 March 2018 and estimates for current and future years for the General Fund and HRA are shown in the following table:

Capital Financing Requirement as at 31 March - Indicator							
	2018 Actual £m	**2019 Estimate £m**	**2020 Estimate £m**	**2021 Estimate £m**	**2022 Estimate £m**	**2023 Estimate £m**	**2024 Estimate £m**
General Fund	484	495	492	509	538	543	524
HRA	267	281	309	342	387	426	447
Total	**751**	**776**	**801**	**851**	**925**	**969**	**971**

197. The CFR forecast is based on the Capital Programme and resources proposed to be available to fund it. It is subject to the timing of capital expenditure and capital receipts. The CFR will increase in future years if new schemes proposed to be funded by borrowing are undertaken or if the affordability envelope mentioned earlier in the report is triggered. This continues the increasing trend starting in 2004 when this measure was introduced.



198. It should be noted that the CFR includes capital expenditure commitments for the HRA. This increased significantly by £187 million in 2015/16 as a result of the one off payment made to HM Treasury to exit the HRA subsidy system. The majority of the increase proposed in future periods also relates to the HRA, with increases in expenditure proposed for new affordable housing following the removal of the debt cap imposed by HM Treasury which was previously set at £316 million. The cap was a limiting factor in allowing the Council to take steps to meet affordable housing need in the city as well as to contribute to national targets. The increase in new Council housing units is from a number of measures including, acquisitions from the open market, completion of the Cardiff Living Programme as well as major regeneration schemes proposed at Dumballs Road and Channel View.

199. The MTFPs reflected in this report, for the General Fund and HRA, include the costs of the respective borrowing requirements. The Treasury Management Strategy addresses how the Council will meet the borrowing requirement including any external borrowing.

Treasury Management Strategy 2019/20

200. The Treasury Management Strategy is included at Annex 4 and covers the following areas:

- Borrowing to finance the cash requirements arising from the Council's Capital Programme
- Treasury investments and determining how short term cash flows will be safely managed to meet the Council's financial commitments and objectives
- The approach to Non-Treasury Management Investments, were these to be undertaken.

201. The strategy is an integrated strategy for the Council including the HRA and includes:

- The current treasury position
- Economic background and prospects for interest rates
- Borrowing, including:
  - policy
  - council borrowing requirement based on its capital expenditure plans and choice between internal and external borrowing and
  - borrowing strategy
- Treasury management indicators and limits for 2019/20 to 2023/24 based on the Capital Programme proposed
- Investment policy and strategy, including security and investments approved for use
- Non-treasury investments and
- Training.

202. The Council receives reports on the approach to treasury management at the start of the financial year, a mid-year report and an outturn report.

Affordability

203. Together, historic capital investment and the proposed Capital Programme have revenue budget implications for Council Tax and rent payers. These can include:

Revenue cost	Budget impact
Operating / maintaining new assets	Directorate
Capital financing costs of servicing any borrowing required to pay for investment (Interest and the Council's approach to making prudent provision for repayment of capital investment paid for by borrowing)	Capital Financing budget for General Fund and HRA or Directorate budgets for invest to save/earn schemes
Preparing and delivering projects	Directorate
Abortive costs if schemes do not proceed	Directorate

204. These costs must be met from future revenue budgets, either from savings, revenue income or Council Tax and Housing Rents.

Approach to Prudent Repayment of Capital Expenditure – Annual Minimum Revenue Provision (MRP) Policy Statement for 2019/20

205. Where capital expenditure is paid for using borrowing, the Council has a statutory duty to charge an amount to future revenue budgets for the eventual repayment of that expenditure. This spreads the cost of capital expenditure incurred now, and historically, to future revenue budgets. Decisions in respect of the allocation of MRP have short, medium and very long term impacts across generations.

206. The amount charged to revenue must be considered to be prudent. This results in a reduction in the Council's underlying need to borrow known as the CFR. Legislation does not define what constitutes a 'prudent provision'. Instead WG has provided guidance and examples in order to interpret that term.

207. Every authority's circumstances will differ and may result in different approaches. However, it is important that the range of factors, specific to Cardiff Council's circumstances are considered in determining a long term prudent approach. The following are factors in the decision:

- What we spend our money on in terms of asset life and the period over which the benefits from that expenditure will be felt
- The appropriateness of our approach and availability of revenue resources to maintain our assets
- Consistency with the future direction of the Council's level of capital investment
- Impact on financial resilience
- The Wellbeing of Future Generations (Wales) Act 2015
- Ensuring that future generations are fairly charged for past expenditure
- WG Guidance, last revised in November 2018.

208. A statement on the Council's policy for its annual MRP is required to be submitted to Council for approval before the start of the financial year to which the provision will relate. The proposed policy is shown below. For 2019/20 it remains as considered by Audit Committee in November 2016, but it is intended that the approach will be tested and reviewed during 2019/20 in advance of the decision making process for subsequent years.

209. It is proposed that the Council's MRP Policy is as follows, with any change in the level, timing and method of provision in year delegated to the Section 151 Officer.

210. The broad aim of the 'prudent provision' is to ensure that debt arising from capital expenditure is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits to service delivery (useful life) or in the case of borrowing supported by the WG, reasonably in line with the period implicit in the determination of any grant. In that regard, the Council's Annual Minimum Revenue provision (MRP) Policy Statement for 2019/20 is set out in the following points:

- Council funded historic expenditure prior to 1 April 2004 as well as subsequent supported borrowing approved by the WG is to be provided for at 4.0% on a reducing balance basis in 2019/20. This is consistent with the support provided by WG as part of the Revenue Support Grant for Supported borrowing. This approach is deemed appropriate unless WG change the approach to providing support as part of the RSG formula or any revision to MRP Guidance either in

Wales or in England, albeit regular reviews of the position will continue.

- HRA supported borrowing, which was part of the previous housing subsidy system is to be provided for at 2% on a straight line basis.
- MRP on the significant £187 million settlement buyout payment is to be on 2% straight line basis as a minimum but with voluntary repayments to create headroom for future development.
- Additional borrowing for a general increase in investment either in the Council Fund or HRA to balance the Capital Programme in a year is to be provided for on a straight line basis over the estimated average life of the assets created.
- Any additional expenditure linked to specific schemes e.g. Invest to Save, 21st Century Schools etc. is to be provided for on a straight line basis, or over the estimated useful life of assets being created or a shorter period as determined by the Section 151 Officer or suggested periods determined by WG as is the case with LGBI.
- Revenue Provision in excess of the above requirements can be made subject to affordability and following advice of the Section 151 Officer.
- Subject to agreement of the Section 151 Officer, MRP may be waived on expenditure recoverable within a prudent period of time through capital receipts (e.g. land purchases, loan repayments) or deferred to when the benefits from investment are scheduled to begin or when confirmed external grant payments towards that expenditure are expected.
- The MRP charged against liabilities under finance leases, or contracts that have the characteristics of finance leases, shall be equal to the principal element of the lease repayment, calculated on an annual basis.

