
BUDGET STRATEGY 2014/15 – UPDATE REPORT

Reason for the Report

1. To provide an opportunity for the Committee to consider the Updated Budget Strategy 2014/15, which was presented to Cabinet on 7 November 2013 following the release of the Provisional Local Government Settlement on 16 October 2013. The item will also give Members the opportunity to consider the consultation process which is being put in place to aid the development of the 2014/15 budget proposals.

Background

2. Full Council approved the 2014/15 Budget Strategy at its meeting on 25 July 2013¹. This was based on indicative figures released by the Welsh Government with the 2013/14 Provisional Local Government settlement, quoting an anticipated **funding increase of 1.27%**. The Strategy posited a **budget gap of c. £33 million** for the next financial year, to be closed through savings, an increase in council tax or the use of reserves. The Welsh Government requirement for Councils to protect delegated schools budgets remains in place for 2014/15, although the protection for social care budgets ends in 2013/14.
3. Members may recall that at the time the report was published in July 2013, Members were informed that:
 - The Council's overall base budget stands at **£593 million**. Given that savings cannot be taken from social care and delegated schools budgets, the Council's

¹ Report available at [http://www.cardiff.gov.uk/content.asp?nav=2872%2C3250%2C4875&id=&parent_directory_id=2865&textonly=&language=&\\$state=calendarmeeting&\\$committeeID=1849&\\$meetingdate=25/07/2013](http://www.cardiff.gov.uk/content.asp?nav=2872%2C3250%2C4875&id=&parent_directory_id=2865&textonly=&language=&$state=calendarmeeting&$committeeID=1849&$meetingdate=25/07/2013)

controllable budget (from which savings could be made) is therefore around **£270 million**;

- A further adjustment of £16.6 million was made to the controllable budget in respect of Central Transport Services and Facilities Management. Savings of £3.9 million had already been identified as coming from these areas in the next two years and these were considered to present a 'significant risk to the Council's monitoring position' in 2013/14. This therefore leaves the Council's adjusted controllable budget at **£253.4 million**. [This Committee has scheduled a consideration of Facilities Management and Central Transport Services for its 7 January 2014 meeting];
- In order to meet the identified funding gap of £33 million, most directorates were therefore asked to propose savings of **23.5%** of their controllable budgets;
- Within the Council's overall controllable budget, the adjusted controllable base budget for social care is £135.5 million. A savings target of **4.5%** was set for these budgets in recognition that savings targets have historically been difficult to achieve for social care budgets.

4. The July 2013 Budget Strategy report outlined a number of mechanisms through which service areas were required to develop savings proposals (full details can be found in the Budget Strategy report presented to Full Council on 25 July 2013):

- i. Policy-led savings
- ii. Business process-led Corporate Efficiency savings
- iii. Discrete directorate-led savings.

5. The Budget Strategy emphasised that the budget-setting process would support the delivery of the Corporate Plan 2013-17, which set out five key themes:

- Making a better future for our city
- Creating jobs and opportunity for all
- Helping those that need it most
- Working together for the city and the region
- Working smarter and better.

6. In the updated Budget Strategy report presented to Cabinet, the Administration's priorities have been summarised as:

- i. A clear focus on economic development
- ii. Provision of first class education and skills-training services
- iii. Ensuring that nobody gets left behind.

Issues

7. As Members were informed when they considered the Month 3 monitoring position at the Committee's 29 October 2013 meeting, the Provisional Settlement set out a **2.9% reduction - £12.8 million in cash terms** – for Cardiff (further details are included in the attached Cabinet Report from paragraph 12). The Final Budget Settlement will be received in December 2013.

8. The report sets out a number of recommendations which have been accepted by the Cabinet. These include recommendations to:

- Note opportunities and issues identified as part of a Finance Resilience exercise which has been undertaken, set out in brief below and in detail from paragraph 33 of the attached report.

Opportunities

Sale of assets

Long term investments

Land appropriations

Minimum revenue provision

Issues

General reserves

Earmarked reserves

Voluntary severance

- Agree that the budget gap should be re-established at £50 million, including a contingency of £4 million, and that a delegation should be given to the Interim Head of Paid Service, in consultation with the Cabinet Member for Finance and Economic Development, to develop a targeted approach for the additional amount of £17 million of savings which directorates will have to identify. The report notes for example, that members of the WLGA Peer Review team had suggested that social services may be able to contribute 10% to the overall budget reduction. A letter from the Chair of the Children and Young People Scrutiny Committee, which

looked at this issue during its 5 November 2013 meeting, to the Cabinet Member for Children's Services, is attached at **Appendix B**.

- Agree that the Cabinet should consider a revised Redeployment Policy at its December meeting. This issue is to be considered at **Agenda Item 4**;
- Agree that consultation should commence with trade unions regarding options relating to employment costs with a view to a further report being brought to December's Cabinet;
- Agree that where significant budget savings proposals require early decision, these should be subject to a further Cabinet report in December.

Previous Scrutiny

9. This Committee considered the original Budget Strategy report at its 12 September meeting. Following the meeting, the Chair wrote to the Cabinet Member for Finance and Economic Development; a copy of the letter is attached at **Appendix C**. A response is awaited. Members also considered the Month 3 budget monitoring position at the Committee's 29 October 2013 meeting, making some comments which may be of relevance to this item. A copy of the Chair's letter can be found with the Correspondence report at **Agenda Item 9**.

Consultation

10. Since its consideration of the 2013/14 budget proposals in February 2013, this Committee has been concerned that the Council's budget consultation process should be improved. While it noted that a major step forward had been taken in 2013, with the release of full draft budget proposals for public consultation after January 2013 Full Council, the Committee felt that the content and structure of the consultation should be modified. Members also wished to ensure that Scrutiny Committees had access to the results of public consultation in time to inform their own consideration of the Budget Proposals.

11. When the Committee considered the 2014/15 budget strategy on 12 September 2013, Members were informed that a number of options were available to aid the development of proposals this year. These included:

- i. Considering the Service Priority information in the Ask Cardiff survey, which identifies respondents' highest and lowest priorities for improvement across a range of services. The last survey had around 5,000 returns;
- ii. Using the Citizens Panel to take part in an in-depth focus group;
- iii. Electronic consultation on 2014/15 budget proposals;
- iv. Internal mechanisms, such as Our News, Your Inbox, forums for Trade Union Consultation and the Schools Budget Forum.

12. In its response, the Committee urged the Cabinet Member to ensure that these options were put into practice, and asked that consideration should also be given to those who prefer not to or are unable to access web-based consultation methods.

13. The Cabinet report attached at **Appendix A** explains that the Cabinet is 'committed to shape the future in consultation with all of its stakeholders in order to ensure that there is a shared understanding of the dilemmas facing the council [...] and, as far as possible, to secure support for the future direction of travel'. The report also states that the Cabinet is eager to engage with as many stakeholders as possible, but that 'the need to engage with the Council's own staff both directly and through their trade unions is a high priority for Cabinet Members'.

14. As a first step, an online consultation was opened as soon as the Cabinet approved the update Budget Strategy report. This can be accessed via the Council's website.² Accompanying the consultation are two background documents. 'Voices for Cardiff – Ask Cardiff 2013 response', attached at **Appendix D**, sets out the priorities identified by respondents.

15. The top three are:

- 1 – Education
- 2 – Community Safety and Crime Prevention

² http://www.cardiff.gov.uk/content.asp?nav=2865,2872,3257&parent_directory_id=2865&id=13970&feature

3 – Street repairs and traffic management

While the lowest three are:

- 1 – Major events and venues
- 2 – Equal opportunities
- 3 – Regeneration of the city centre and Cardiff Bay.

16. 'Choices for Cardiff – Cardiff Council Budget Consultation 2014/15', attached at **Appendix E**, provides citizens with background information regarding the context under which the Council will set its budget.

17. The Cabinet report states that further online polls will be rolled out as more details of the budget proposals are brought forward as the February budget meeting approaches.

18. There are many other examples of budget consultations undertaken by other councils which Members may wish to access as background information to this meeting. A few examples are:

- i. Liverpool City Council's Budget Simulator³, which gives participants to chance to allocate cuts and additional funding in areas of Council spending;
- ii. Gateshead Council's budget survey⁴;
- iii. Monmouthshire County Council, which released draft high-level budget proposals in October 2013 and is holding community events to discuss the future direction for the authority⁵.

Way forward

19. To facilitate consideration of this report Councillor Russell Goodway, Cabinet Member - Finance & Economic Development; and Marcia Sinfield, Interim Section 151 Officer; have been invited to attend the meeting to answer Members' questions.

³ Available at <http://liverpoolcc.bud.com/>

⁴ Available at: <http://www.gateshead.gov.uk/Council%20and%20Democracy/consultation/BudgetConsultation.aspx>

⁵ Available at: www.monmouthshire.gov.uk/wp-content/plugins/srs-minutes/meetings/45419/BudgetSavingsIdeasandProcess.pdf

Legal Implications

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

Financial Implications

21. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

The Committee is recommended to:

- i. Note the information presented in the attached reports and at the meeting;
- ii. Consider whether it wishes to make any comments or recommendations to the Cabinet as the development of budget proposals continues.

MARIE ROSENTHAL

County Clerk and Monitoring Officer (Democratic Services)

20 November 2013

CABINET MEETING: 7 NOVEMBER 2013

2014/15 BUDGET STRATEGY – UPDATE REPORT

REPORT OF INTERIM SECTION 151 OFFICER

AGENDA ITEM:12

PORTFOLIO : FINANCE & ECONOMIC DEVELOPMENT

Reason for this Report

1. To provide Cabinet with details of the impact on the Council's finances of the Welsh Government's 2014/15 Provisional Local Government Settlement which was announced on 16 October 2013 and which significantly reduces the resources being made available for Welsh Councils. The report asks Cabinet to consider whether, in the circumstances, the previously approved 2014/15 Budget Strategy remains a valid basis for setting the Council's budget over the medium term.
2. To outline current progress against the agreed budget timetable and, given the unprecedented financial challenge now facing the Council, to ask Cabinet to consider the additional measures required to enable the Council to agree its 2014/15 Revenue and Capital Budgets.

Background

3. Cabinet has a duty to receive financial forecasts, to develop a sound financial strategy and to propose a balanced budget for the Council to approve. In doing so, it needs to have proper regard to the legality and achievability as well as the risks associated with any proposals which it proposes to place before the Council for approval.
4. In addition, every Councillor shares the responsibility to ensure that the Council discharges its statutory duty to set a balanced budget which must be agreed by 11 March each year. The Section 151 Officer has a responsibility to present a report to Council if the officer believes that this statutory responsibility is at risk.
5. Cabinet, at its meeting on 22 July 2013, considered the 2014/15 Budget Strategy, including details of the process and timetable to be adopted to enable the Council to agree next year's Budget. The Cabinet's recommendations were approved by Council at its meeting on 27 July 2013.

6. At that time, based on Welsh Government indicative funding levels, all councils in Wales were already expecting significant financial challenges in setting their 2014/15 budgets due to the on-going period of financial constraint across the public sector. However, the impact of measures imposed by the Westminster Government since the autumn of 2012 has resulted in significant reductions in Welsh Government funding. The Chancellor's 2012 Autumn Statement identified that the National Assembly's budget would be cut by £65 million in 2014/15 and this figure was increased to £81 million in his March 2013 budget statement
7. These measures, combined with increasing financial pressures on the Welsh NHS, resulted in statements in the summer of 2013 by the Welsh Government Minister for Local Government & Business indicating that the previously published indicative funding levels could no longer be relied upon as a valid basis for budget setting and which also made reference for the need for Welsh Council's to brace themselves for English-style cuts to council services. In addition, the Minister stated that *"authorities need to engage immediately in decisive and radical short-term financial and service planning ... in the longer term, the significantly lower levels of resource must drive deep transformational change which crosses geographical and organizational boundaries"*. However, the level of the reduction being proposed remained unclear until the publication of the Provisional Settlement on 16 October 2013.
8. In addition, all councils continue to face significant inflationary and demographic pressures on their budgets and these are particularly acute in Cardiff. These pressures, combined with the unprecedented reduction in funding allocations, exacerbate the scale of the financial challenge facing the Council and necessarily form a significant proportion of the Budget Reduction Requirement.

A Policy Driven Budget Strategy

9. Cabinet has emphasised the need for its Budget Strategy to enable the development of a Budget which reflects the policy priorities set out in the Administration's 2012 Election Manifesto, which are reflected in the Council's approved Corporate Plan agreed by Council in February 2013. The Administration has summarised the Corporate Plan priorities as :
 - A clear focus on economic development across the city and across all sectors aimed at generating growth in the Cardiff economy in order to protect as many existing jobs as possible and to maximise the creation of new jobs which will allow the city to discharge its obligations as Wales' economic dynamo;
 - The provision of first class education and skills-training services to enable people of all ages to fulfil their potential and to take advantage of the employment opportunities generated by the council's economic development strategy;

- Ensuring that nobody gets left behind through the delivery of services designed to protect the most vulnerable in our society.
10. The recent WLGA Peer Review report highlighted the need to ensure that these key policy priorities are embedded in the Council's service and financial plans. As a result, the Budget Strategy needs ensure that the 2014/15 Budget creates a sustainable and affordable base from which to deliver council services. It also needs to put in place mechanisms to ensure that the actions of all individual directorates contribute to the effective delivery of the key priorities and, perhaps more importantly, do not detract from them. Furthermore, given the backdrop of significantly reduced resources, both next year and in the medium term, it is imperative that the Council not only effectively distributes finite and reducing revenue streams, but also looks at non-traditional ways of delivering those services which the Council is no longer able to deliver itself in order to retain the most important services and protect jobs.
 11. The Corporate Plan, as the Council's primary policy document, together with the Council's financial strategy will continue to reflect any significant issues identified through the Council's Statement of Internal Control, the Corporate Risk Register and Performance Management Reports which will underpin the financial strategy for 2014/15 and beyond.

Provisional Settlement Overview

12. The Welsh Government's 2013/14 Provisional Local Government Settlement, announced in the autumn of 2012, continued to rely on previously published three year indicative funding levels which quoted an anticipated funding increase for Cardiff of 1.27% which would have provided the Council with an additional £5.665 million in cash terms.
13. However, the tables included with the 2014/15 Provisional Local Government Settlement indicated an average decrease across all Welsh councils of 3.5%, with a 2.9% reduction - £12.8 million in cash terms - for Cardiff. Furthermore the percentage reductions included in these tables understate the full impact of 2014/15 funding reductions for the following reasons.
14. In the current year, a separate grant of £22 million has been shared by Welsh Councils to address the impact of the Council Tax Reduction Scheme (CTRS). This grant reflects the decision to protect CTRS recipients eligible for full CTRS entitlement, who otherwise would have been liable to pay an element of council tax in 2013/14. Welsh Government has indicated that it requires these arrangements to continue into 2014/15 but that it will not provide separate grant funding for the purpose. Instead, Welsh Government has indicated that the full quantum of CTRS funding is included within the Revenue Support Grant (RSG). This creates an additional funding pressure for Local Authorities equivalent to the value of the current year's grant which equates to some £2.5 million in Cardiff.

15. It was also anticipated that additional funding would be made available next year in respect of Welsh Government's Local Government Borrowing Initiative (LGBI). However, this sum has also been included within the overall settlement, creating a further 2014/15 funding pressure of some £350,000.
16. The reduction in the Council's funding next year is lower than the Welsh average which is the result of data changes used when calculating the settlement. These data changes reflect increased demand for services as a result of demographic changes and which will result in increased financial pressures. However, in calculating the provisional settlement, Welsh Government has employed a floor funding mechanism to ensure that no individual council experiences a reduction in excess of 4.75%. Cardiff's contribution to this mechanism is £520,000 which means that the total impact of the data changes referred to above are not included in the Cardiff allocation and which will mean that the Council will need to identify an alternative source of funding or other ways of meeting the increased demand.
17. Taking all these issues into account, the reduction in the Council's funding next year increases from the indicative -2.9% to -3.5% which, in cash terms, equates to a reduction of some £15.8 million. In real terms (i.e. taking into account the effect of inflation) these figures translate into a reduction of some 6.2% for Cardiff compared to a Welsh Average reduction of some 6.7%.
18. Information provided within the settlement on specific grants is incomplete and is currently provided only at an all Wales level. The information currently available implies that a number of these grants will suffer reductions at the all Wales level which means that the officers will need to carefully monitor the situation in order to assess the impact on the Council. This position is further exacerbated by in year grants reductions, particularly where these are not finalised until part way through the year. An example of this is the Sustainable Waste Management Grant.
19. The 2014/15 Provisional Settlement includes indicative figures for 2015/16. The figures indicate a further reduction in the Cardiff's allocation of some 1.54% or some £6.7 million in cash terms, which is fractionally better than the Welsh average figure of -1.55%. However, these figures are subject to further announcements by UK Government and, based on recent experience, it would be imprudent to place too much reliance on them at this stage.
20. The Final Budget Settlement is expected in early December. The final settlement will need to take account of the redistributive impact of councils' council tax base calculations. As in previous years the Council will set its Council Tax Base at its meeting in December.