Affordability Indicators

211. The percentage of controllable budget that is committed to capital financing costs is increasing in the long term. Given the pressure on revenue budgets, this clearly limits the affordability for additional borrowing in future years and must be a factor considered by members when determining the Capital Programme.

212. The indicator below identifies the trend in the cost of capital financing (excluding the running costs of schemes). Financing costs include:

- Interest payable on borrowing and receivable on investments
- Penalties or any benefits receivable on early repayment of debt
- Prudent revenue budget provision for repayment of capital expenditure paid for by borrowing
- Reimbursement of borrowing costs from directorates in respect of Invest to Save/Earn schemes.

213. For the General Fund, the net revenue stream is the amount to be met from non-specific WG grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers. An increasing ratio indicates that a

greater proportion of the Council's budget is required for capital financing costs over the planned Capital Programme period.

Ratio of Financing Costs to Net Revenue Budget Stream							
	2017/18 Actual %	**2018/19 Estimate %**	**2019/20 Estimate %**	**2020/21 Estimate %**	**2021/22 Estimate %**	**2022/23 Estimate %**	**2023/24 Estimate %**
General Fund – Net Capital Financing Budget	5.84	5.71	5.59	5.71	6.04	5.90	5.70
General Fund – Gross Capital Financing Budget	7.47	7.60	7.50	7.82	8.40	8.52	8.41
HRA	32.63	31.07	33.14	35.72	36.75	36.26	37.44

214. It should be noted that these figures include a number of assumptions such as:-

- No new approvals of additional borrowing apart from that currently proposed over the period of the programme
- Estimated interest rates
- The level of internal borrowing and timing of external borrowing decisions and capital expenditure
- The total level of the WG revenue support etc. which can fluctuate due to transfers in or out of the settlement.

215. The figures above do not take into account any potential impact as a result of investment undertaken via the Affordability Envelope.

216. These variables have long-term implications and are extremely uncertain. Whilst the indicator above is required by the Prudential Code, it has a number of limitations:

- it does not take into account the fact that some of the Council's revenue budget cannot be directly influenced such as schools delegated budgets, Fire Levy and CTRS payments
- it is impacted by transfers in and out of the Settlement
- it includes investment income which is highly unpredictable, particularly in future years.

217. Although there may be short term implications, Invest to Save/Earn schemes are intended to be net neutral on the capital financing budget. However, there are risks that the level of income, savings or capital receipts anticipated from such schemes will be delayed or not materialise and would have a detrimental long term consequence on the revenue budget. This requires careful monitoring when considering future levels of additional borrowing.

218. Accordingly an additional local indicator is calculated for the General Fund to support decision making and is shown in the table below for the period up to 2023/24. These local indicators show the ratio of capital

financing costs of the Council expressed as a percentage of its controllable budget, excluding treasury investment income:

Capital Financing Costs expressed as percentage of Controllable Budget								
	2011/12 Actual %	**2018/19 Estimate %**	**2019/20 Estimate %**	**2020/21 Estimate %**	**2021/22 Estimate %**	**2022/23 Estimate %**	**2023/24 Estimate %**	**Difference 11/12-23/24 %**
Net	13.47	13.72	13.75	14.59	15.95	15.90	15.56	15.52
Gross	15.17	18.18	18.38	19.88	22.08	22.83	22.81	50.36

219. In accordance with the principles of Invest to Save/Earn, the net ratio assumes that any costs of undertaking additional investment are recovered over time from directorate budgets, capital receipts or other budgets. The gross ratio indicates the gross capital financing cost i.e. it represents a worst case scenario.

220. An increasing percentage indicates that a greater proportion of the controllable budget is required for capital financing costs, which are committed in the long term. The requirement to meet these additional costs can only come from future savings or from increases in Council Tax. This clearly limits the scope for additional borrowing in future years and reduces the Council's overall flexibility when making decisions on the allocation of its revenue resources. The percentages take into account the impact on the Controllable Base Budget of the significant level of savings having to be found in 2019/20 and over the medium term.

Budgetary Framework

221. Under the Budget and Policy Framework Procedure Rules the Council is able to specify the extent of virement within the budget and the degree of in-year changes. The Council's Financial Procedure Rules also allow virements within directorate budgets as set out in the following table.

Virement levels	Revenue	Capital
Relevant Assistant Director in consultation with the Section 151 Officer	Up to £50,000	Up to £100,000
Relevant Director in consultation with the Section 151 Officer	£50,001 - £250,000	£100,001 - £250,000
Cabinet	Over £250,000	Over £250,000

222. It is proposed to continue the current policy whereby the Cabinet has the authority to vire amounts between directorates of up to £500,000 and, subject to the Section 151 Officer raising no objection, to use reserves and to commit expenditure in future years up to a total in the year of £1.5 million.

223. In addition to the virements shown above, the Section 151 Officer will also undertake all necessary technical adjustments to the budgets and accounts during the year and reflect any changes to the accounting structure as a result of management and organisational changes within the Council.

224. As set out in the Council's Constitution, the Section 151 Officer will also undertake all necessary financial and accounting adjustments required in order to prepare the Council's Statements of Accounts in accordance with Code of Practice on Local Authority Accounting produced by CIPFA.

Reason for Recommendations

225. To enable Cabinet to recommend to Council approval of:

- the Revenue and Capital budget and to set the Council Tax for 2019/20
- the budget for the Housing Revenue Account
- the Capital Strategy
- the Treasury Management Strategy
- the Prudential Code for Borrowing indicators for 2019/20-2021/22
- the Capital Programme for 2019/20 and the indicative programme to 2023/24, delegating to the Section 151 Officer authority to bring forward or delay schemes within the programme to match resources where necessary
- The Minimum Revenue Provision Policy for 2019/20
- The Affordability Envelope to enable progression of the Indoor Arena subject to approval of the business case and financial exposure limits within the approved Envelope.

226. To enable Cabinet to:

- approve the level of fees and charges for Council goods and services for 2019/20
- approve the level of rent and charges for 2019/20 in respect of Council Houses, garages and other service charges
- note the work undertaken to raise awareness of and ensure the financial resilience of the Council
- note the financial challenges facing the Council as set out in the Medium Term Financial Plan
- note the opportunities for savings over the medium term and that officers will continue to develop them to inform the Budget Strategy Report in July 2019.

HR Implications

227. The Final Settlement, although on first glance better than anticipated in the Budget Strategy Report, has left significant challenges in the overall budgetary position. The final proposals are based on the outcome of the consultation exercise and the priorities set out in the Corporate Plan to be approved in February 2019. The budgetary position as outlined in this

report represents a necessary response to the identified budget shortfall. Appendix 9 shows that there will be a net decrease of 54.86 FTE Council posts overall made up of the deletion of 123.40 FTEs including the deletion of 48.32 FTE vacant posts 38.95 PTE where voluntary redundancy applications have been approved, and 34.80 FTE posts to be determined. This has been offset, somewhat, by the creation of 68.54 FTEs. The reduction in posts reflects those deleted through a combination of vacant posts, redeployment and voluntary redundancy.