Schools

21. The Provisional Settlement states that Schools Protection for 2014/15 is at 1% over and above the level of the Welsh Government block grant. This translates into a +0.9% protection for schools and compares to a protection figure of +1.27% that had been anticipated prior to Welsh Government funding reductions from UK Government.
22. In previous years, protection has had to be evidenced from base budget funding, i.e. funding underpinned by the RSG. However, the Minister's letter to Council Leaders states that, for next year, protection is 'built into the settlement and the Pupil Deprivation Grant (PDG)'.
23. The PDG is a specific grant and it was recently announced as part of the Welsh Government's Budget that the PDG will be increased for 2014/15, from £450 currently to £918 per eligible child next year. Specific grant tables highlight an increase from £33 million at an all Wales level to £71 million but information at an individual Authority level is not yet available.

Social Services

24. As noted in the July Budget Strategy Report, social services budgets are no longer protected and the Council is free to choose the level of cuts to be imposed and the level of pressures supported across these spending profiles. The current strategy requires the relevant directorate to fully fund any new pressures from cuts in current spending levels.
25. In a presentation to Cabinet on 26 July 2013, members of the Peer Review Team suggested that it should be possible for social services to contribute at least 10% to the overall budget reduction and the Review Team has recently been asked by Cabinet to provide specific details of where and how they believe this can be achieved for Cabinet consideration. Cabinet will need to decide whether to require the directorates to identify this level of cuts in spending next year.

Budget Monitoring Position

26. The development of the Council's 2014/15 Budget will necessarily be informed by the current year's budget monitoring position. Cabinet will be aware that the 2013/14 Month 3 Budget Monitoring Report identified a projected in-year overspend of £7.1 million at Directorate level. In particular there were significant overspends in the Environment, Health & Social Care and Resources directorates.
27. Furthermore, the Report identified that within the overspend of £7.1 million it was projected that £5.8 million of the £22.4 million of savings identified within the 2013/14 budget might not be achieved. The reasons for under-achievement include delays in the delivery of savings, additional financial pressures and issues with the overall achievability of the savings identified.

28. The inclusion of projections in relation to the position on the council tax surplus, capital financing and other items reduced the projected overspend for the Council to £3.9 million.
29. The Interim Head of Paid Service requested that all directorates review and where possible reduce spend in all areas and Cabinet, as part of the Month 3 Budget Monitoring Report, approved that over-spending directorates develop action plans to address their individual situations. These plans are being considered in monthly Budget Clinics with the relevant Cabinet Member and the Cabinet Member for Finance & Economic Development and their respective officials.
30. Discussions at a Health & Social Care Budget clinic agreed that financial support for the costs of care for any adult – i.e. those aged 18 or above falls to Health & Social Care where there is an assessed need that they be continue to be placed and supported in a residential or semi-independent environment. The arrangement in Cardiff prior to 2013/14 was that this financial responsibility up to the age of 21 was met by Children’s Services. The position changed in 2013/14 to rectify what was in fact an anomalous position but there was no corresponding transfer of budget to support the policy change. It is necessary therefore to establish a level playing field and make an appropriate transfer of budget from Children’s Services to Health & Social Care in respect of all those placements for adults which up until 31/3/13 were being supported by Children’s Services. This will result in the Health & Social Care overspend being reduced with a corresponding increase in Children’s Services.
31. The Month 6 Budget Monitoring Report will be presented to Cabinet in December. Interim Month 5 projections suggest that there has been some improvement with further improvement expected at Month 6. Consequently there are no current plans to introduce an emergency budget in relation to the current year.
32. The pressures within the in-year monitoring position are, where known, allowed for within the Medium Term Financial Plan (MTFP). This has then informed the Budget Reduction Requirement for 2014/15 and beyond. In summary, savings become harder to identify and achieve each financial year and therefore the savings identified for next year must be robustly scrutinised and reviewed to ensure detailed delivery plans are in place to support proposed budget reductions.

Financial Resilience

33. Wales Audit Office Reports have consistently recognised that financial management and control is one of the Council’s major strengths, a view reinforced by the WLGA Peer Review Team. However, the Peer Review highlighted the significant financial challenges facing the Council in the medium term and supported the financial resilience exercise being undertaken by officials at the time of their visit. The exercise has now been completed and has identified a number of issues and opportunities.

34. A Balance Sheet review has highlighted some potential opportunities and further work is being undertaken across the council to explore how best they can be taken forward. Where appropriate, these matters will be the subject of further Cabinet reports. In summary these include:

- **Sale of assets**

The review identified that further opportunities exist to generate capital receipts which could be applied to the existing Capital Programme which would reduce capital financing charges currently included in the MTFP. This would therefore offset the Council's costs of borrowing and thereby reducing the cost to the revenue account.

- **Long Term Investments**

The review identified that there may be opportunities to either optimise the income from long term investments or, where the yield was insufficient, realise the asset and receive a capital receipt which could be applied to the existing capital programme.

- **Land appropriations**

The review identified that further work is on-going to maximise the benefit of appropriations of land from the General Fund to the Housing Revenue Account. These transactions interact with the Housing Subsidy System and officers are in on-going dialogue with Welsh Government on these matters.

- **Minimum Revenue Provision (MRP)**

The review identified that the Council could review its existing policy in respect of the repayment of borrowing. The provision could be reduced and would still remain within existing accounting regulations and guidelines. The Section 151 Officer has an existing delegation to review the policy and this will be considered in conjunction with the Cabinet Member for Finance & Economic Development.

35. In addition, a number of issues were identified as part of the Balance Sheet review which are also the subject of further work and which will also be the subject of future Cabinet reports. In summary these issues include:

- a. **General Reserves (Balances)**

The review identified that the Council's General Reserves, which currently stand at £11.548 million represents 2.1% of the net expenditure budget. An Audit Commission Report entitled "*Striking a Balance*" states that the median for single tier and unitary councils is 5%. As a result, and particularly due to the current

budget monitoring position, the level of General Reserves will need to be carefully monitored in the immediate term.

b. Earmarked Reserves

Earmarked reserves total some £39.5m and, by definition are held for specific purposes to fund specific liabilities which are expected to crystallise at a future date. However, the Section 151 Officer continues to review the level of reserves set aside for each purpose to ensure that they remain at the correct level.

The Section 151 Officer will continue to advise members on the adequacy of the Council's reserves during these difficult times but Cabinet is advised to exercise serious caution when deciding to draw down any reserves as their use is finite and they can only be spent once. In addition, the impact of any non-achievability of proposed spending cuts on the Council's balances and reserves will need to be carefully assessed during the budget setting process.

c. Voluntary severance

The review identified that, given the current financial challenges the Council will face significant financial exposure to voluntary severance costs. Over the last three years the average cost for the Council in respect of voluntary severance has total 3.8million and figures to date this financial year suggest that a significantly higher figure is likely. The Council has limited provision to meet the costs of voluntary severance from its base budget and earmarked reserves and will need to consider the funding of these in year amounts in future monitoring reports. In recent years, councils have been given the opportunity to capitalise a component of these costs, subject to meeting a number of thresholds imposed by Welsh Government. Where successful, this has allowed councils to spread the cash flow implications over a longer period. However, Welsh Government has advised that it is unlikely this facility will continue. As a result, severance costs will themselves constitute a significant financial challenge over the medium term.

36. The Balance Sheet Review has made an important contribution to the assessment of the Council's overall financial resilience the outcome of which confirms that any attempt to release funds to avoid directorate cuts would more than likely undermine financial resilience over the medium term. In other words, releasing funds currently held on the Council's balance sheet to help fill the budgetary gap is not really an option. These matters will be further considered in the 2014/15 Budget Report in February 2014.

Alternative Delivery Models

37. Cabinet has consistently recognised that the Council will no longer be able to continue to deliver all of the services or undertake all of the

activities that it does currently. In addition, it may well be necessary to reduce the level and standard of delivery of those services which it will continue to provide, including statutory services and obligations.

38. Cabinet has consistently indicated that it is reluctant to simply cease delivering certain services, close facilities or terminate existing arrangements before it has given due consideration to possible alternatives. It was for this reason that Cabinet took early steps to ensure that organisations in receipt of grant funding were given adequate notice of any cuts in council support in order to enable them to access alternative sources of funding to finance their activities. Cabinet has also indicated that it wishes to seriously consider how those services and activities that the Council decides that it will no longer be able to deliver or support can be sustained in the future.
39. Cabinet has always accepted the need to explore alternative models of service delivery, as identified in the October 2012 Cabinet Report “Exploring New Models of Delivery”, but progress in bringing forward specific proposals has been slow. The Peer Review suggested that the Council should identify and pursue alternative delivery models where there is evidence that they provide adequate service standards and value for money. Cabinet recognises the need to invest time and resources upfront to deliver these changes and provision is included in the current year’s budget to supplement other corporate and directorate level budgets set aside for this purpose.
40. Identifying alternative delivery models may be the only way to sustain some services and activities and the Cabinet Member for Finance & Economic Development suggests that Cabinet agree that all Directors, as a matter of urgency, report to Cabinet details of those services which lend themselves to being delivered via an alternative delivery model, the alternative delivery models that they are currently exploring and, where possible, to outline proposals which will secure the successful delivery of these services and activities by alternative means. Failure to do so will inevitably result in the closure of facilities, the loss of jobs and opportunities and an increase in the number of individuals requiring council support all of which are contrary to the Council’s own stated policy priorities.
41. As a result, during this budget cycle, Cabinet acknowledges that it will need to determine the impact that its stated policy priorities will have on the future direction and shape of the Council and on the services and activities which it will continue to deliver, provide and support. Cabinet has indicated that it is committed to shape the future in consultation with all of its stakeholders in order to ensure that there is a shared understanding of the dilemmas facing the council at the present time and, as far as possible, to secure support for the future direction of travel. The mechanisms which Cabinet intend to adopt to help fulfil this commitment are outlined elsewhere in this report.

Income Generation

42. Cabinet has consistently identified the need for all directorates to maximise the Council's income generation potential beyond the annual increase in fees and charges levied by the Council. It should be noted that the impact of increasing income generation opportunities on service users should be taken into account when proposals are considered.
43. Cabinet has already sanctioned a proposal from the Economic Development directorate to establish a Film Unit to raise the funding necessary to cover the costs associated with accommodating film and television productions at locations within the county. Cabinet also approved a proposal from the directorate to raise finance through advertising on council owned buildings and sites. Cabinet may wish to receive an early report outlining the progress made to date in respect of both initiatives.
44. The Economic Development Directorate is currently working via the recently established Cardiff Business Council to explore models and mechanisms through which local business can contribute to the cost of sustaining and improving the Cardiff offer which will add value to those businesses and which will help stimulate economic growth and jobs across the city. In particular, the directorate is exploring the possibility of businesses contributing towards the costs of subventing the costs of attracting conferences and events to the city which generate increased footfall which benefits a range of businesses. Again, Cabinet may wish to receive an early report from the Director of Economic Development outlining this initiative.
45. The Environment Directorate is currently exploring the potential benefits for the council from new developments in the city including potential district heating systems and energy generation on council owned land. Cabinet may wish to receive an early report in relation to these matters. These potential Invest to Save schemes should deliver financial savings, although it is acknowledged that additional capital charges may be incurred in the early years.
46. Furthermore, the Cabinet Member for Finance & Economic Development has suggested that the Interim Chief Executive should request details from all directorates on income generation initiatives being explored at the present time. For example the Communities Directorate is considering further opportunities to increase income in relation to operation of the community alarm service.

Council Tax

47. Cabinet is conscious that in its 2012 election manifesto, the Administration made a commitment to *"freeze council tax in 2013/14 and, all things being equal, to increase council tax by a maximum of 2% in the succeeding two years"*. Cabinet will need to consider whether the outcome of the Provisional Settlement means that all things are not equal such that it can justifiably increase council tax above the 2% limit.

This matter will be addressed as part of the budget process and an appropriate recommendation will be included in the February 2014 Budget Report.

48. Council tax equates to about 22% of net Council funding and a gearing effect applies. In addition, following the 2013/14 Settlement the Council now receives fixed funding as part of its Revenue Support Grant (RSG) in relation to the CTRS. This means that any increase in revenues generated from council tax will be partially offset by the requirement of councils to fund an element of this increase for CTRS claimants from this fixed funding pot.
49. Using the 2013/14 council tax base the following table identifies the resources generated from council tax increases of between 1% and 5% and shows the reduction in overall resources as a result of the interaction of CTRS as detailed above. The table shows that even a 5% increase in council tax would still require a further £40.9 million to be found from budget cuts.

Council Tax Increase	Additional Council Tax Raised £000	Impact on Cash Limited CTRS Budget £000	Net additional amount raised £000
1%	1,292	282	1,010
2%	2,585	564	2,021
3%	3,877	846	3,031
4%	5,169	1,128	4,041
5%	6,461	1,410	5,051

50. In addition the Council will have to consider any further cost pressures submitted by directorates and how any additional funding required can be met.
51. Cabinet should also note that the Welsh Government has capping powers in relation to council tax levels.

Risk

52. The July Budget Strategy Report identified a number of significant medium term operational and financial risks associated with the ongoing budget preparation process. A detailed list of these risks was included in that report and remains relevant in the current context. The impact of these risks and challenges is regularly monitored when the Corporate Risk register is reported to Cabinet and the Senior Management Team at regular intervals.
53. It should be noted that the two key risks on the register in relation to the budget setting process are the risk that the Council is unable to set a balanced budget by the required date and also the risk that the Council is unable to effectively meet its priorities as a result of the reduction in

the level of resources available and increasing inflationary and demographic pressures. Cabinet has been made aware of the increasing risks attached to budget setting. The Corporate Risk Register shows that the residual risk attached to budget setting remains red even following the identification of mitigation measures.

54. In addition to the scheduled programme of meetings, additional meetings involving the Leader of the County Council, the Cabinet Member for Finance & Economic Development, the Interim Head of Paid Service and the Section 151 Officer have been arranged to specifically discuss these risks and to monitor progress in relation to the ongoing budget setting process against the agreed timetable. Given the uncertain financial environment, meetings involving the Council's Section 151 Officer and the Wales Audit Office have been arranged to discuss the specific ongoing challenges of this year's budget setting process.

Budget Principles

55. The preceding paragraphs provide the backdrop to what was an already challenging budget setting exercise for next year and in the medium term. The situation has been made significantly worse as a result of the 2014/15 Provisional Local Government Settlement and Cabinet has previously delegated the responsibility for agreeing the level of budget reductions required to achieve a balanced budget to the Interim Chief Executive, in consultation with the Cabinet Member for Finance & Economic Development. The final figure is subject to further clarification being provided by Welsh Government in respect of the specific issues referred to earlier in this report.
56. The Council's base budget is £593 million. However, a significant element of council spending is protected which means that the controllable base budget from which cuts can be generated is only £268.9 million. The most significant exclusion is in respect of delegated schools budgets which amount to some of £197.1 million. Other exclusions relate to policy and contractual commitments, capital financing and levies. A further adjustment of £20.7 million in respect of central transport services and facilities management budgets reduces the adjusted controllable base budget to just £248.2 million.
57. The July Budget Strategy Report set out a number of principles which would be used to guide the 2014/15 budget setting process. At that time, it was agreed that social services would be required to identify cuts of 4.5% which would generate the resources necessary to meet the financial pressures identified by their respective directorates within the MTFP. As previously indicated, a member of the Peer Review Team has suggested that social services directorates could contribute savings of at least 10% towards the required budget reduction.
58. As detailed earlier Welsh Government has confirmed its continued requirement for councils to protect the delegated schools budgets. Based on Welsh Government's indicative budget for 2014/15 delegated

schools budgets were required to be increased by a minimum of 1.27%. Following the publication of the Welsh Government's 2014/15 budget, this figure has been amended to a minimum increase of 0.9%. No such protection is afforded to social services spending next year.

59. In addition, the savings proposal expected in respect of the Council's contributions to joint committees was set at 10%. The most financially significant joint committee is the Joint Education Service Consortium. Welsh Government has recently agreed changes in the consortium including the way in which it is funded such that the Council will not be able to achieve the proposed savings level in respect of this service.
60. On that basis, using the controllable base budget figure of £248.2 million and assuming that the required budgetary savings would be evenly applied across all other directorates, it was noted that directorates would each need to identify cuts amounting to 23.5% of their total spending. It was acknowledged that this represented an unprecedented savings percentage and that this approach would seriously undermine the ability of every directorate to effectively deliver services.
61. In that context Cabinet suggested that the time has now come for some directorates and some specific services within directorates to be treated disproportionately. Cabinet will appreciate that if this was the perceived wisdom in July, then the outcome of the Provisional Settlement only serves to exacerbate the need to adopt such an approach. Cabinet therefore needs to agree, as a matter of urgency, which services and directorates will be required to contribute a greater proportion of cuts during the period going forward. In reaching its decisions, Cabinet will wish to be guided by its key policy priorities and by an assessment of which services can best be delivered via another delivery model or by an alternative provider in order to protect both the service and jobs.
62. Prior to the announcement of the Provisional Settlement, directorates were required to develop savings proposals for 2014/15 to achieve the targets set out in the February 2013 Budget Report as amended by the July 2013 Budget Strategy Report. Proposed cuts of some £32 million have been put forward against a target of £33 million although a significant number of these proposals are at present not accompanied by a detailed plan and will require further consideration as part of an iterative process to give further assurance as to how they will be achieved.
63. The outcome of the Provisional Settlement means that the quantum of the cuts now required in order to achieve a balanced budget has increased. The result of the Provisional Settlement is to increase the 2014/15 Budget Gap to some £46 million.
64. This is a significant financial challenge which has to be achieved in a relatively short period of time. As a result, it will impose an enhanced level of risk on the ability of the Council to achieve the required target. Cabinet will be aware that, in the current year, further interrogation of

the issues contained in the Month 3 Budget Monitoring report identified that some £5.8 million of the 2013/14 budgeted savings of £22.4 million were unlikely to be achieved. This represents some 25% of the total target savings. A further year requiring an even greater level of cuts will only serve to further increase this risk.

65. Consequently, this report proposes that Cabinet agrees to increase the 2014/15 Budget Requirement Gap to £50 million in order to protect against the possible non-achievement of the budget targets next year. This will mean that a further £17 million – in addition to the £33 million referred to above – will need to be secured. The scale of the new challenge is such that unless those cuts are targeted in the manner referred to in paragraph 61 above, that many parts of the organization will become unsustainable.
66. Cabinet will note that directorates have only a limited amount of time to respond to the new challenge and to identify the additional savings required. It is therefore necessary to reach an early decision about the directorates and services which will be required to contribute a disproportionately larger share of cuts.
67. Given the unprecedented level of savings required both in 2014/15 and beyond it will be important that the savings proposals identified are robust and deliverable. These submitted savings proposals are being progressively challenged by Finance Officers in order that by the time the budget is set in February all savings:
 - Included within a Directorate are owned by the relevant Director.
 - Are technically feasible from a financial perspective.
 - Identify both an initial and residual risk as well as an achievability risk rating.
 - Have been subjected to a robust Equality Impact Assessment, where relevant.
 - Are categorised as to their current status eg realised, detailed delivery plan in place or general delivery plan in place.
 - Include wherever possible the full time equivalent employee implications of the identified savings proposal.
 - Are categorised in accordance with the savings drivers.
 - Identify cross directorate opportunities or risks, which are discussed by all relevant senior officers and portfolio members.
 - Demonstrate transparency to ensure clarity at scrutiny and other consultation forums.

Early Decisions

68. However, as part of the 2013/14 budget process directors have been asked to consider whether early decisions are required to give effect to the level of savings required to balance their budgets next year. For example, in order to achieve a full year saving in 2014/15 it may well be necessary to seek approval to commence negotiations in relation to such savings in 2013/14. Where Cabinet approval is required then

directorates have been asked to accelerate work on these proposals with a view to bringing forward a further report in December.

Employment Costs

69. The scale of the financial challenge faced by the Council as a result of the Provisional Settlement has increased considerably. The increase of the budget requirement gap from £33 million to £50 million will necessitate fundamental changes to the shape of the Council and how it operates. The funding reduction together with inflation, increasing demand and increased costs will mean that the Council will face an unprecedented budget shortfall in 2014/15 and beyond. This means that the Council needs to make very significant cuts each year for the foreseeable future and as almost half of the Council's spend is on employees, there will be a need to significantly reduce the size of the workforce over the medium term. Whilst the Council will do all that it can to protect jobs in these financially challenging times, the scale of change required is such that it will not be possible to avoid redundancies.
70. In order to try to alleviate some of the workforce reductions that may be required in 2014/15 and beyond, Cabinet will need to consider options around reducing employment costs. This could include additional mechanisms concerning the advertising and filling of vacancies along with continued focus on reducing agency spend.
71. One of the key mechanisms in place as part of the Employee Support Framework is the Redeployment Policy. Last reviewed in 2010, the current policy provides employees with a period of up to six months for redeployment purposes which includes statutory notice provision. However, given the current financial climate a review of this time period needs to be considered. Consequently, it is recommended that, following consultation processes, a report be submitted to Cabinet in December 2013 outlining revised redeployment proposals for consideration.
72. An area highlighted within the recent Peer Review recommendations concerns the scale of redundancy costs and implications for the pension fund related to predicted staffing changes. Consequently, the current Voluntary Severance Scheme may need to be reviewed. Whilst there are no proposals in-year to change the Voluntary Severance scheme, there is an opportunity to consider reviewing the scheme for implementation during 2014/15 and beyond.

Updating the Medium Term Financial Plan

73. The July 2013 Budget Strategy Report identified a number of potential scenarios in respect of the potential budgetary gap over the next three years as set out in the table below:-

	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Base MTFP Position	33,000	27,723	28,018	88,741
Best Case Scenario	25,695	23,323	23,618	72,636
Worse Case Scenario	49,830	38,241	38,358	126,429

74. The main, although not the only, differential between the scenarios was the quantum of funding to be received from Welsh Government. Although, at the time of writing the July 2013 Report, authorities had been advised that the previously circulated indicative 2014/15 figures were no longer a basis on which to plan, there were no confirmed figures available for planning purposes.
75. The best case scenario, which assumed an equal spread of Welsh Government cuts across the Welsh public sector was recognised at the time to be highly optimistic but was included for completeness. The base case scenario was premised on the assumption that councils would need to bear at least an equal share of the cuts allocated to Welsh Government for 2014/15 and allowed for the real possibility that Welsh Government would choose to protect NHS Wales from funding reductions. The worse case scenario was premised on a more significant protection for NHS Wales that included a redistributive element across the Welsh public sector. This scenario was based on a 4% funding reduction.
76. As anticipated in the lead up to the Provisional Settlement, the reality for 2014/15 is very close to the worse case scenario outlined in the July 2013 report. Not only did the Welsh Government budget protect the NHS Wales budget from any cuts in 2014/15, it also allocated a cash increase of 3%. As the other main recipient of Welsh Government funding, Local Government was, therefore, hit significantly by the redistributive impact referred to above as represented by the worse case scenario.
77. An early refresh of the MTFP for the impact of the 2014/15 settlement is outlined below. At this stage, the refresh is purely in relation to funding implications, which have been updated based on the provisional settlement. However, pressures within later years of the plan will be subject to a more rigorous refresh as part of roll-forward of the MTFP undertaken for inclusion in the February Budget Report.

	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Updated MTFP Position:-				
Pressures	30,225	18,839	19,312	68,376
Funding	15,775	6,700	8,567	31,042
TOTAL MTFP POTENTIAL BUDGETARY GAP (Base Case)	46,000	25,539	27,879	99,418

78. It should be noted that as each year rolls forward, demand and other emergent pressures can be more accurately projected and there is a tendency for the pressures indicated in a given year to increase as that year rolls forward one year nearer. For example the Minister for Natural Resources and Food has written recently to the WLGA to around the segregation of residual waste streams from January 2015 which will place further financial pressures on the Council. The funding pressures allocated above are based on the provisional settlement for 2014/15, including the indicative 2015/16 figures contained therein. For prudence, a further 2% funding reduction has been assumed in 2016/17. It is important to note however, that indicative figures can no longer be considered as a firm basis on which to plan and further scenario analysis will need to be undertaken in this respect as the budget process moves forward.
79. As explained earlier in this report, the differential between the base figure used in the July Budget Strategy and the position that has emerged as a result of the Provisional Settlement is £13m. The MTFP contained within the 2013/14 Budget Report identified a base case where the gap between expenditure and financing stood at circa £64 million over the period to 2016/17. The base case cumulative gap has now increased to £99 million across the three year period albeit it is recognized that further work is required on the later years of this MTFP.

2014/15 Budget Reduction Requirement

80. The Budget Report, approved by Council in February 2013, identified a 2014/15 Budget Reduction Requirement of £27.8 million. For the reasons set out above, this had increased to £33 million by the time Cabinet considered the Budget Strategy Report in July this year. The outcome of the Provisional Settlement results in a reduction in funding totaling £15.8 million which is £13 million more than that projected in the July Budget Strategy Report generating a total budget reduction of some £46 million. Cabinet has previously agreed that the gap will need to be filled through a combination of savings from directorates, use of reserves and increases in the rate of council tax. As indicated above, the scope for using reserves to help fill the gap is extremely limited.
81. The revised figure represents a reduction of some £15.8 million in the level of resources provided by Welsh Government and some £30.2 million in respect of additional financial pressures on council services associated with increased employee costs, price inflation, unavoidable commitments, capital financing assumptions, demographic growth, policy decisions and realignment issues in respect of the in year budget monitoring position. It is clear, that the effective management of these additional financial pressures is a key element in achieving a balanced budget. The position is summarised in the table below:

2014/15 Budget Reduction Requirement following the Provisional Settlement	£000
Pressures	30,225
Funding	15,775
Budget Reduction Requirement	46,000

82. For the reasons set out in paragraphs 62 to 65 above, Cabinet is requested to recognise a budget gap of some £50 million next year to be filled by combination of cuts, increased income and an increase in council tax.

Beyond 2014/15

83. The extent of financial challenge beyond 2014/15 is unclear but the scenarios above show a continued period of restraint which would result in savings targets for controllable budgets which will be hugely challenging particularly given their cumulative impact. The severity of the financial task ahead is such that there will be significant changes to how local government services are delivered.
84. The protection position adopted by Welsh Government in respect of delegated schools budgets was referred to in the July Budget Strategy Report as being difficult to maintain in light of the financial challenge ahead and the Welsh Government's inclusion of the Pupil Deprivation Grant in the calculation of the protection is a potential acknowledgement of this.
85. It is acknowledged that a longer lead in is required for savings in later years. In recognition of this, directorates have already been asked to identify half of their 2014/15 savings target as proposals for 2015/16. The proposals submitted by directorates are being reviewed and it is likely that some of the items identified may be considered as potential savings proposals against the additional £17 million required. In any case, it is anticipated that where early decisions are required in respect of savings proposals whether for 2014/15 or beyond that these may be brought to Cabinet in advance of the February budget setting meeting.

Consultation and Engagement

86. As explained in paragraph 41 above, Cabinet has indicated that it is committed to shape the future in consultation with all of its stakeholders in order to ensure that there is a shared understanding of the dilemmas facing the council at the present time and, as far as possible, to secure support for the future direction of travel.
87. Cabinet is eager to engage with as many residents, council taxpayers and other stakeholders as possible to create an effective dialogue across the whole county. However, the need to engage with the Council's own staff both directly and through their trade unions is a high

priority for Cabinet members. Cabinet has indicated that it wishes to use established channels such as the Ask Cardiff Survey, the Schools Budget Forum, the Cardiff Third Sector Council and the Cardiff Business Council to help stimulate a conversation across the city. Face to face meetings with community groups and organisations as well as online forums are also planned as well as working through local media outlets. The Deputy Leader of the County Council is finalising a comprehensive communications plan which will ensure that stakeholders are provided with relevant information at each stage of the budget process in order to effectively inform the on-going conversation.

88. As a first step, the period of citizen engagement will commence immediately following the Cabinet meeting with the launch of an online budget tool which will enable citizens to identify their top priority services. Further online tools will be rolled out as more details of the budget proposals are brought forward in the run up to the February 2014 budget meeting.
89. Scrutiny Committees have engaged early with the budget setting process with the Policy Performance & Review Committee considering the initial Budget Strategy Report in September. During November scrutiny committees will receive an update from directors in respect of the Budgetary Analysis packs prepared for each area.
90. It is hoped that in identifying further opportunities with key stakeholders to engage and consult that comments and further suggestions for savings can be considered alongside the directorate driven savings responses.

Capital

91. The Provisional Settlement provides Cardiff with a general capital funding figure of £13.411 million in 2014/15. This represents a 2% or £270,000 reduction on the current year figure. This position builds on a trend which has seen general capital funding reduced by 35.3% between 2010/11 and 2014/15. Details of the allocation of specific capital grants at individual authority level are not yet available. However, on an All Wales basis, indicative specific capital grants have reduced by 21% or £64.386 million compared to the current year.
92. Members will be aware that the Council's General Fund Capital Programme for 2013/14 to 2017/18 demonstrated the cumulative need for additional borrowing and general capital receipts of £131 million and £5.3 million respectively and included the impact of the forecast 40% cut in Welsh Government capital funding by 2013/14.
93. The Section 151 Officer will continue to monitor the affordability of borrowing to ensure that long term borrowing is affordable. The local affordability indicators that were developed as part of the 2013/14 budget setting process will be updated to consider the implications of the Capital Programme for 2014/15 to 2018/19. These indicators will worsen as the Council's controllable base budget against which to make

savings reduces. Given this increasing pressure a review of all schemes included within the Capital Programme will be required as part of the budget setting process alongside robust consideration of new schemes. New schemes should relate to corporate plan priorities, contribute to the rationalisation of buildings and services and, where possible, be self financing or attract a significant level of partner/external grant support.

Future Developments

94. The July Budget Strategy report identified a number of relevant future developments which remain valid in the current context including:
- The Williams Commission Review of Public Services has been set against a context of drastic financial cuts and a perception of poor performance across elements of the entirety of the Welsh public sector
 - The Hill Report in respect of The Future Delivery of Education Services in Wales. The Council has responded to the consultation and is feeding into the changing position on the Joint Education Consortium joint committee
 - Ongoing work to understand the financial implications as a result of the welfare reforms in Wales and in particular the CTRS interim scheme
 - Changes to be made to the existing Outcome Agreement Grant. These changes will include both performance against the existing National Strategic Indicators and standards of corporate and service governance as reflected in the findings of the main regulators and inspectors.
 - Consideration will also be given to potential Housing Revenue Account (HRA) reforms although these are unlikely now to be introduced from April 2014.

Reasons for Recommendations

95. To seek Cabinet approval for the Updated 2014/15 Budget Strategy and in particular to increase the savings requirement for directorates to £50 million as part of the Budget Principles identified within the report;
96. To allow Cabinet to consider any additional recommendations as a result of the scale of the financial challenge ahead and to delegate responsibility to the Interim Head of Paid Service in consultation with the Cabinet Member for Finance and Economic Development to develop a targeted approach for the identification of additional savings targets for directorates.

Legal Implications

97. It is the responsibility of the Cabinet to receive financial forecasts, and develop a financial strategy with a view to proposing a budget for the Council to approve. There are no direct legal implications arising from this report. Any specific legal issues will be addressed in detail as part of the proposed budget preparation.