228. Whilst the numbers of staff impacted by this budget proposal may not be as significant as in previous years, the Council retains a range of mechanisms designed to support the people implications of the Council's budget proposals. Through the continued use of such mechanisms, the Council will consistently work hard to reduce the number of compulsory redundancies wherever possible. In addition to redeployment, other mechanisms include use of flexible working policies plus access to skills support through the Cardiff Academy. Access to skills training through the Academy will continue to support staff in either refreshing their existing skills or developing new skills in order to enhance their opportunities to find another role in the Council or externally.

229. The Trade Unions and employees have been consulted throughout the budget planning process and their comments have been considered. As part of the Council’s commitment to partnership working, the Trade Unions and employees will continue to be consulted in all the proposals which impact on staff.

Legal Implications

230. The body of the Budget Report sets out certain legal duties and constraints in relation to setting a balanced budget and Council Tax. They form part of the legal implications to which the decision maker must address its mind notwithstanding that they are not repeated in this section of the Report.

Budget duties

231. The Local Government Finance Act 1992, as amended, (‘LGFA 1992’) requires the Council to set a balanced budget, including the level of the Council Tax. This means the income from all sources must meet the proposed expenditure. Best estimates must be employed to identify all anticipated expenditure and resources. The approval of the Council’s budget and Council Tax, and the adoption of a final strategy for the control of the Council’s borrowing or capital expenditure are matters reserved, by law, to full Council. However, the Cabinet has responsibility for preparing, revising and submitting to Council estimates of the various amounts which must be aggregated in making the calculations required in order to set the budget and the Council Tax; and may make recommendations on the borrowing and capital expenditure strategy.(Pursuant to the Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007)).

232. Local authorities must decide every year how much income they are going to raise from Council Tax. This decision must be based on a budget that sets out estimates of what the Council plans to spend on services. As the Council Tax must be set at the start of the financial year and cannot be increased during the year, consideration must be given to risks and uncertainties and allowances made in funds for contingencies and reserves. The budget and the Council Tax must be set by 11th March in the preceding financial year. A failure to comply with the time limit may leave the Council open to challenge by way of judicial review. When the Council is considering its budget, it must have regard to the Section 151 Officer's report on the robustness of the estimates and the adequacy of the reserves in the budget proposals (section 25 of the Local Government Act 2003). This ensures that Members make their decision on the basis of authoritative advice. Members should provide clear reasons if they disagree with the professional advice of the Section 151 Officer. Members should note that, after the Council has approved its budget and Council Tax, it is possible for the Council to make substitute calculations during the year (although the basic amount of Council Tax cannot be increased), subject to certain provisos (s.37 LGFA 1992). The Local Government Act 2003 establishes a system to regulate the capital expenditure and borrowing of the Council. The heart of the prudential borrowing system is the duty imposed upon authorities to determine and keep under review how much money they can afford to borrow. The Local Authorities (Capital Financing and Accounting) (Wales) Regulations 2003 (as amended) specify the prudential code for capital finance to which local authorities in Wales must have regard in setting and reviewing their affordable borrowing limits (sections 3 and 5 of the 2003 Act).

233. The Local Government & Housing Act 1989 Part VI sets a statutory regime for housing finance. The Council has a general duty to review the rents of its houses from time to time and in fixing rents the Council must have regard, in particular, to the principle that the rents of dwellings of any class or description should bear broadly the same proportion to private sector market rents as the rents of dwellings of any other class or description. The review of the rents is a Cabinet function, and is undertaken with regard to the provisions of legislation, which governs housing finance and housing subsidy. Rents for council houses are a credit to the HRA and outgoings a debit. The Council is under a duty to prevent a debit balance on the HRA which is ring- fenced. There are restrictions in the way in which the account can be operated and the proposals in this report must comply with these accounting requirements to ensure that the rent should be set so as to ensure that the Council is able to comply with its duty to prevent a debit balance arising on the HRA.

Equality Duty

234. The Council has to satisfy its public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties) – the Public Sector Equality Duties (PSED). These duties require the Council to have due regard to the need to (1) eliminate unlawful discrimination, (2) advance

equality of opportunity and (3) foster good relations on the basis of 'protected characteristics'. The 'Protected characteristics' are:

- Age
- Gender reassignment
- Sex
- Race – including ethnic or national origin, colour or nationality
- Disability
- Pregnancy and maternity
- Marriage and civil partnership
- Sexual orientation
- Religion or belief – including lack of belief .

235. As noted in the report, consideration has been given to the requirements to carry out Equality Impact Assessments in relation to the various saving proposals and EIAs have been carried out in respect of certain of the saving proposals, so that the decision maker may understand the potential impacts of the proposals in terms of equality. This assists the decision maker to ensure that it is making proportionate and rational decisions having due regard to the public sector equality duty. Where a decision is likely to result in a detrimental impact on any group sharing a Protected Characteristic, consideration must be given to possible ways to mitigate the harm. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of the legitimate public need to pursue the service remodelling to deliver savings. The decision maker must be satisfied that having regard to all the relevant circumstances and the PSED, the proposals can be justified, and that all reasonable efforts have been made to mitigate the harm. It is noted that Equality Impact Assessments (which include consideration of views and information obtained through consultation) are available on the Council's website and as background papers to this report. The decision maker must consider and have due regard to the Equality Impact Assessments prior to making the decisions recommended in the report.

The Well-Being of Future Generations (Wales) Act 2015

236. ('The Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible. In discharging its duties under the Act, the Council has set and published well being objectives designed to maximise its contribution to achieving the national well being goals. The well being objectives are set out in Cardiff's Corporate Plan. When exercising its functions, the Council is required to take all reasonable steps to meet its well being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.

237. The well being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are

met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrated approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

238. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below:
https://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en

Employee and Trade Union Consultation

239. The report recognises that notwithstanding efforts to reduce impacts on staff resulting from the level of funding cuts imposed, there will be some staff reductions during the financial year 2019/20. Legal Services are instructed that: (I) engagement has been ongoing between Directors and Trade Unions to discuss budget saving implications and (ii) the Council has formally consulted with Trade Unions about the 2019/20 budget proposals and the likely impact on staff, particularly where posts are at risk of redundancy. Under the general law relating to unfair dismissal all proposals to make redundancies must involve reasonable consultation with the affected employees and their trade unions. In relation to any potential redundancies it is important that all required statutory notices are served. Due to the fact that the potential number of redundancies could exceed 20 posts Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 requires consultation to be undertaken with the Unions to include ways of avoiding the dismissals, of reducing numbers of employees being dismissed and or mitigating the consequences of dismissals. To this end Legal Services are instructed that consideration is being given to redeployment opportunities, VR and that consultations are ongoing. It is noted that the budget proposals also provide for the creation of posts.

Charging

240. Each proposal to make or increase charges must comply with the statutory framework (including primary and secondary legislation and any statutory guidance issued) relating to the activity in respect of which charges are being levied, including any limitations on levels of charges. Where reliance is placed on the power to charge for discretionary services (Section 93 of the Local Government Act 2003), any charges must be set so that when the charges are taken as a whole no surpluses

are made (i.e. the power is limited to cost recovery). Where activities are being undertaken for which charges are being made with the intention of producing surplus income, it is necessary to consider whether that activity is material and would amount to “commercial trading”. For commercial trading, the Council must develop a business case and establish an arms’ length company to undertake that activity (in accordance with the general trading power under Section 95 Local Government Act 2003), or identify another statutory power for a particular trading activity.