Financial Implications

98. The financial implications set out in the July Budget Strategy report in respect of context, risk and affordability remain relevant to this report.
99. In addition, this report sets out the impact of the Provisional Settlement on Cardiff. It is now clear that the Council faces a significantly greater financial challenge in 2014/15 and that the turnaround in funding from Welsh Government since its figures were published in December 2012 is a decrease of £21.4 million.
100. Cardiff's Budget Gap is now calculated at £46 million but the report rehearses arguments as to why the Council should work to a total requirement of £50 million.
101. The report identifies scenarios in respect of the MTFP which, if realised, would result in financial sustainability issues for the remaining directorates. The Council's ongoing scenario planning will need to consider the impact if changes are made to this controllable base budget calculation as a result of changing policy decisions at a Welsh Government and Council level in respect of both schools and social care.
102. In this challenging financial environment it is vital that savings proposals are robust and that significant changes to business processes do not impact on the financial control environment in a negative manner. In addition to the formal risk assessment process the Budget Report will need to consider the increasing level of risk attached to budget savings proposals and what mitigations it is able to put in place in respect of this.
103. The report also sets out the continuing bleak picture of the quantum of capital resources in the medium term and confirms that there is little opportunity for new schemes unless they can be contribute to savings targets through service and buildings rationalisation or be seen to be self-financing.
104. In setting the Council's budget strategy for 2014/15 it is acknowledged that the budget setting process must be flexible enough to react to both unknown and anticipated but not fully quantified financial risks and challenges.

HR Implications

105. The report outlines the significant financial challenges facing the Council following Welsh Government's funding Settlement for Cardiff. The increase of the budget gap of £33 million in July 2013 and now increased to £50 million in October creates significant and unprecedented people implications of managing the financial pressures facing the Council as outlined in this report. The staff communication from the Leader and Interim Head of Paid Service on 17 October clearly acknowledges that the extent of this financial challenge means that the

Council will have to make very significant cuts each year for the foreseeable future. Consequently, as almost half of the Council's spend is on employees, the reality is that the number of people in our workforce will significantly reduce. The Council will continue to seek every opportunity to avoid or minimise compulsory redundancies where possible, however the scale of the change required will be such that redundancies cannot be avoided.

106. Preparing savings proposals on budget reductions will inevitably impact on staff costs particularly in those directorates where these costs represent the most significant element within the overall budget. The process of developing and discussing additional financial planning scenario will commence with a view to consulting on savings proposals with the trade unions prior to approval of the Corporate Plan and Budget in February 2014. It will be essential that there continues to be appropriate consultation on proposals which are taken forward by the Cabinet. Many of these will have people implications which will need to be considered at an early stage in consultation with the Trade Unions and staff impacted.
107. In addition to the use of the Council's Voluntary Severance Scheme, other mechanisms available within the Employee Support Framework to support these significant challenges include continued use of the Flexible Retirement Policy, Sabbatical Leave and a suite of flexible working policies. These will be promoted more widely to ensure that staff and managers are aware of this provision. Whilst Redeployment will be subject to review, support for those ultimately displaced will continue. However, it must be recognised that redeployment opportunities are likely to arise less frequently in future.
108. Cabinet have indicated their wish to introduce additional mechanisms concerning the advertising and filling of posts. This would include Directors seeking formal sign off from their Cabinet Members where there are urgent and business led needs for a post to be advertised and filled. If this principle is confirmed, a clear process and criteria will need to be developed.
109. Additionally there will need to be a continued focus on reducing agency spend, rigorous management of overtime and continued focus on driving compliance with the new Attendance & Well Being policy
110. The ability to express an interest in being released on the grounds of voluntary severance is open to all and there are currently circa 800 people registered on the database. Details of these have now been passed to directors in order for them to determine business cases for those who wish to leave the Council.

RECOMMENDATIONS

The Cabinet is recommended to:

- (1) Note the outcome of the Welsh Government Provisional Settlement for 2014/15.
- (2) Note the opportunities and issues identified as part of the Financial Resilience exercise and agree that that these should be pursued further where relevant. In particular the approach to the Council's Minimum Revenue Provision will be reviewed.
- (3) Agree that the Budget Reduction Requirement increases to £50 million which includes a contingency of £4 million and agree that a delegation be given to the Interim Head of Paid Service in consultation with the Cabinet Member for Finance and Economic Development to develop a targeted approach for the additional amount of £17 million that directorates will need to identify.
- (4) Agree that directorates work with the relevant Cabinet Member, in consultation with the Interim Section 151 Officer and Cabinet Member for Finance & Economic Development to identify potential savings to meet the additional indicative Budget Reduction Requirement of £17 million.
- (5) Agree that the Cabinet should receive a report in December in relation to a revised Redeployment policy.
- (6) Agree that consultation should commence with the trade unions as soon as is reasonably practicable on options relating to employment costs with a view to a further report being brought to December's Cabinet.
- (7) Agree that those significant budget savings proposals that require early decisions be the subject of a further report to Cabinet in December.

MARCIA SINFIELD

Interim Section 151 Officer
4 November 2013

The following Background Documents have been taken into account:-

Welsh Government Local Government Settlement for 2014/15 – 16 October 2013
2014/15 Budget Strategy Report – 25 July Cabinet



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Date 8 November 2013

My Ref SS/CYP/PK

Your Ref:

Councillor Siobhan Corria
Cabinet Member for Children's Services
County Hall
Atlantic Wharf
CARDIFF
CF10 4UW

Dear Siobhan

Thank you for attending Children and Young People Scrutiny Committee on 5 November to support our scrutiny of the Children's Services Directorate Budget Information Pack. We were pleased to hear that you and Tony had come back from your visit to Manchester with fresh ideas for meeting the financial challenges that are facing the Council. We were also pleased to consider Tony's thought provoking paper on options for generating efficiencies across his Directorate.

We recognise from your comments that reducing the burden of Out of County Placements is key to meeting your financial challenges, and noted your confidence that the work on Social Impact Bonds has the potential in the medium term to generate significant additional external finance, and that - in the longer term - investment in appropriate local facilities will reduce the need to support expensive Out of County placements, which are in themselves a symptom of the failure of local provision.

Much of the discussion that Members had at the end of Tuesday's meeting, however, focussed around concerns at the potential requirement for Cardiff's Social Care services to achieve an additional 10% savings target for 2014-15 that was referenced in the recently published updated Budget Strategy 2014 - 15, going to Cabinet today.

Members of this Committee are mindful of the Council's £50 million financial shortfall for 2014 - 15, and wish to play a responsible role in supporting Cabinet to make the right decisions for the Council in exceptionally challenging times. We recognise how difficult this is going to be, but have to remain resolute in our safeguarding responsibilities to vulnerable children, and the potentially huge financial, reputational and social damage to the Council that could result from a failure to effectively manage our statutory safeguarding duties.

The current economic downturn is already increasing risks to families, as evidenced by the current rise in number of cases of children being looked after or placed on the Child Protection Register. Funding to the local third sector organisations that might be expected to mitigate these risks has also been reduced. We are also aware from our recent Inquiry



into Child Health and Disability that staffing in many areas of Cardiff Children's Services is already lean in comparison with that deployed by other local authorities.

We are, therefore, obliged to express a strong concern about the potential risks to vulnerable children and families that would result from a 10% cut in funding to Children's Services, especially as this Administration has publicly identified protecting the most vulnerable as one of its three top priorities. We note in this context that neither the Director of Children's Services nor yourself could reassure us that a cut of this size could be considered as having a low risk.

Given that most of your budget is devoted to statutory provision, we can only see a cut of this nature decimating your early intervention and prevention agenda, which is designed in itself to save the Council money, by heading off potentially much more expensive interventions in the future. The Committee considers that should this agenda be proposed for savings, it may appear to be expedient in the short term, but will worsen the Council's medium and long term financial position.

The Committee also expressed alarm at how an apparent verbal comment made by one member of the WLGA Peer Review team that was neither connected to any of the Team's findings, nor referenced anywhere in the Peer Review report itself, could have led in such short order to inclusion in an updated Budget Strategy 2014-15 report. Several Members of this Committee were briefed by Sir Peter Rogers in advance of the Peer Review report's publication, and none of them can see where this issue had arisen. I would therefore be pleased if you could describe for us why Cabinet has come to place such weight on a comment made in a verbal briefing, and how Cabinet can imagine that a 10% cut to social care in Cardiff, coupled with current demographic pressures, can be achieved?

Members of this Committee recognise that you and your Cabinet colleagues will be facing difficult and stressful conversations in coming weeks, and we do not wish the above comments to appear irresponsible. On the contrary, we are trying to help you to recognise the potential mid to long term difficulties that cutting social care services in this way could present you, and seeking to champion the rights of our most vulnerable children.

I hope that you will be able to see the comments in this light, and look forward to receiving your response to the questions we have raised above within the next month.

Yours sincerely



COUNTY COUNCILLOR SUE LENT

Chairperson – Children and Young People Scrutiny Committee

CC: Tony Young, Director of Children's Services
Wendy Carroll, Service Manager, Children's Services
Jo Watkins, Cabinet Support Manager
Tracey Scully, Cabinet Support Officer

My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 18 September 2013



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Councillor Russell Goodway
Cabinet Member Finance & Economic Development
Cardiff Council, County Hall
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Dear Councillor Goodway,

**POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE
12 SEPTEMBER 2013 – Budget Strategy 2014/15**

Thank you for attending the meeting of the Policy Review and Performance Scrutiny Committee which considered the Council's Budget Strategy for 2014/15. Committee Members had a number of comments which they have asked me to relay.

The Committee was grateful for the briefing provided by you and the Interim Section 151 Officer. It is clear that the Council faces a considerable challenge to meet the anticipated gap in funding over the medium term. The Committee noted the savings drivers set out in the report, including those which are policy-led, business process-led, and the more traditional directorate-led savings. The Committee has a long-standing interest in the former Transformation Portfolio and has queried with you on previous occasions the detail of your portfolio objective to develop a five year plan to look at how service delivery can be maintained and improved given reduced resources. The Committee therefore wishes to be kept informed as these plans are developed and asks that we continue to work together to strengthen the Committee's working relationship with you as Cabinet Member.

In terms of developing savings proposals, Members discussed at the meeting the difference between those services which the Council must or should deliver for the citizens of Cardiff and those which are 'nice to have'. The budget process is inevitably portfolio- and directorate- focussed, but there is a need to take a more holistic view point. The potential impact of cuts to one 'nice to have' service on other essential services must be considered. We noted that you are developing relationships with partners in order to find a way forward for some non-essential services currently delivered by the Council and your statement that you are interested in Scrutiny Members' views in this area. We hope to engage fully with you in the development of these ideas.

The Committee noted that proposals are under development to put before Cabinet in terms of the Council's grants to external bodies and are aiming to give pre-decision scrutiny to this at our next meeting. It is encouraging that these discussions are commencing earlier in the year; as you will recall, the Committee were concerned



last year that third sector organisations had been given very little time to put in place mitigating actions before their funding was cut.

The Committee raised the issue of the ongoing affordability of the Council's level of borrowing at the meeting. This remains of some concern and is something which we will continue to bear in mind in future meetings.

Budget process

As you will recall from the Committee's scrutiny of the 2013/14 budget proposals, Members had concerns around the process for their development and have asked me to relay some comments in relation to these:

Information – Members had previously commented that the information available to them as Scrutiny Members was insufficient, that it was difficult for Members to understand the totality of the Council's budget and the selection of particular savings proposals as opposed to others. Members welcomed the development of directorate-level budget briefing packs and will schedule a consideration of these for our November meeting. We hope that this will give us the necessary preparatory information to enable an effective scrutiny of the budget proposals.

The Committee welcomed the offer of further training in the Risk and Equality Impact Assessment of the proposals for those Members who wish to take it up. Given the importance of the latter in mitigating the effects of savings on citizens, we will also wish to ensure that Scrutiny Members have access to all Equality Impact Assessments as background information to the scrutiny budget papers.

Timescales – Members have previously requested earlier access to the Budget Proposals. We note that you did not confirm at the meeting at what point the Proposals would be released into the public domain and whether they would be published at January Council. We would be grateful for your clarification so that we can schedule our Budget Scrutiny as appropriate.

Proposals narrative – Members have previously commented that the descriptions of the proposed savings was often unsuitable for the intended audience. We were glad to hear that Finance officers are working with directorates to ensure that the 2014/15 proposals contain an improved narrative. We urge you to take into account the multiple audiences, professional and public, who will need to understand the proposals and their implications. We will bear this in mind when considering the draft Budget Proposals.

Consultation – Last year the Committee noted several areas that needed to be improved in both the content and structure of the budget consultation. We are pleased that you appear to have taken these comments into account in developing options for this year's process. Officers set out consultation opportunities such as the ongoing use of the Ask Cardiff survey to establish citizens' service priorities; a wide-scale electronic survey on the detail of the proposals themselves; and an in-depth focus group via the Citizens Panel to discuss the future shape of the Council. We urge you to ensure that these options are put into practice. We also recommend that you take into consideration the views of those citizens who prefer not to or are unable to access web-based surveys. Members therefore recommend that surveys are distributed in Council

buildings (libraries, Hubs, leisure facilities etc) and that efforts are also made to contact service users who often may not be as vocal: those who use Housing Advice and social services, for example.

The Committee requests that the full results of this consultation activity is made available to all Scrutiny Committees to aid their consideration of the draft Proposals, and that the timing of the consultation is arranged in order to ensure this is feasible and that papers are not tabled at Committee meetings. We would also like to see a comprehensive review of the effectiveness of this consultation and the extent to which comments were taken into account after the Budget has been finalised.

Finally we urge you to continue to ensure that the budget process is as transparent as possible and that Members are engaged to the extent that they have a full understanding of the decisions being made and their implications.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nigel Howells', with a stylized flourish at the end.

COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc Marcia Sinfield, Interim Section 151 Officer
 Allan Evans, Operational Manager, Service Accountancy
 Cabinet Office
 Members of the Policy Review & Performance Scrutiny Committee



Voices for Cardiff

Ask Cardiff 2013 Response



Background

Cardiff Council undertakes an annual “Ask Cardiff” which seeks the views of the city’s residents on a wide range of issues. Typically the survey includes questions from the Council’s key partners as well as from the majority of the Council’s service areas and is instrumental in gauging public opinions and informing service delivery.

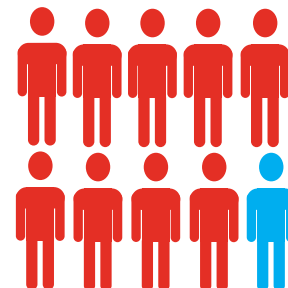
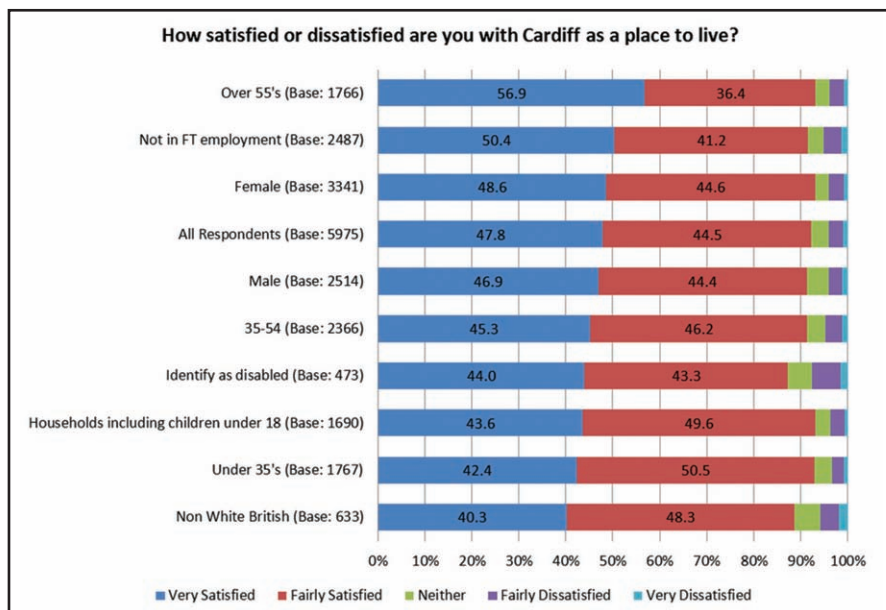
The latest version of the survey was undertaken over the summer of 2013 and was distributed via the following means:

- **A random postal sample of 6,000 households stratified by electoral division**
- **Tweeted to the 24,000 twitter followers of Cardiff Council**
- **Council employees via ‘Your Inbox’**
- **Via email to users of Libraries, C2C, Council Tax online account holders, Active Card holders, Castle Key Holders and members of the Cardiff Citizens’ Panel (47,748 unique email addresses)**
- **Via text message to Tidy Text users (12,009 users)**

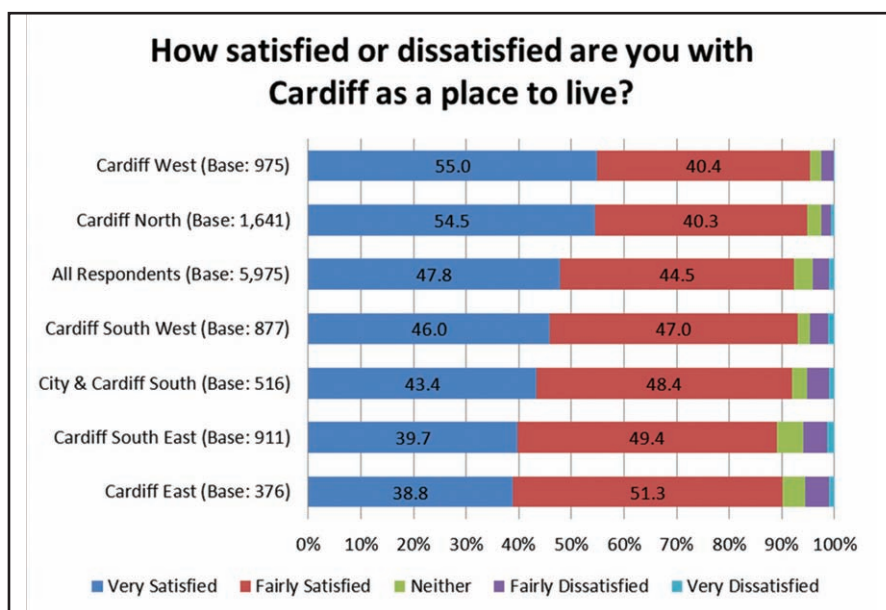
A total number of **6,113 responses** were received from members of the public.

The survey covered a wide variety of topics including transport, leisure and waste. Additionally the 2013 survey also sought public opinion on a variety of questions relating to Council Priorities and Performance which are reported on here.

How satisfied or dissatisfied are you with Cardiff as a place to live?



More than **nine in ten** people were either **'very'** or **'fairly'** satisfied with Cardiff as a place to live.



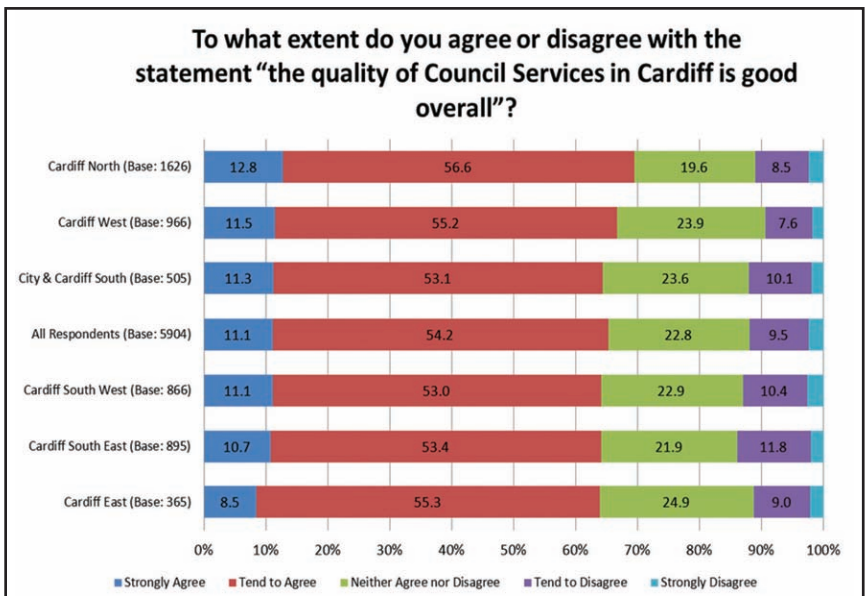
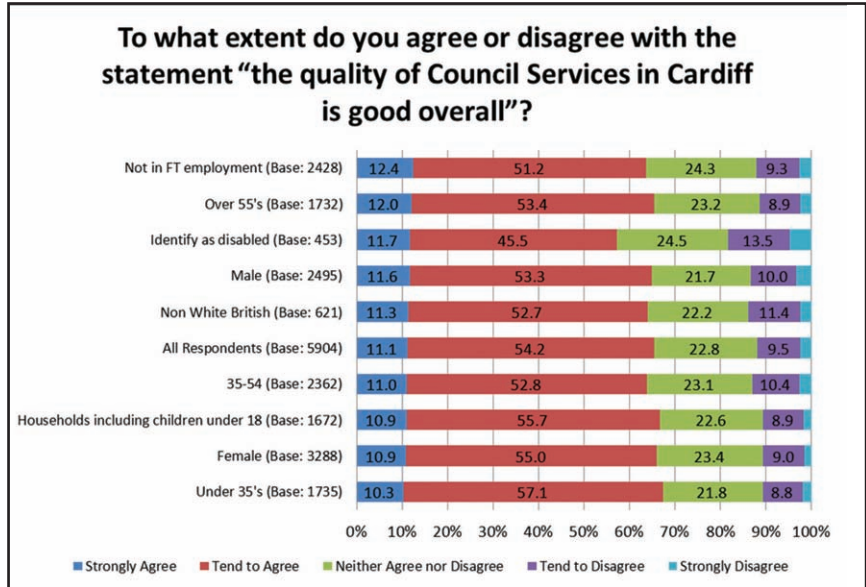
55.0% of residents in Cardiff West were **'Very satisfied'** compared to 38.8% in Cardiff East.

➤ Over 55's were the group most satisfied with Cardiff as a place to live.

➤ 56.9% of the over 55's were 'very satisfied' compared to just 42.4% of under 35's.

To what extent do you agree or disagree with the statement “the quality of Council Services in Cardiff is good overall”?

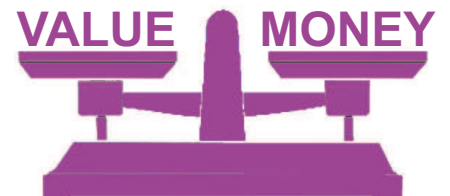
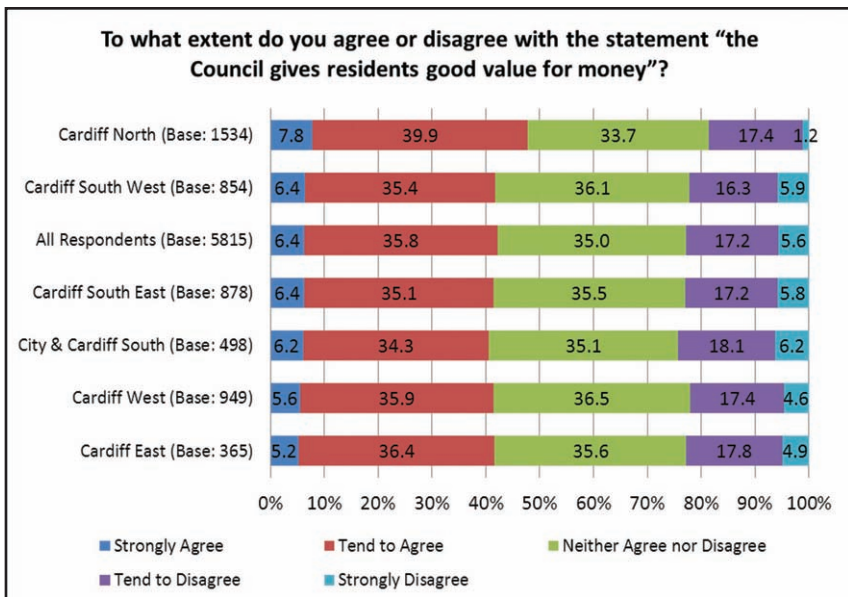
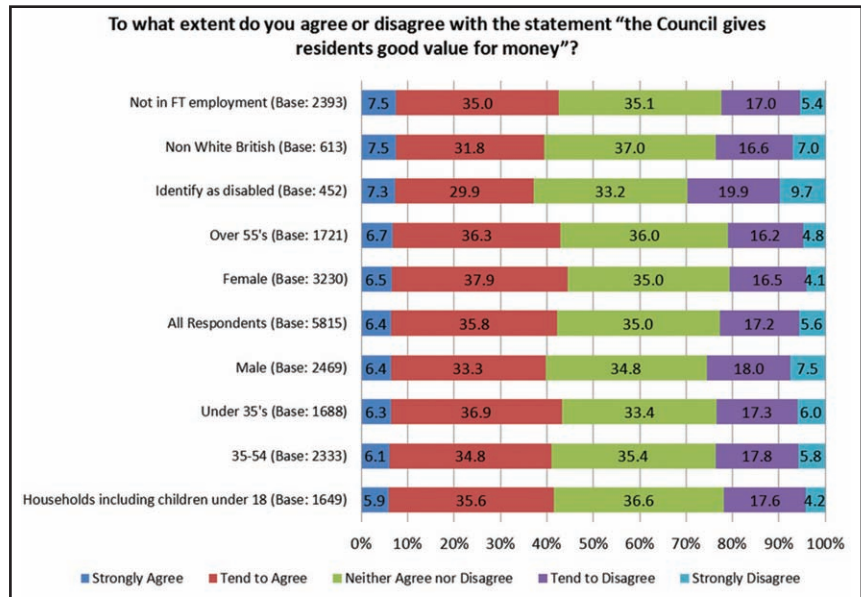
Two thirds (65.3%) ‘agreed’ that the quality of Council services in Cardiff was good overall.



Amongst those identifying as disabled this figure fell to 57.2%.

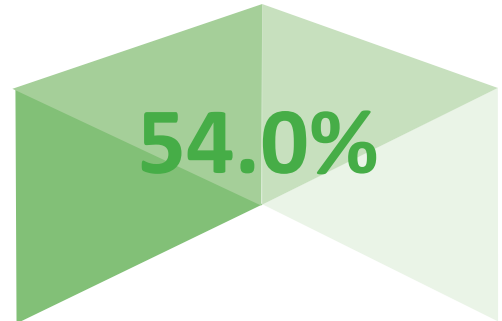
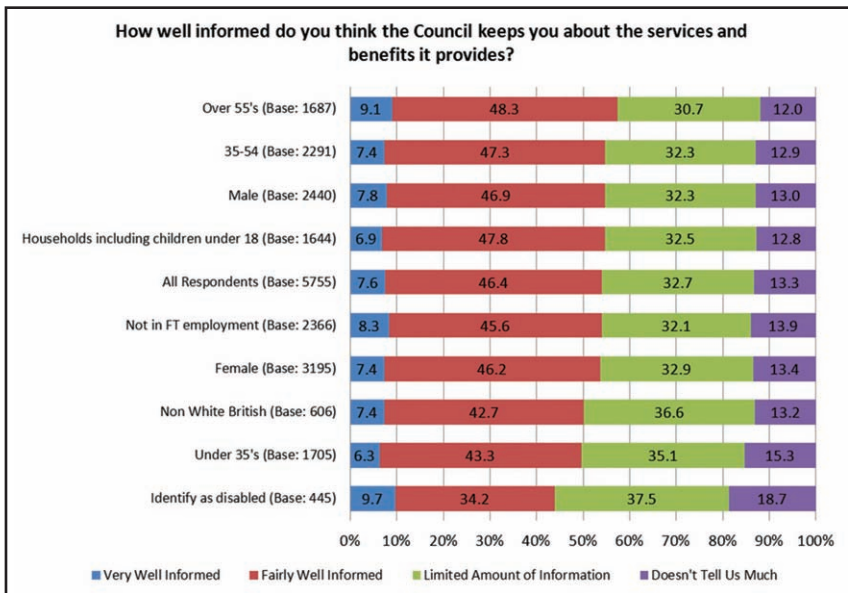
To what extent do you agree or disagree with the statement “the Council gives residents good value for money”?

Two fifths (**42.2%**) ‘agreed’ that the Council gives residents good value for money.

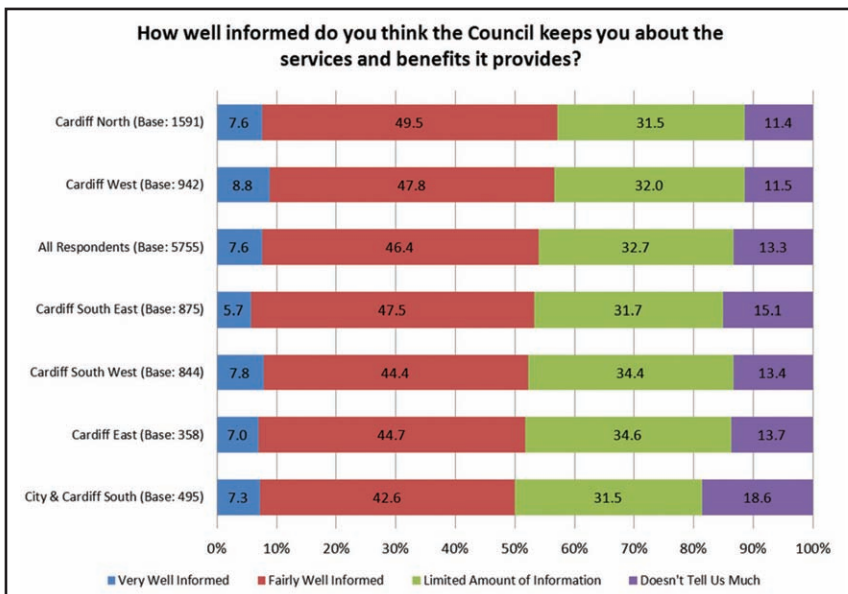


Almost half (**47.7%**) of residents in Cardiff North ‘agree’ with the statement compared to **40.5%** in Cardiff South.

How well informed do you think the Council keeps you about the services and benefits it provides?



54.0% of respondents felt 'very' or 'fairly' well informed by the Council.



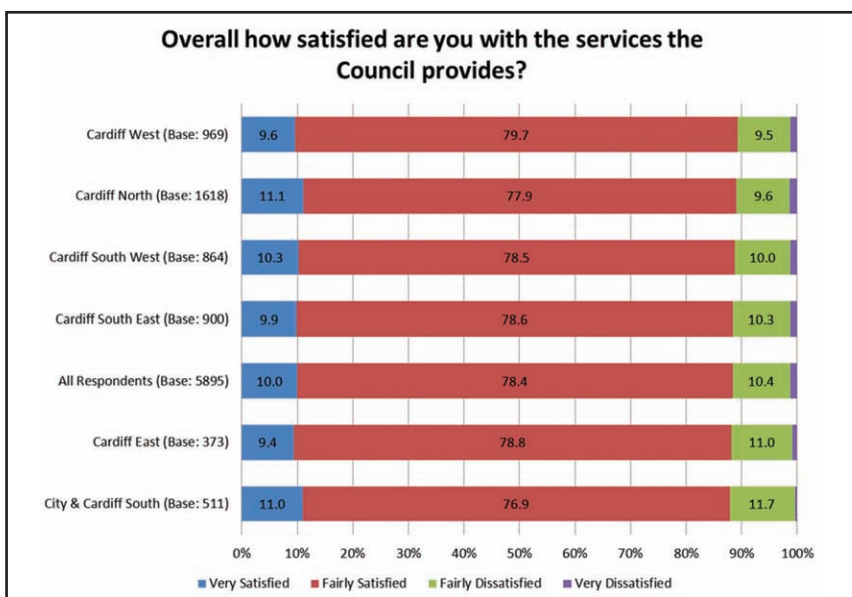
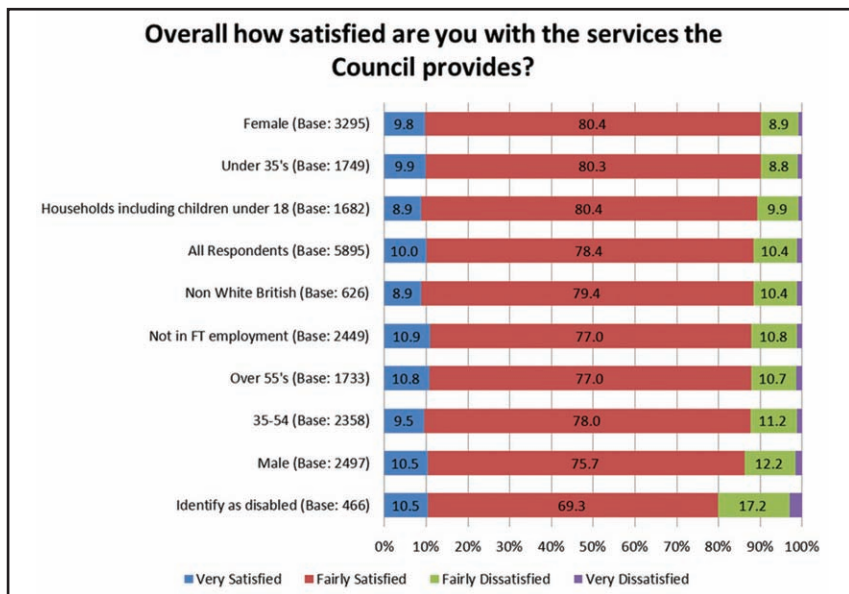
Residents in Cardiff North were slightly more likely to feel informed regarding Council services and benefits than those in City & Cardiff South.