Civil enforcement

241. The body of the report notes that, the income generated from car parking fees, residents’ permits, penalty charge notices and moving traffic offences (MTOs) will be used to fund the associated operational costs including the cost of the enforcement service. Further , that any surplus or deficit will be transferred to the Parking and Enforcement Reserve and can only be used for specific purposes … in accordance with Section 55 of the Road Traffic Regulations Act 1984 (‘1984 Act ’) . The report anticipates a significant surplus. It is apparent from the statutory provision that there is no requirement of revenue neutrality. Further case law provides that budgeting for a surplus is not in itself evidence of an improper purpose. That said, it is important to note that in making orders under the Road Traffic Regulation Act 1984 (as regards parking and other matters), the 1984 Act is not a fiscal measure and does not authorise a local authority to use its powers to charge purely in order to raise surplus revenue for other transport purposes. The approach to car parking fees, residents’ permits, penalty charge notices and moving traffic offences must be based on legitimate considerations that can be taken into account in accordance with the provision of the relevant legislation.

Consultation

242. Duties to consult certain stakeholders in respect of proposals may arise from a number of different sources. Members will note that the Council has engaged in consultations as part of the budget process as set out earlier in the report under the heading “Consultation and Engagement”. In considering this matter, Members must genuinely and conscientiously consider the feedback from each consultation and have proper regard to it when making any decision in relation to the subject matter of that consultation. Members should carefully consider the results of the consultation as set out in the Appendices to the report.

General

243. All decisions taken by or on behalf of the Council must:

- Be within the legal powers of the Council and of the body or person exercising powers on behalf of the Council.
- Comply with any procedural requirement imposed by law.

- Be undertaken in accordance with procedural requirements imposed by the Council e.g. procedure rules.
- Be fully and properly informed.
- Be properly motivated (i.e. for an appropriate, good and relevant reason).
- Be taken having regard to the Council's fiduciary duty to its tax payers as elected members are trustees of the public interest and of its statutory purposes for which public powers are conferred on them. This general duty requires the Council to act prudently and in good faith in the interests of those to whom the duty is owed.
- Otherwise be reasonable and proper in all the circumstances Financial

Financial Implications

244. These financial implications are written as a summary of the significant budgetary and related financial matters facing the Council although it is also important that the details throughout the report, annexes and appendices are considered and understood. These details set out the financial context and risks to the resilience of the Council in 2019/20 and into the medium term. Given the materiality of the current and forthcoming financial challenges, an extract from the 1995/96 Budget Report is interesting to repeat twenty-three years on.

"The introductory remarks to my budget report for the current year concern:

- *Increasing demands for Council services.*
- *Severe restrictions on public spending imposed by Central Government.*
- *Education and Social Services experiencing additional pressures from demographic changes.*
- *Maintenance of County Council buildings at a dangerously low level"*
Keith Bray, Director of Financial Services, South Glamorgan County Council.

245. The financial outlook over the medium term remains a concern and the Medium Term Financial plan details these challenges in respect of ongoing austerity, increasing financial pressures and the difficulty of setting and realising year on year budget savings.

246. The budget for 2019/20 has once again been compiled against the backdrop of continued financial constraint.

247. The details included in the Final Local Government Revenue Settlement announced in December 2018 confirmed that for 2019/20, Cardiff will receive an increase in its funding of 0.9% when compared with 2018/19. On a like for like basis this would usually generate around £3.9 million additional cash for Cardiff compared to the previous year. However, due to a technical adjustment within the funding formula in respect of the Council Tax base, Cardiff will only receive £2.2 million additional grant funding in 2019/20 inclusive of an additional responsibility, amounting to £637,000.

248. The Cabinet in its budget strategy and subsequent budget proposal has been conscious of the impact its proposal may have on the citizens and communities of Cardiff. For 2019/20, budget consultation has been carried out in two stages. A number of budget themed questions were included in the Ask Cardiff Survey during the Summer while a more detailed budget consultation took place during November to early January. Responses to these consultations as well as from other stakeholders have been reflected on by Cabinet and senior officers as part of their final deliberations. The Cabinet's budget proposal has, therefore, considered the issues raised having regard to the WG Settlement, the requirements of the Wellbeing of Future Generations (Wales) Act and in conjunction with the priorities in Capital Ambition as reflected in the draft Corporate Plan.

249. The budget proposals set out in this report will again result in significant operational and financial challenges as evidenced by the risk assessment and planning exercises. The progress with these challenges will be monitored through directorate plans, performance and financial monitoring reports and the Corporate Risk Register when reported to Cabinet, Scrutiny Committees, Audit Committee and the Senior Management Team.

250. Particular financial challenges for 2019/20 and the medium term have been identified and together with mitigations have been set out in Appendix 14(b). The most significant of these include:

- The challenging financial position in respect of reducing WG resources and increasing pressures against a reducing controllable base budget.
- The level of additional borrowing and its impact on capital financing in future years.
- The potential financial impact on both capital and revenue of major projects and development initiatives that arise during the year.
- Uncertainty over rent levels to determine affordability of investment in new affordable housing.
- Need for a robust approach to develop effective business cases to ensure members can make informed decisions.
- Inflation and construction price risk on cost of significant planned projects.
- The risk of WG levying fines if the Council fails to meet recycling or landfill diversion rates.
- The significant amount of cashable savings that are predicated on preventative strategies and the difficulty of tracking their impact in terms of robust financial monitoring.
- The impact of Universal Credit on the ability of individuals to continue to contribute to the cost of services and to meet rent liabilities, resulting in increased bad debt provisions and cost of recovery.

251. In formulating their budget proposal, the Cabinet must come to a balanced position between the need to provide for services and the financial impact of the cost of those service needs on Council Tax

payers. In coming to this judgement and as a result of the WG's financial settlements, the Council's budget now stands at £623.589 million, an increase of £14.70 million over 2018/19 after transfers and new responsibilities from WG.

252. It should be noted that although the Council received a better than assumed WG Settlement, the budget for 2019/20 contains a significant element of risk and complex savings proposals which will need to be relentlessly driven if they are all to be achieved as proposed. In summary the revenue budget proposal includes:

- Savings of £19.157 million in respect of directorate and council-wide proposals
- Continued inclusion of the General Contingency of £3.0 million to mitigate the achievability risks associated with the level of savings to be delivered
- Continuation of the specific contingency but increased to £2.0 million to protect against additional external placement costs in Children's Services
- Reinstatement of budget savings amounting to £53,000 outstanding from 2018/19 where, following review they are no longer achievable
- Directorate financial pressures amounting to £4.795 million
- The use of £2.75 million from earmarked reserves to support the budget based on a review of the Council's Balance Sheet
- Continuation of the Financial Resilience Mechanism that was introduced in 2016/17 to reduce future risk, improve resilience, manage the impact of grant reductions and allow one-off investment and development in priority areas but at a reduced level of £3.80 million
- Inclusion of the full liability for the Teachers' Pension increase at the expense of resource allocation for other purposes.
- Estimated net reduction of 54.86 FTE posts made up of the deletion of 123.40 FTE posts partially offset by an increase of 68.54 FTE posts
- Increase in the Schools Budget of £10.421 million including both demographic and 70% of non-demographic growth
- A Council Tax increase of 4.9% resulting in a Band D charge of £1,211.07.