➤ Over 55's were most likely to feel well informed by the Council (57.4%).

➤ Those identifying as disabled were less likely than other groups to feel well informed of the services and benefits provided by the Council (43.9%).

Overall how satisfied are you with the services the Council provides?

Approximately **nine in ten (88.4%)** respondents were 'satisfied' with the services that the Council provides.



This falls to **eight out of ten** amongst those identifying as disabled (**79.8%**).

➤ Satisfaction with Council services was broadly the same across all of the Neighbourhood Partnership area.

The Council is committed to providing quality services that best meet the needs of local people. Which do you consider to be the highest and lowest priorities for improvement?

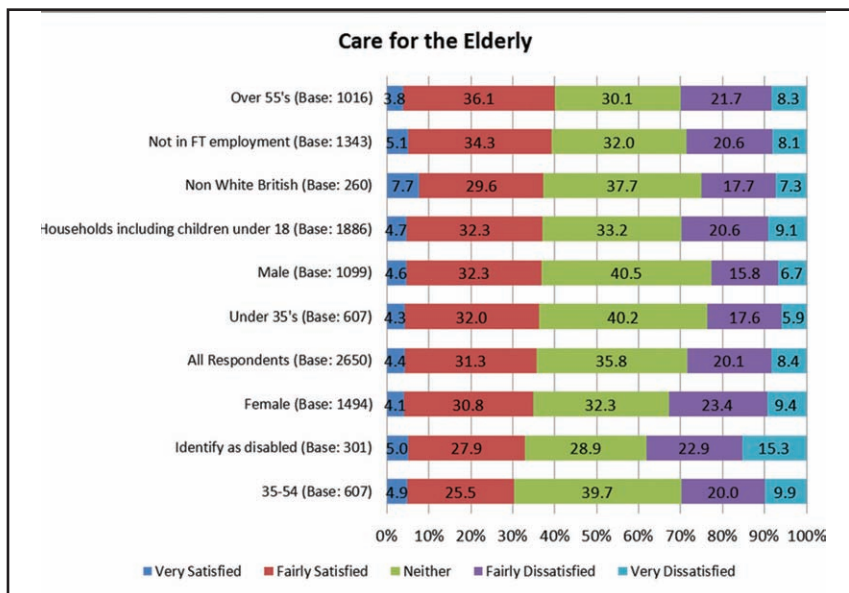
		Highest Priority		Lowest Priority	
			%		%
All Respondents	1	Education	38.2	Major events and venues	28.3
	2	Community safety and crime prevention	36.6	Equal Opportunities	23.5
	3	Street repairs and traffic management	35.7	Regeneration of the city centre and Cardiff Bay	23.0
Households including children under 18	1	Education	56.0	Major events and venues	29.3
	2	Community safety and crime prevention	36.9	Equal Opportunities	26.0
	3	Attracting and retaining jobs	34.6	Regeneration of the city centre and Cardiff Bay	24.9
Under 35's	1	Attracting and retaining jobs	37.0	Major events and venues	24.1
	2	Education	35.4	Housing - New housing development	22.2
	3	Community safety and crime prevention	34.2	Regeneration of the city centre and Cardiff Bay	22.0
35-54	1	Education	43.0	Major events and venues	29.1
	2	Community safety and crime prevention	38.3	Equal Opportunities	25.2
	3	Attracting and retaining jobs	36.7	Regeneration of the city centre and Cardiff Bay	24.6
Over 55's	1	Litter, street cleansing and recycling	43.4	Major events and venues	32.4
	2	Community safety and crime prevention	39.4	Equal Opportunities	26.2
	3	Street repairs and traffic management	37.2	Regeneration of the city centre and Cardiff Bay	22.4
Male	1	Street repairs and traffic management	39.6	Equal Opportunities	30.4
	2	Education	36.0	Major events and venues	29.6
	3	Community safety and crime prevention	35.7	Regeneration of the city centre and Cardiff Bay	22.3
Female	1	Education	40.6	Major events and venues	27.5
	2	Community safety and crime prevention	37.7	Regeneration of the city centre and Cardiff Bay	23.7
	3	Attracting and retaining jobs	34.6	Housing - New housing development	22.4
Identify as disabled	1	Street repairs and traffic management	40.1	Major events and venues	31.1
	2	Community safety and crime prevention	38.2	Regeneration of the city centre and Cardiff Bay	24.4
	3	Litter, street cleansing and recycling	37.4	Equal Opportunities	22.3
Not in FT employment	1	Education	39.8	Major events and venues	31.2
	2	Community safety and crime prevention	38.1	Regeneration of the city centre and Cardiff Bay	24.0
	3	Street repairs and traffic management	36.8	Equal Opportunities	22.7
Non White British	1	Community safety and crime prevention	39.1	Major events and venues	30.2
	2	Education	37.5	Housing - New housing development	21.7
	3	Attracting and retaining jobs	35.2	Regeneration of the city centre and	21.6



The different groups were broadly consistent in their identification of priorities with 'Education' coming out as the top priority overall and 'major events and venues' as the lowest.

How satisfied or dissatisfied are you with the following services in Cardiff?

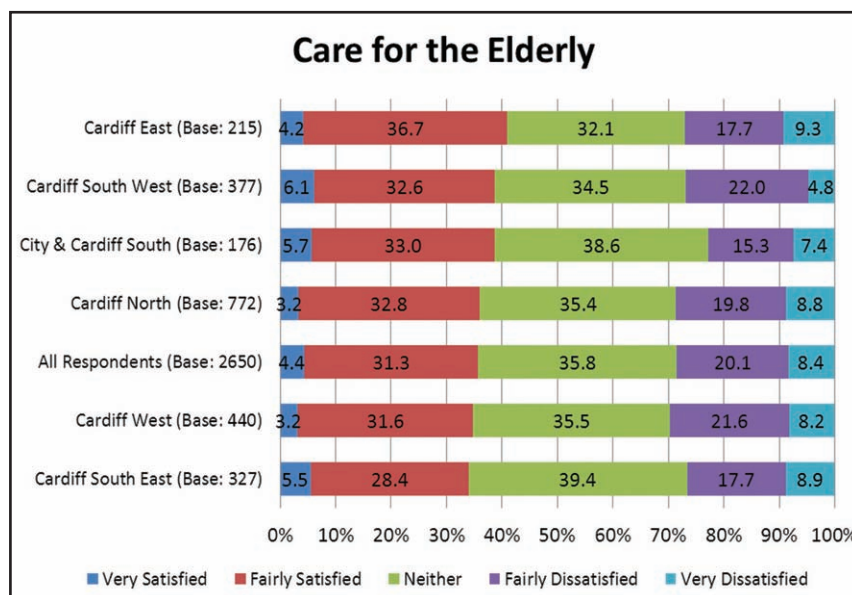
Care for the Elderly



A third (35.7%) of respondents were 'satisfied' with care for the elderly in Cardiff.



Residents in Cardiff East were slightly more likely to be satisfied with services than those in the rest of the city.



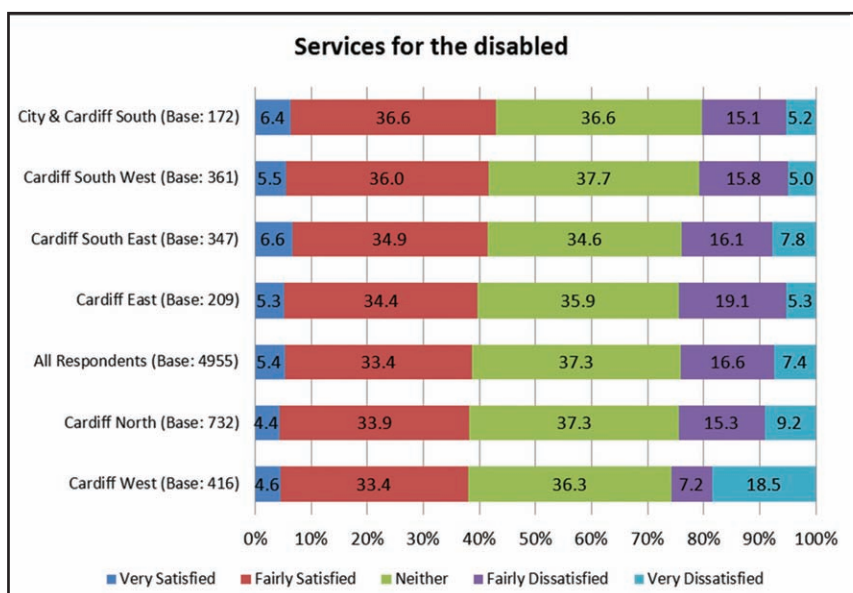
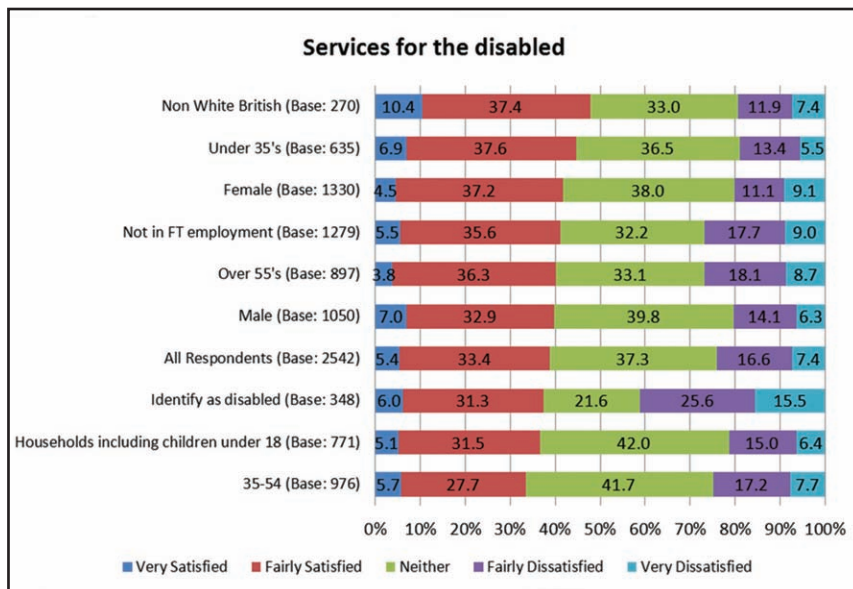
Those residents identifying as disabled were most likely to express dissatisfaction with care for the elderly in Cardiff (38.2%).

How satisfied or dissatisfied are you with the following services in Cardiff?

Services for the disabled

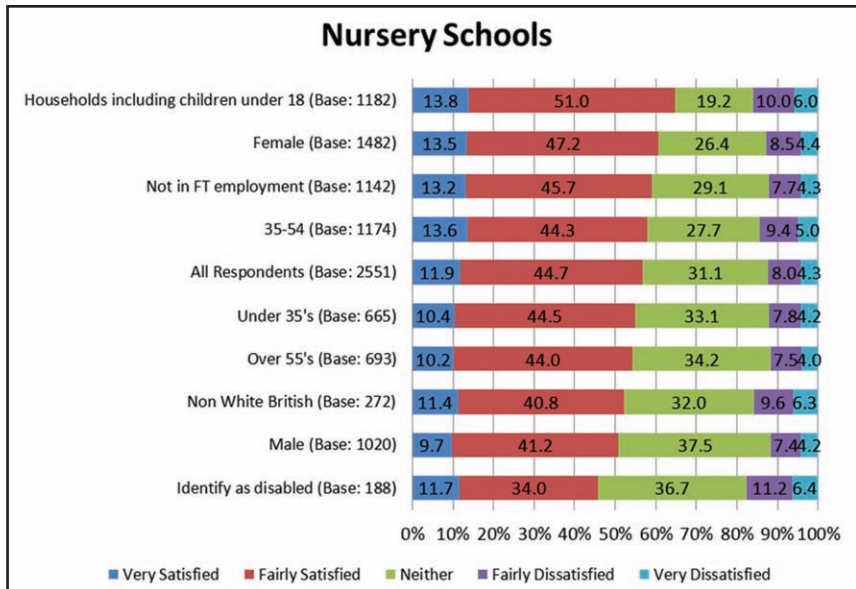


Satisfaction with services for the disabled was found to be consistent **across all areas of the city.**



How satisfied or dissatisfied are you with the following services in Cardiff?

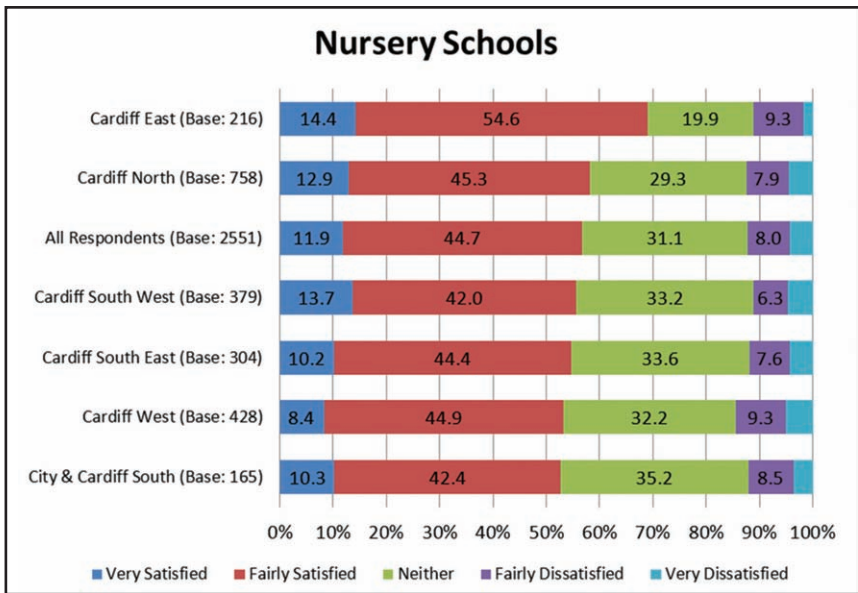
Nursery Schools



Households including children expressed the highest levels of satisfaction with nursery schools (64.8%).