253. Within the budget proposals are a number of initiatives that require option appraisal, complex procurement arrangements or significant levels of partnership working. These elements of work will need to be completed within strict timescales in order that the budgeted level of savings can be achieved. A number of the budget proposals require continued development of a commercial approach that will enable the Council to respond speedily to market changes and financial opportunities albeit with an appropriate risk appetite position. The Investment Review Board will continue to be the forum to test these initiatives before they progress through to the appropriate governance route. In addition, it will be important that the Council retains sufficient support and project management capacity to ensure change is delivered in accordance with the requirements of the Capital Ambition Programme.

254. The continuing financial challenges facing the Council are such that the financial resilience snapshots introduced in 2015/16 now form part of the regular awareness raising of members to the Council's overall financial position. The position in respect of risks and reserves will require careful monitoring throughout the financial year, particularly in light of the achievability of savings and the future financial interventions that may be required. In order to protect the Council's overall financial resilience it is increasingly important to consider any windfall income received in this context, before any use is agreed for other matters.

255. The Council's position in respect of its reserves has been assessed as part of budget preparation. The resultant judgement is that the projected level of both general and earmarked reserves up until 31 March 2020 is adequate after allowing for the planned use when considering the 2019/20 budget. The expected balance on earmarked reserves as at 31 March 2020 is £29.3 million with the Council's General Reserve currently standing at £14.255 million. However, the capacity for earmarked reserves to continue to contribute to the budget at similar levels to 2019/20 in the medium term is uncertain and the assumptions going forward will need to continue to be tested.

256. The level of School Balances requires close attention as these also impact on the Council's overall level of financial resilience albeit that they are not directly controlled by the Council but by School Governing Bodies. The total position as at 31 March 2018 was a net surplus of £6.0 million although within this was a cumulative deficit relating to the Schools' Mutual Supply Fund amounting to £1.3 million which served to reduce the figure. Conversely the figure also includes the impact of a late notification and receipt of a WG grant for school maintenance amounting to £1.4 million.

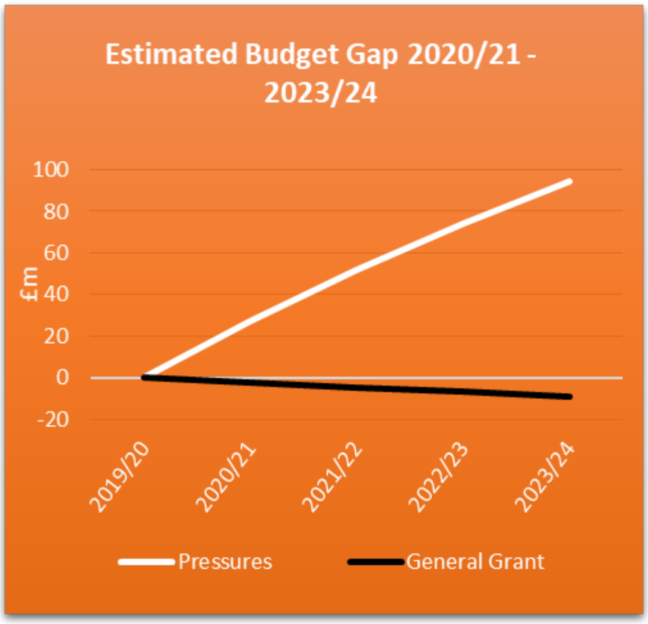
257. The total balance included both surplus and deficit balances in respect of individual schools, with total deficits amounting to £1.6 million. Nine schools held deficit balances with the most significant relating to Cantonian High School (£869,000) where a ten-year repayment plan has been agreed with the school. Council officers will continue to support schools to ensure that spending plans are in line with their budgets and deficits are avoided or reduced. As part of the funding for the 21st Century Schools Band B Programme will be implemented through further restrictions to the amount of the growth awarded to schools, it will be important for individual schools to examine their spending to take advantage of efficiency savings, collaborations and new ways of working wherever possible.

258. The Council has a statutory duty to ensure that the HRA achieves a balanced budget and this has been evidenced as part of this Budget Report. The average weekly increase in housing rents of £2.42 (excluding service charges) is within the WG's rent policy for 2019/20.

259. The position in respect of the ongoing work with HMRC in relation to purportedly under-declared landfill tax has been considered as part of the

2019/20 budget preparation. It is still not clear as to whether or not there is an actual tax liability for the Council or what the quantum of such a liability might be. Therefore, the setting aside of windfall income to reduce the impact of any interest payments, should such an actual liability arise, is deemed appropriate at this stage. The position will be kept under review and a further update included in both the Council's Out-turn Report and the 2018/19 Statement of Accounts.

260. The Council's MTFP for the period 2019/20 – 2023/24 is contained in Annex 2 of the Report and uses the best available information to assess the financial gap facing the Council over the next four years. It is clear that anticipated resources will not cover emerging pressures and the resulting funding gap will need to be addressed through a combination of directorate budget reductions, judicious use of reserves and increases in the rate of Council Tax. Although the Council has made over £218.0 million savings over the past decade, the base budget has not decreased by this amount. This is because the most significant reason for the Council to need to make savings is due to escalating demand and service pressures as illustrated by the following diagram.



261. The next table demonstrates the funding gaps forecast to 2023/24 using sensitivity analysis to demonstrate a further adverse position. The table shows a base case scenario of the budget gap to be £104.9 million over the next four years and while detailed proposals to meet the gap are yet to be determined, it is clear that the focus will need to be on:

- Capturing the full financial benefit of the significant amount of early intervention and preventative work taking place across the Council.
- Continuing to drive out efficiencies, including new baseline efficiency targets for all services and including schools delegated budgets.
- Identifying further opportunities to work across directorates and in partnership with other organisations.

- Targeting productivity savings to ensure that optimum value for money is achieved within scarce resources, including making best use of digital technology.
- Maximising income streams and exploration of the potential for new income streams, particularly where services are not universal.

Medium Term Financial Plan	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Base Case	30,132	27,428	24,309	23,041	**104,910**
Worse Case	39,432	36,728	33,609	32,341	**142,110**

262. In developing detailed savings proposals for the medium term, there will be a need to work across directorate boundaries to review all elements of expenditure that the Council is able to influence. Further work on developing a fully defined set of proposals for these years and for 2020/21 in particular, will take place over the Spring in order to inform the Budget Strategy Report in July 2019.