56.6% of respondents were 'satisfied' with nursery school services in Cardiff.

satisfied

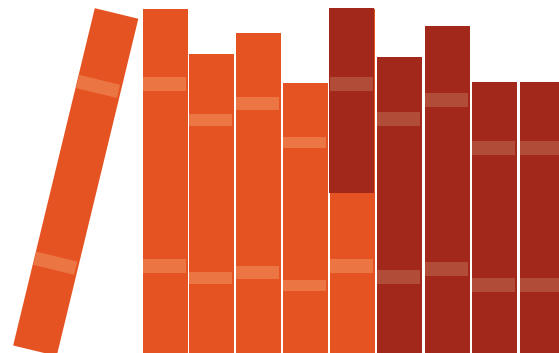
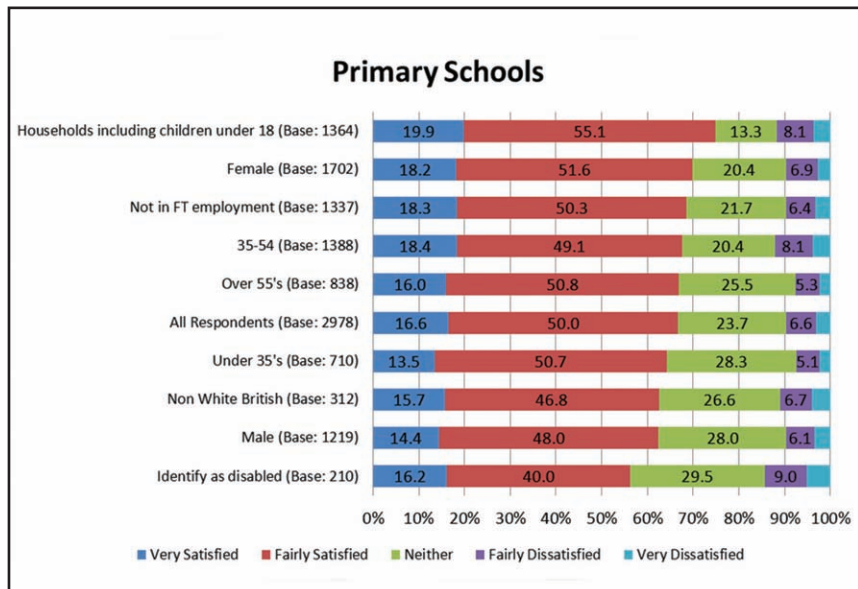


➤ Residents in Cardiff East reported the most satisfaction with nursery schools (69.0%).

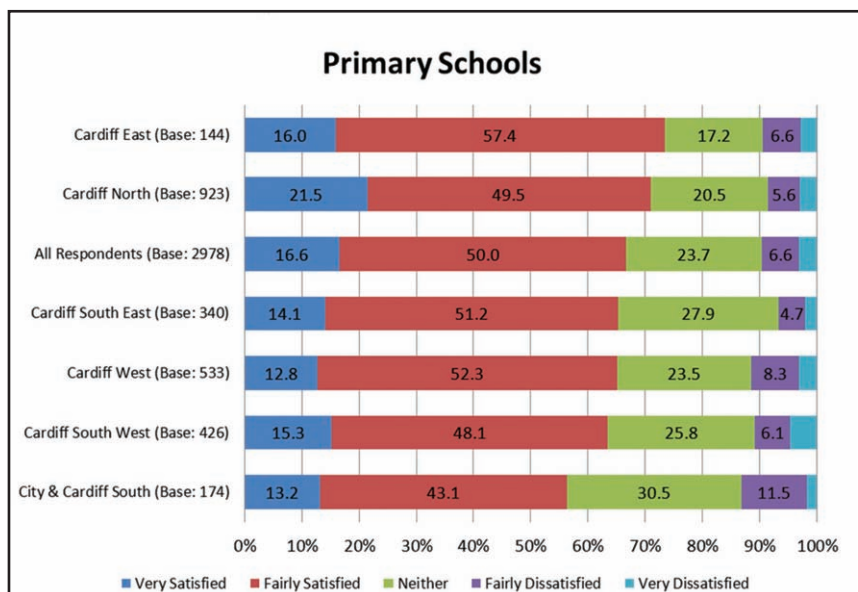
➤ Residents in City & Cardiff South were least satisfied with this service (52.7%)

How satisfied or dissatisfied are you with the following services in Cardiff?

Primary Schools



66.6% of respondents were 'satisfied' with primary school services in Cardiff.

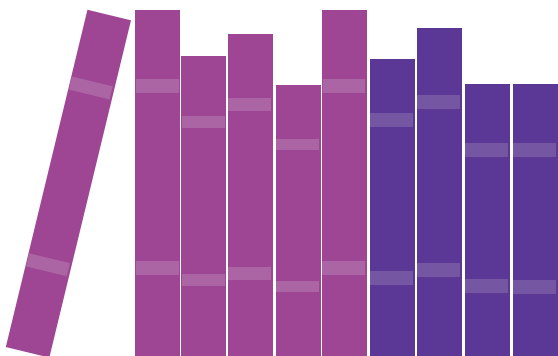


Households including children expressed the highest levels of satisfaction with this service (75.0%).

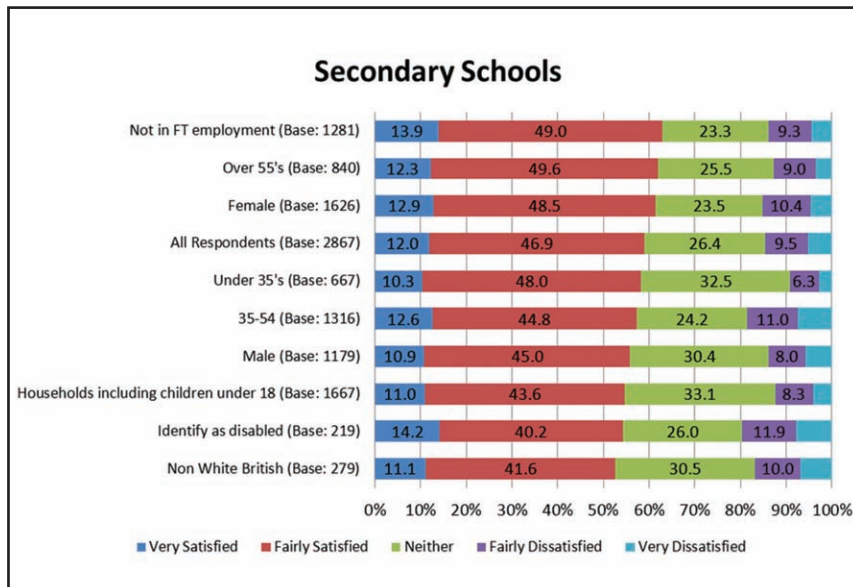
➤ Three quarters (73.4%) of residents in Cardiff East were 'satisfied with this service compared to 56.3% of those in City & Cardiff South.

How satisfied or dissatisfied are you with the following services in Cardiff?

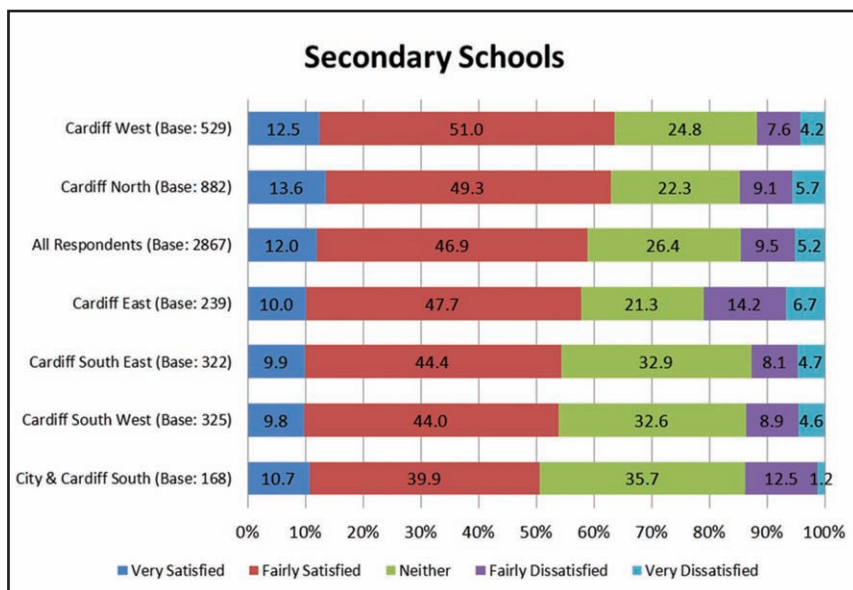
Secondary Schools



Three fifths (**58.9%**) of respondents were **'satisfied'** with secondary school services in Cardiff.



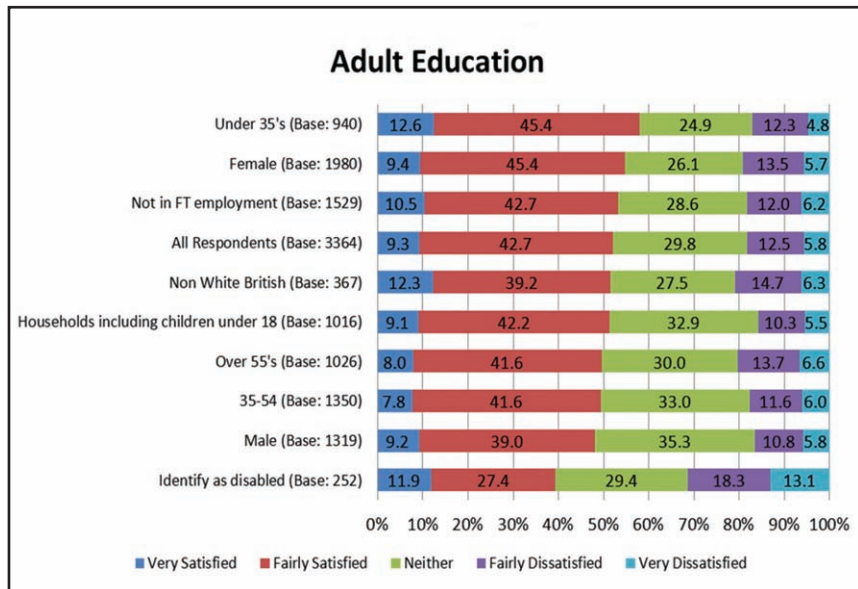
Households including children were amongst those groups **least satisfied** with this service (**54.6%**).



Almost two thirds (**63.5%**) of residents in Cardiff West were satisfied with these services compared to half (**50.6%**) of those in City & Cardiff South.

How satisfied or dissatisfied are you with the following services in Cardiff?

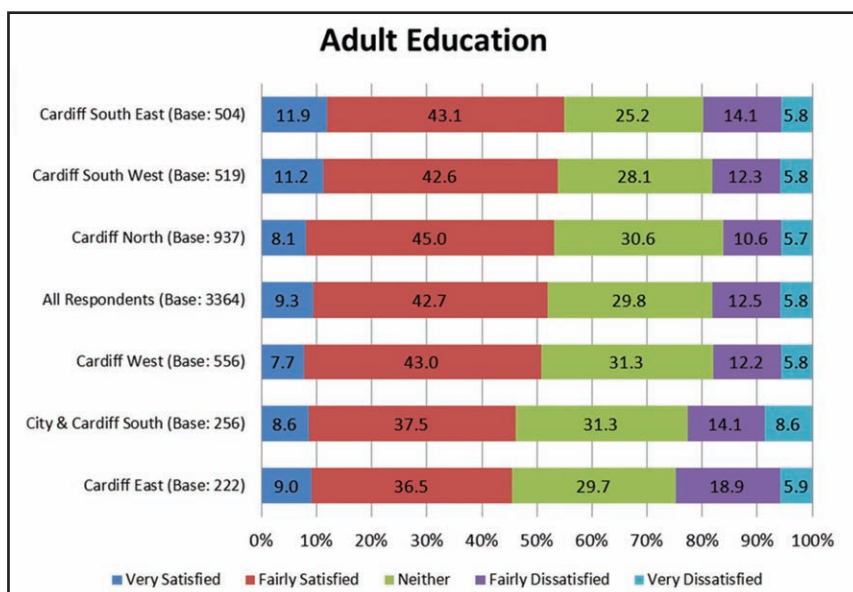
Adult Education



Overall, half (**52.0%**) of respondents were satisfied with adult education services in the City.



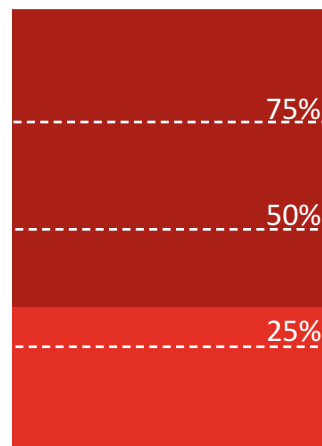
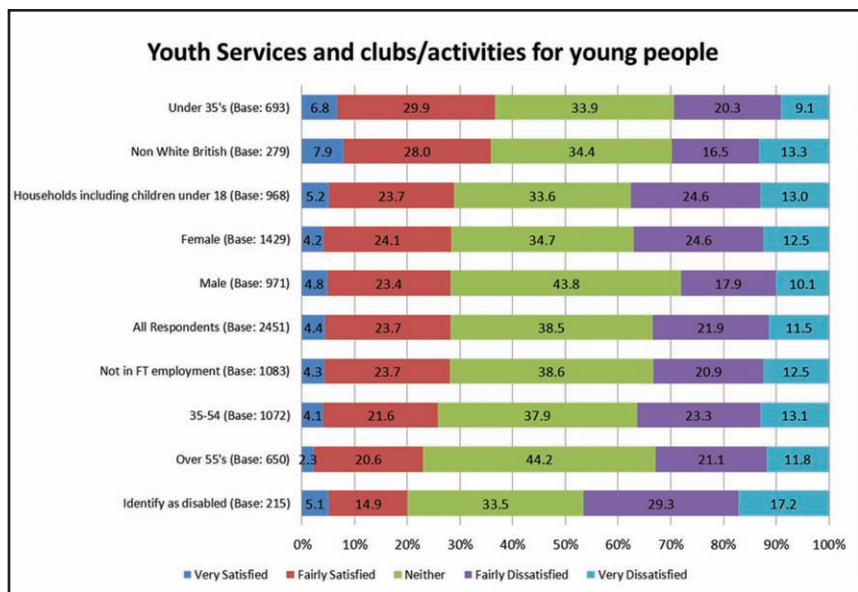
Residents in **Cardiff South East** and **Cardiff South West** were **most satisfied** with adult education services.



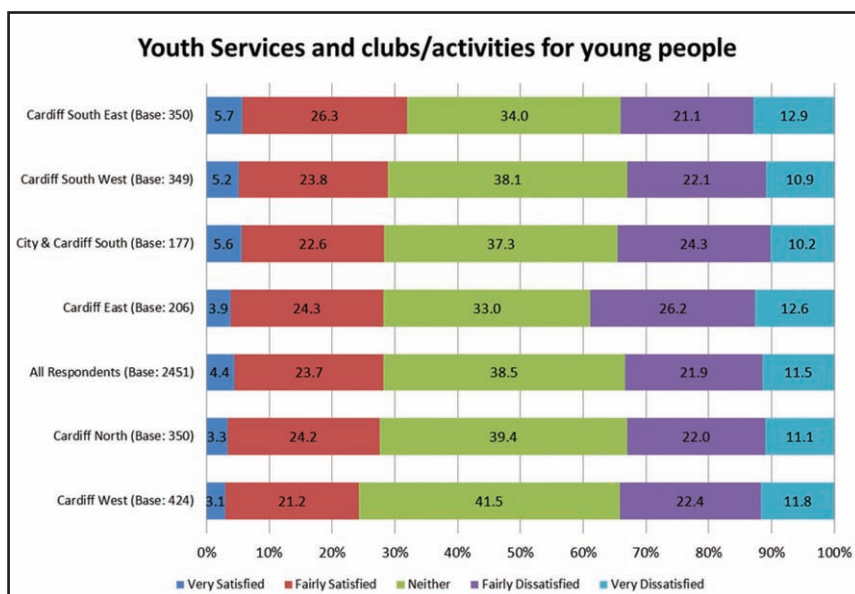
Under 35's, females and those 'not in full time employment' all expressed higher than average levels of satisfaction with the provision of adult education in Cardiff. Least satisfied were those identifying as disabled.

How satisfied or dissatisfied are you with the following services in Cardiff?

Youth Services and clubs/activities for young people



A third (33.4%) of respondents were 'dissatisfied' with youth services in the City.

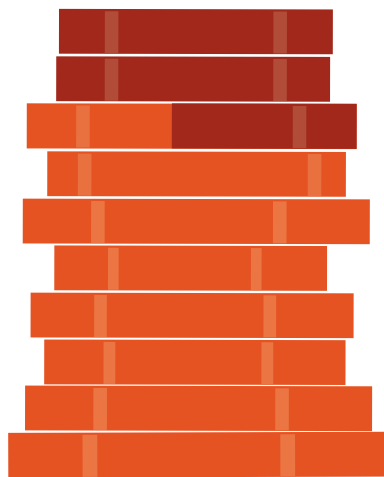


Dissatisfaction with youth services was highest in Cardiff East (38.8%).