263. Following the significant cuts that the Council has made in the recent past, either of the above scenarios reaffirms the position originally expressed in the 2015/16 Budget Report that radical changes are required in order for the Council to remain operational and resilient. Since then the Council has responded to the challenge and some significant changes to service delivery have been implemented. However, the Capital Ambition Delivery Team will need to continue to play a key role in understanding these challenges and supporting the Council in realigning the organisation to a lower financially sustainable base. Internal capacity may need to be enhanced through working with specialist partners to ensure success is achieved as quickly as required.

264. Notwithstanding the importance of the four year time horizon for medium term planning, councils also need to consider likely impacts beyond that timeframe. This is because the cumulative impact of decisions taken now can have a significant impact on the Council's budget in later years and it may be that current policies are considered unaffordable when viewed in hindsight over an extended time period. Partially in response to this dilemma and in order to focus councils on how disparate decisions may have an impact on long term financial viability, the CIPFA Prudential Code for Capital Finance in Local Authorities has been updated.

265. The Capital Strategy is an integral part of the Council's Strategic and Financial Planning Framework. The CIPFA Prudential Code and CIPFA Treasury Management Code require that the Council determine a suite of indicators highlighting the longer term impact of capital investment decisions on the revenue budget, affordability, prudence and sustainability. These indicators have been highlighted throughout the Report and Annexes and so are not repeated here but are important in providing assurance to Members when agreeing the Budget Report.

266. It is important that the Council considers the requirements of the Wellbeing and Future Generations Act in developing the Capital Strategy and affordability. The Council's prudent approach to debt is an important factor in this and will need to be continuously reviewed to ensure it is consistent with the strategy and capital expenditure commitments being entered into.

267. The Capital Strategy itself sets out the approach to various factors, some of which will be developed further in future years. These include the Council's approach to:

- Working with partners to enable development
- Asset Management Planning
- Risk appetite
- Governance and decision making

268. Whilst approving the Capital Programme for the period up until 2023/24, Cabinet should be aware that the later years' position will need to be subject to an ongoing review of the Council's financial standing, resilience and risks outlined in this budget report.

269. The schemes included in the Capital Programme have been profiled in accordance with technical advice relating to regulatory processes, timetables, expectation of grants, capital receipts and workflow priorities. In previous years the Council has experienced significant slippage of capital schemes which has prompted adverse comments from the Wales Audit Office and the Audit Committee. Consequently, capital scheme sponsors have again been reminded of the importance of robust profiling in order that capital plans are achieved as expected. In addition progress on capital projects is considered by the Asset Management Board on a regular basis. Nevertheless, with such an extensive programme there is a residual risk that expenditure will slip between years and so any resultant impact on the Programme will be addressed through the monitoring in 2019/20.

270. Accordingly, robust business cases and due diligence on proposals is important and members should receive and consider these carefully when approving projects that create financial liabilities over a long period of time. This should include securing external advice so that Members fully understand the risks inherent in that capital expenditure whether it is being undertaken directly by the Council or via other delivery structures that may be proposed. Investment Review Board has been valuable in supporting the review of business to ensure informed decision making in providing financial implications in reports for members to consider.

271. The percentage of controllable budget that is committed to capital financing costs in the long term is increasing. Given the extreme pressure on the revenue budgets this clearly limits the affordability for additional borrowing in future years and must be a factor considered by members when determining the Capital Programme and approving additional capital expenditure.

272. Resources to finance the General Fund Capital Programme between 2019/20 and 2023/24 include a non-earmarked capital receipt target of £35.5 million as part of the target of £40 million which was set in the February 2018 Budget Report. Work on the development of a Disposal Strategy is ongoing with a detailed approach to delivery of this target being considered by Cabinet early in 2019/20. Following that report regular monitoring of progress will be undertaken and reported as part of Asset Management Plan updates to Cabinet and the Asset Management Board.

273. Additional borrowing of £165.2 million in relation to the General Fund Capital Programme is also required to resource the programme, most of which is in respect of the Council's contribution to the 21st Century Schools Band B Programme.

274. There are a number of key strategic capital projects that the Council is considering as outlined within Capital Ambition, with due diligence being carried out and business cases being developed for Cabinet to consider during 2019/20. These key projects include the development of an Indoor Arena in Cardiff Bay, Core Office Accommodation and the International Sports Village. The projects for Core Office Accommodation, the ISV and the Heritage Buildings will seek to be self financing.

275. The Indoor Arena may result in a number of different delivery and funding options with varying risks associated with each them. As such the financial implications for the Council are not confirmed although they may require decisions to be made by the Cabinet during 2019/20. To manage the risks of this project and to allow it to proceed, subject to approval of relevant business cases, it is proposed that an Affordability Envelope, outside of the approved Capital Programme, is set for the medium term. The revenue implications of this project must also be contained within the defined parameters set out in the MTFP. Where costs breach the Envelope the project will not be able to proceed without further recourse to Council. The principles of the Affordability Envelope are that:

- all enabling works will ultimately be self-financing in the long-term including provision for the repayment of any loan principal
- in the medium term, defined in this case as seven years, an allocation would be required in the Council's revenue budget via the MTFP to fund interest costs of the enabling works

276. Notwithstanding the implications of the Affordability Envelope as above, particular attention needs to be given to the medium and long term impact of additional borrowing on the Council's Revenue Budget as it is clear that continuing to increase levels of borrowing without specific income streams to support it, is not consistent with the significant levels of savings required to be found. Even where there are specific income streams to support capital financing charges, this still increases the inherent financial risk to the Council and must be kept under review. Accordingly, local affordability indicators are maintained to track the

impact of decisions in the medium term although this is also impacted by the levels of RSG received. It should be noted that whilst approving the Capital Programme for the period up to 2023/24, members need to be aware that the later years of the Programme will be subject to an ongoing review of the Council's financial resilience.

277. The removal of the borrowing cap for the Housing Revenue Account represents an opportunity to increase the level of investment in new build. As the HRA business plan proposed to be approved by Cabinet will show, this is extremely sensitive to changes in rent policy and the same considerations of risk assessment, viability and controls must apply to approval of new build schemes as part of a robust governance framework.

278. The HRA Capital Programme for the period 2019/20–2023/24 is predicated on the removal of the HRA borrowing cap in Wales as has been the case in England. It also facilitates the Capital Ambition objective to build at least 1000 new council houses by 2022 with a further 1000 by 2026/27. Consequently, the capital investment programme for this period stands at £314.7 million of which £221.1 million will be funded from additional borrowing by the Council.

279. Whilst the Council has an Investment Property Strategy, the focus of this remains on making better use of existing assets and investing from the disposal proceeds of those assets. The Council has not had a strategy of investing primarily to make a financial return. Whilst this is not ruled out, this should only be done after consideration of proportionality of such income and risks to the Council following consideration of a business case with any such scheme included as part of the Council's approved Capital Programme.

280. The SOP Financial Model brings together the projected capital expenditure and funding over the life of the WG's 21st Century Schools Band A Programme, ancilliary Council projects and the expected 21st Century Schools Band B Programme. These programmes represent long-term significant financial exposure for the Council and therefore risks to delivery and funding are continually monitored. A detailed amount of work is still ongoing in respect of the 21st Century Schools Band B Programme with continued uncertainty around the most economically advantageous funding approach for the Council to take.

281. A further challenge for the SOP Financial Model is the cash flow impact of the timing of both capital and revenue expenditure and income and these are reflected through the earmarked reserve set out in Appendix 17. Previously and in order to protect the resilience of the reserve, a reserve balance of no less than £1.5 million was considered appropriate. In considering the current and future expected movements on the reserve this level has been reviewed and whilst still desirable it is proposed that a minimum balance of £0.5 million should be introduced and monitored by the SOP Programme Board.

282. In the current extensive period of significant budget reductions and consequential loss of employee resources in many parts of the organisation, financial control continues to be of fundamental importance. It is vital that responsible officers take ownership of their budgets and that expenditure remains within approved levels. Compliance with financial rules and governance requirements is expected and this will continue to be monitored and reported on regularly as part of the Council's performance management arrangements.

283. The UK leaving the European Union is a major factor of uncertainty in medium to longer term financial planning. The impact on the economy as a whole, as it is for the Council on a local and regional basis, is unknown with negotiations and Parliamentary approval processes still ongoing at the time of writing this report. The Chancellor of the Exchequer is expected to undertake a full Spending Review in 2019 which will set the tone for Government spending post Brexit. The Council continues to consider the potential implications and any necessary actions, however at this stage it has not been deemed appropriate to allocate additional resources to the issue as part of the 2019/20 budget.

284. In concluding the financial implications of this Budget Report and in recognition of the continuing financial challenges facing the Council, as Section 151 Officer I would bring the following statement to members' attention.

"In the financial implications of the 2015/16 Budget Report I referred to the materiality of the service choices ahead of the Council and that those difficult choices were facing all Councils. The 2016/17 Budget Strategy responded to this challenge through development of the reshaping of the Base Budget approach to determining targets for directorates over the medium term. It is positive that during the period since then some significant decisions in respect of service changes have been taken and the changes implemented.

However, the financial impact of the iteration of the Medium Term Financial Plan to 2023/24 re-emphasises the point that the Council has much more to do if it is to successfully keep within its budgetary framework and maintain a healthy balance sheet for resilience purposes. It is clear that during this next medium term period sustained attention must be paid to the areas giving most concern in terms of spending volatility and that the Council's significant investment in preventative and early intervention strategies must start to deliver financial savings in addition to service benefits. It is vital that business process reviews in their widest application are relentlessly driven through the organisation and linked with partners for maximum impact which will result in simplified processes and increased levels of productivity across the Council.

Despite this agenda, a real risk remains that the Council may not be able to achieve financial savings of sufficient magnitude to meet the target savings over the medium term. I am sure that my successor will keep *this under review and report progress to members as part of the financial monitoring regime. As well as highlighting the very real financial challenges in the medium term, the role of the Section 151 Officer is to advise members if the Cabinet risks setting an unbalanced budget. I do not consider this to be the case in 2019/20*.

In addition, from 2019/20 onwards the Council's Section 151 Officer is required to report explicity on the delivery, affordability and risk associated with the Capital Strategy. I recognise that this is the first year of the requirement of the Capital Strategy and the approach needs to develop over time. This includes the staged development of a longer term planning horizon for capital schemes based on robust understanding of the condition of existing assets and whether we need to hold them. However, information in this Report, Annexes and these financial implications give me assurance that the plans in place and the actions to be taken forward by Members and officers are sufficient for me to advise Cabinet that the Capital Strategy is appropriate for Cardiff for 2019/20."

Cabinet Decision

285. On 21 February 2019, the Cabinet considered this report and having taken account of the comments of the Section 151 Officer in respect of the budget and the adequacy of reserves as required under Section 25 of the Local Government Act 2003 and having considered the responses to the Budget Consultation resolved that:

1. the changes to fees and charges as set out in Appendix 10(a) and 10(c) to this report be approved

2. authority be delegated to the appropriate Director in consultation with the relevant Cabinet Member, Section 151 Officer and the Cabinet Member for Finance, Modernisation & Performance to amend or introduce new fees and charges during the year.

3. the rents of all Housing Revenue Account dwellings (including hostels and garages) be increased by 2.4% having taken account of WG guidance.

4. all service charges and the management fee for leaseholders be approved as set out in Appendix 10(b).

5. all Housing Revenue Account rent increases take effect from 1 April 2019.

6. the work undertaken to raise awareness of the financial resilience of the Council be noted and the steps taken within the budget to improve this position be approved

7. the financial challenges facing the Council as set out in the Medium Term Financial Plan be recognised and the opportunities for savings over the medium term be noted.

CABINET PROPOSAL

(a) Recommendations to Council

The Cabinet, having taken account of the comments of the Section 151 Officer in respect of the robustness of the budget and the adequacy of reserves as required under Section 25 of the Local Government Act 2003, and having considered the responses received to the Budget Consultation recommend that Council:

1.0 Approve the Revenue, Capital and Housing Revenue Account budgets including all proposals and increasing the Council Tax by 4.9% as set out in this report and that the Council resolve the following terms.

2.0 Note that at its meeting on 13 December 2018 Cabinet calculated the following number of dwelling equivalents for the year 2019/20 in accordance with the regulations made under Section 33(5) of the Local Government Finance Act 1992:-

a) 145,499 being the number calculated in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995, as amended, as its Council Tax base for the year.

b)

Lisvane	2,409
Pentyrch	3,280
Radyr	3,783
St. Fagans	1,423
Old St. Mellons	1,828
Tongwynlais	817

being the numbers calculated in accordance with Regulation 6 of the Regulations as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which special items relate.

2.1 Agree that the following amounts be now calculated by the County Council of the City and County of Cardiff for the year 2019/20 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

a) Aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (d) (including Community Council precepts totalling £396,847).
£1,026,008,847

b) Aggregate of the amounts which the Council estimates for items set out in Section 32(3)(a) and (c).
£405,173,000

c) Amount by which the aggregate at 2.1(a) above exceeds the aggregate at 2.1(b) above calculated in accordance with Section 32(4) as the budget requirement for the year. £620,835,847

d) Aggregate of the sums which the Council estimates will be payable for the year into its Council Fund in respect of Revenue Support Grant, its council tax reduction scheme, redistributed Non-Domestic Rates.

£444,629,480

e) The amount at 2.1(c) above less the amount at 2.1(d) (net of the amount for discretionary relief of £400,000), all divided by the amount at 2.0(a) above, calculated in accordance with Section 33(1) as the basic amount of Council Tax for the year.

£1,213.80

f) Aggregate amount of all special items referred to in Section 34(1).

£396,847

g) Amount at 2.1(e) above less the result given by dividing the amount at 2.1(f) above by the amount at 2.0(a) above, in accordance with Section 34(2) of the Act, as the basic amount of Council Tax for the year for dwellings in those parts of the area to which no special items relate.

£1,211.07

h) The amounts given by adding to the amount at 2.1(g) above the amounts of special items relating to dwellings in those parts of the Council's area mentioned below, divided in each case by the amount at 2.0(b) above, calculated in accordance with Section 34(3) as the basic amounts of Council Tax for the year for dwellings in those parts of the area to which special items relate.

	£
Lisvane	1,227.26
Pentyrch	1,258.33
Radyr	1,243.94
St. Fagans	1,225.48
Old St. Mellons	1,231.31
Tongwynlais	1,236.77

i) The amounts given by multiplying the amounts at 2.1(g) and 2.1(h) above by the number which in the proportion set out in the Council Tax (Valuation Bands) (Wales) Order 2003 is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D calculated in accordance with Section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

Area	A £	B £	C £	D £	E £	F £	G £	H £	I £
Lisvane	818.16	954.53	1,090.89	1,227.26	1,499.98	1,772.71	2,045.42	2,454.52	2,863.60
Pentyrch	838.88	978.70	1,118.51	1,258.33	1,537.95	1,817.58	2,097.21	2,516.66	2,936.09
Radyr	829.28	967.51	1,105.72	1,243.94	1,520.36	1,796.80	2,073.22	2,487.88	2,902.52
St. Fagans	816.98	953.15	1,089.31	1,225.48	1,497.80	1,770.13	2,042.46	2,450.96	2,859.44
Old St. Mellons	820.86	957.68	1,094.49	1,231.31	1,504.93	1,778.56	2,052.17	2,462.62	2,873.05
Tongwynlais	824.50	961.93	1,099.34	1,236.77	1,511.60	1,786.44	2,061.27	2,473.54	2,885.79
All other parts of the Council's Area	807.37	941.94	1,076.50	1,211.07	1,480.19	1,749.32	2,018.44	2,422.14	2,825.82

2.2 Note that for the year 2019/20, the Police and Crime Commissioner for South Wales has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwelling shown below:-

VALUATION BANDS

A £	B £	C £	D £	E £	F £	G £	H £	I £
171.68	200.29	228.91	257.52	314.75	371.97	429.20	515.04	600.88

2.3 Having calculated the aggregate in each case of the amounts at 2.1(i) and 2.2 above, the County Council of the City and County of Cardiff in accordance with Section 30(2) of the Local Government Finance Act 1992 hereby sets the following amounts as the amounts of Council Tax for the year 2019/20 for each of the categories of dwellings shown below:-

Part of Council's Area

VALUATION BANDS

Area	A £	B £	C £	D £	E £	F £	G £	H £	I £
Lisvane	989.84	1,154.82	1,319.80	1,484.78	1,814.73	2,144.68	2,474.62	2,969.56	3,464.48
Pentyrch	1,010.56	1,178.99	1,347.42	1,515.85	1,852.70	2,189.55	2,526.41	3,031.70	3,536.97
Radyr	1,000.96	1,167.80	1,334.63	1,501.46	1,835.11	2,168.77	2,502.42	3,002.92	3,503.40
St. Fagans	988.66	1,153.44	1,318.22	1,483.00	1,812.55	2,142.10	2,471.66	2,966.00	3,460.32
Old St. Mellons	992.54	1,157.97	1,323.40	1,488.83	1,819.68	2,150.53	2,481.37	2,977.66	3,473.93
Tongwynlais	996.18	1,162.22	1,328.25	1,494.29	1,826.35	2,158.41	2,490.47	2,988.58	3,486.67
All other parts of the Council's Area	979.05	1,142.23	1,305.41	1,468.59	1,794.94	2,121.29	2,447.64	2,937.18	3,426.70

2.4 Authorise the Corporate Director Resources to make payments under Section 38 of the Local Government (Wales) Act 1994 from the Council

Fund by equal instalments on the last working day of each month from April 2019 to March 2020 in respect of the precept levied by the Police and Crime Commissioner for South Wales in the sum of £37,469,009.

2.5 Agree that the Common Seal be affixed to the said Council Tax.

2.6 Agree that the Common Seal be affixed to precepts for Port Health Expenses for the period 1 April 2019 to 31 March 2020 namely

	£
County Council of the City and County of Cardiff	113,864
Vale of Glamorgan County Borough Council	12,736

2.7 Agree that notices of the making of the said Council Taxes signed by the Chief Executive be given by advertisement in the local press under Section 38(2) of the Local Government Finance Act 1992.

3.0 In accordance with the Local Government Act 2003, the Local Authority (Capital Finance and Accounting) (Wales) Regulations 2003 and subsequent amendments and the CIPFA Prudential Code and Treasury Management Codes of Practice:

(a) Approve the Capital Strategy 2019/20

(b) Approve the Treasury Management Strategy 2019/20 and authorise the Section 151 Officer to raise such funds as may be required to finance capital expenditure by temporary or long term borrowing

(c) Approve the Prudential Indictors for 2019/20 to 2023/24 including the affordable borrowing limit

(d) Delegate to the Section 151 Officer the authority to effect movement between the limits for borrowing and long term liabilities within the limit for any year and to bring forward or delay schemes within the Capital Programme.

(e) Approve the Minimum Revenue Provision Policy for 2019/20.

4.0 To approve the Budgetary Framework outlined in this report including the Affordability Envelope detailed in this report. This will be subject to the approval of a business case in respect of the indoor arena and the financial implications of such a decision being within the affordability and borrowing implications outlined.

5.0 Maintain the current Council Tax Reduction Scheme as set out in the report.

THE CABINET
21 FEBRUARY 2019

The following Annexes are attached:

Annex 1	Directorate Commentaries
Annex 2	Medium Term Financial Plan
Annex 3	Capital Strategy 2019/20
Annex 4	Treasury Management Strategy

The following Appendices are attached:

Appendix 1	Budget alignment with Strategic Priorities
Appendix 2	Changes for Cardiff Consultation
Appendix 3	List of Specific Grants from Welsh Government (All Wales)
Appendix 4	Revenue Resources Required
Appendix 5	Directorate Financial Pressures
Appendix 6	2019/20 Budget Savings
Appendix 7	Directorate Revenue Budgets
Appendix 8	Cabinet Portfolio Revenue Budgets
Appendix 9	Employee Implications of Budget
Appendix 10	Summary of Fees and Charges
	(a) General Fund
	(b) Housing Revenue Account
	(c) Fees and Charges - confidential
Appendix 11	Amendments since Publication of Consultation Proposals
Appendix 12	Use of Financial Resilience Mechanism
Appendix 13	Financial Snapshot Report
Appendix 14	Risk
	(a) Risk Assessment Summary of Savings Proposals
	(b) Risk and Mitigating Actions
Appendix 15	Earmarked Reserves
	(a) General Fund
	(b) Housing Revenue Account
Appendix 16	Housing Revenue Account
Appendix 17	Schools Organisation Plan
Appendix 18	Parking and Enforcement Account
Appendix 19	Supporting People Spend Plan
Appendix 20	Capital Programme
	(a) Capital Programme Expenditure
	(b) Capital Programme Funding

The following background papers have been taken into account:

- Budget Strategy Report (July 2018)
- 2019/20 Budget Proposals – for consultation (November 2018)
- The WG Final Financial Settlement (December 2018)
- Equality Impact Assessment of Cardiff Council’s 2019/20 Budget
- Details of Fees & Charges

- Analysis of Section 106 Balances
- Treasury Management Practices (April 2018)