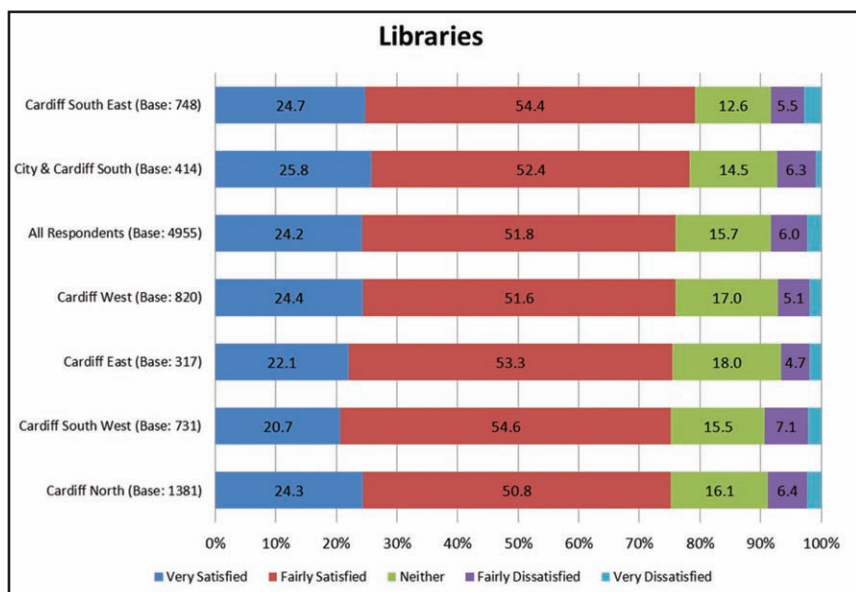
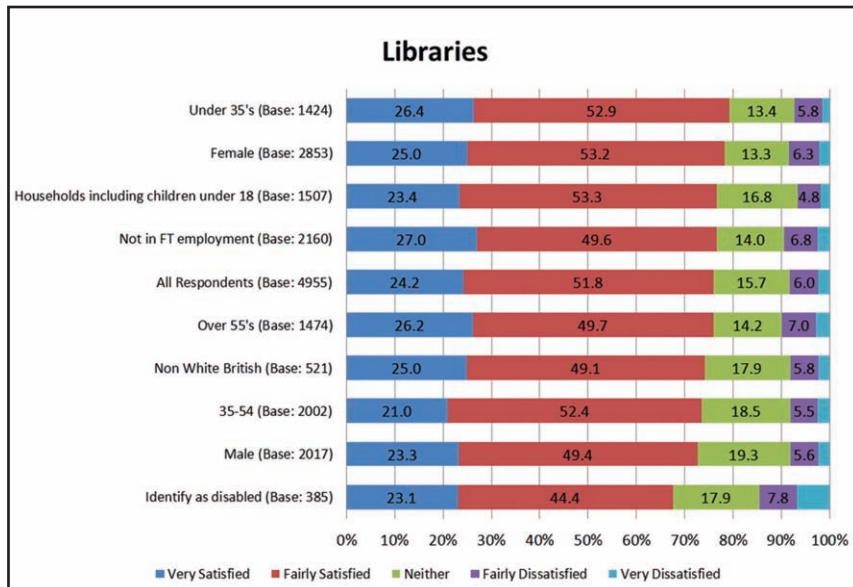
- Under 35's, non white-British respondents and households containing children were the groups most satisfied with youth services in Cardiff.
- Most dissatisfied were those respondents identifying themselves as disabled.
- Satisfaction with youth services was broadly consistent across Neighbourhood Partnership Areas.

How satisfied or dissatisfied are you with the following services in Cardiff?

Libraries



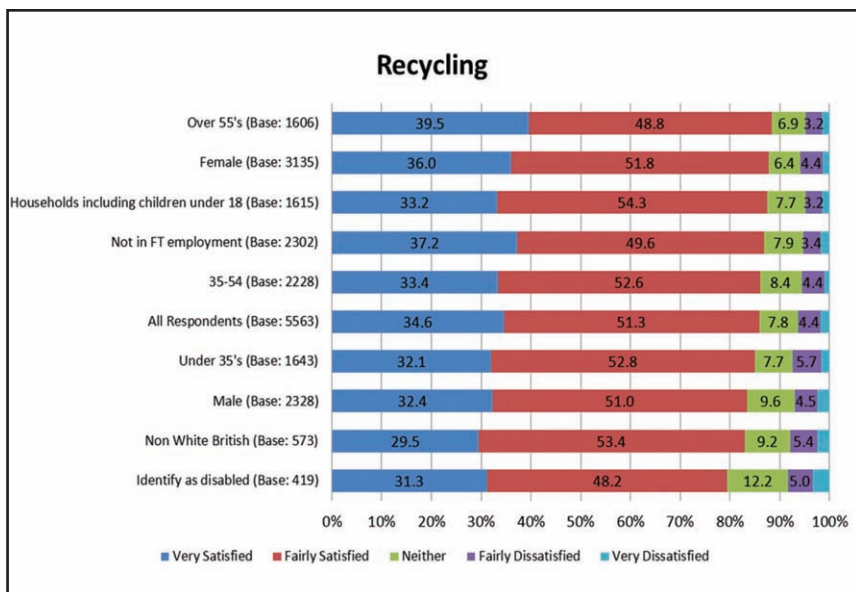
Three quarters (**76.0%**) were 'satisfied' with library services in Cardiff.



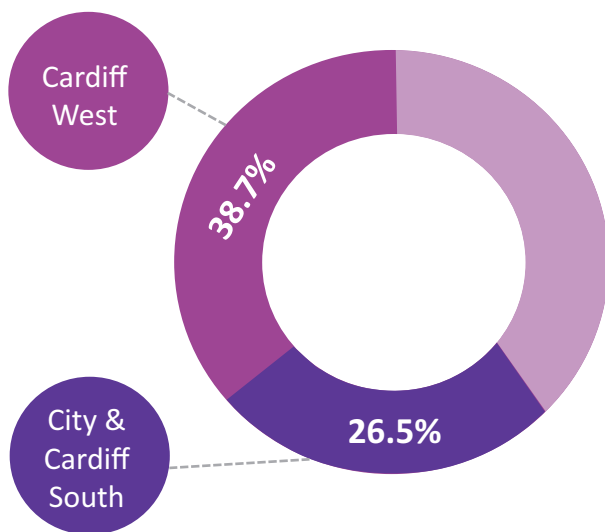
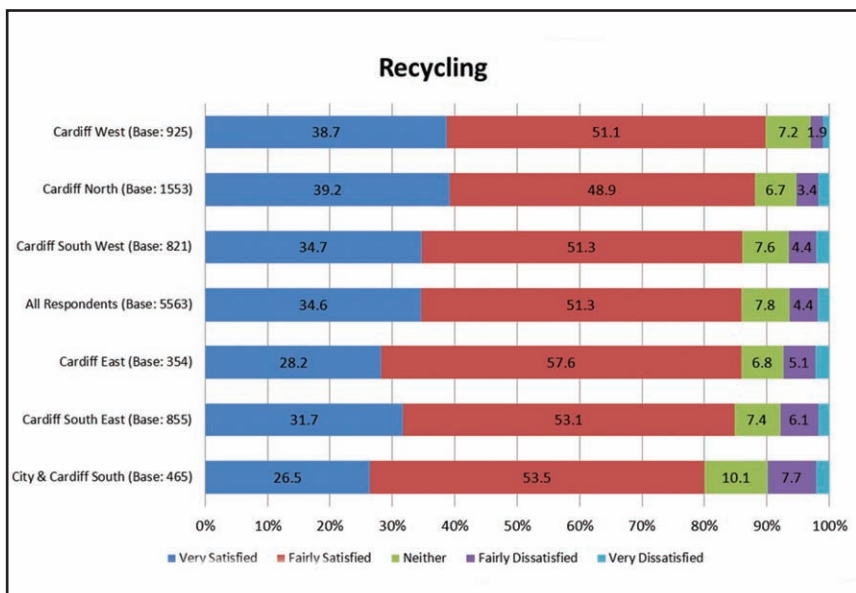
The levels of **satisfaction** with library services was broadly consistent across all of the Neighbourhood Partnership Areas.

How satisfied or dissatisfied are you with the following services in Cardiff?

Recycling



85.9% of respondents were 'satisfied' with recycling services in Cardiff.



38.7% of residents in Cardiff West were 'very satisfied' with this service compared to 26.5% in City & Cardiff South.

Choices for Cardiff

Cardiff Council Budget Consultation

> 2014/2015



Choices for Cardiff

Cardiff Council Budget Consultation



› The Budget Strategy

The purpose of this document is to encourage a discussion around the Council's budget for 2014/2015.

For the foreseeable future, local councils will have less money which means that tough decisions will have to be made. This comes at a time when the slow recovery from the recession combined with a number of other pressures, such as an ageing population and changes in welfare reform, means that services are in high demand.

We want to know **what you think**. How should we spend the money we have in order to **protect the services that matter most to people in Cardiff?**

We refer to this process as **making our services sustainable**. This means understanding and supporting the services that are most important to people, whilst making sure that we help those in most need.

We also know that choices come with consequences. We therefore want to encourage an open debate about the way forward and what this will mean for the city.

› The Stark Realities

The Welsh Government announced its draft budget for 2014/2015 on 8th October 2013. The bad news was that local government will see a significant reduction in the money it receives over the next few years. This is because of the UK Government's cuts which have resulted in a £1.7 billion cut in Welsh Government funding since 2010.

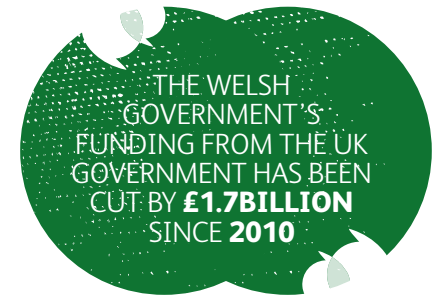
The level of the budget shortfall, an estimated £100 million over 3 years for Cardiff, means that a number of tough choices will need to be made about what we do and how we provide services in the future.

› Our Priorities for Cardiff

Whatever options we are faced with our commitment will be to:

- **Promote economic development as the engine for growth and jobs;**
- **Develop education and skills for people of all ages to enable them to fulfil their potential and be well prepared for employment in the Cardiff economy and beyond; and**
- **Support vulnerable adults, children and young people**

The Council's Administration were elected into office to deliver against these clear priorities. They will shape our thinking and all our decisions will be made with these considerations in mind.



*(Welsh Local Government Association)



› Promote economic development as the engine for growth and jobs

This priority will see the Council focus on developing the local economy by supporting local businesses, attracting investment from around the World and helping people into work. Our aim is to attract new, high quality jobs and turn Cardiff into a leading business city raising the quality of life for residents in the city and wider region.

Choices for Cardiff

Cardiff Council Budget Consultation



› Where are we now?

Next year the Council will need to bridge a budget shortfall of £50m which is due to the combination of a funding reduction and increased demand pressures on services. A number of services we provide are a statutory requirement (that means we have a legal duty to deliver them) so we have to do these. Several other services, such as the money given to schools, are protected by the Welsh Government and will not be taken into consideration when addressing the funding gap.

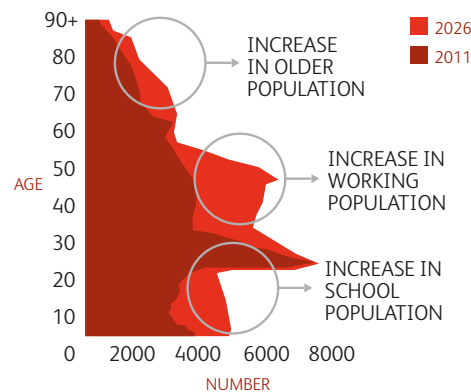
Over the past four years the level of savings identified as part of Cardiff Council's budget setting process has amounted to over £70m. However the pressure on services and the level of saving which is now required, places the Council in an unprecedented position. We will need to bridge an estimated £100m funding gap over the next 3 years.

Cardiff is not alone. All local authorities across the UK are facing difficult choices and the financial reality is that decisions will have to be made. However it is important that everyone has a voice.

› Other pressures facing the city

There are also other big issues we need to address in Cardiff. Difficult times mean that more people need access to support. Welfare Reform has had a considerable impact on families and communities in Cardiff and it is important that the Council helps people through these difficult times. But less money means that providing the support and services people need will become more difficult.

We also know that we have a growing population. Between 2011 and 2026 Cardiff's population is expected to increase dramatically, with the biggest percentage increase in population of almost anywhere in the UK.



This will mean a big increase in the number of older people and number of school age children during this period. This means greater pressures on a number of important Council services such as schools, home care for the elderly and waste management.



CARDIFF COUNCIL WILL HAVE **LESS MONEY...**

MORE PEOPLE WILL NEED SUPPORT...

THE CITY HAS A **GROWING POPULATION**



EXTRA 35% BY 2033

WELSH GOVERNMENT'S PROJECTION SUGGESTS CARDIFF'S POPULATION WILL INCREASE BY **35% (125,000)** OVER THE NEXT **20 YEARS**

› Develop education and skills for people of all ages to enable them to fulfil their potential and be well prepared for employment in the Cardiff economy and beyond.

The Council is committed to providing opportunities to help everyone fulfil their potential. In order to do this we need to focus on driving up education standards. If we are to attract major investment and jobs to the city then it is essential that people in Cardiff have good quality education and training opportunities delivering the right results.

Choices for Cardiff

Cardiff Council Budget Consultation



› Choices

Many of the services we value the most are provided by the Council.

Because of the budget situation however, we need to seriously prioritise what we do. The reality of this is that to maintain or improve some services, we will need to reduce the amount of spend in other areas. It is therefore important that we don't just ask your opinion. We have a responsibility to explain the consequences of any decisions we undertake. This consultation process is about:

- Understanding what is most important for you
- Understanding the impact of prioritisation

CARDIFF COUNCIL IS RESPONSIBLE FOR NEARLY **1100KM** OF ROADS AND **1900KM** OF PAVEMENTS

WE HAVE **51,322** CHILDREN IN OUR NURSERIES AND SCHOOLS (AS OF JANUARY 2013)



› Our Budget Strategy

There is no easy way to bridge a £50m budget shortfall in the Council's budget. The Council's Cabinet are looking at the best way to do this but we also want you to tell us what you think is most important for Cardiff.

The Cabinet is committed to understanding what your views are and will give serious consideration to all responses received. Initially we would like to know what your top priorities for Cardiff are, so please take the opportunity to complete our [Budget Priorities Consultation](#). This information will help inform the development of budget proposals and we will consult further on our more detailed proposals in the coming months. Please see below an initial timeline of how the budget will be developed.

Thursday 7th November: [Online consultation](#) on budget priorities opens. Regular snapshots of the feedback received will be publicised on the Cardiff Council website.

January 2014: The Council will open consultation on its full budget proposals and this will include us seeking views on some of the following:

- Overall budget proposals
- The key principles around which we are shaping our priorities
- Any alternative proposals or suggestions

27th February 2014: The final budget proposals will be discussed at Full Council

Any further updates will be published on the Cardiff Council website.


IN SEPTEMBER 2013 **9,534 PEOPLE** IN CARDIFF WERE CLAIMING UNEMPLOYMENT BENEFIT **4%** (OF THE WORKING AGE POPULATION)

HOW THE COUNCIL IS FUNDED: **78%** GENERAL FUNDING FROM WELSH GOVERNMENT, **22%** COUNCIL TAX

THERE ARE **75,000** UNDER 18'S IN CARDIFF WHICH IS SET TO RISE TO **100,000** BY 2020

75,000	100,000
2013	2020

SINCE 2008, THE NEED FOR OLDER PEOPLE'S HOME CARE HAS RISEN **BY 60%**



› Supporting vulnerable adults, children and young people

The way we treat our most vulnerable defines us as a society. The UK Government's cuts, reform of the welfare system and the slow economic recovery has had a significant impact on households in the city. It is essential that the Council protects those most vulnerable through these difficult times and ensures that the key frontline services supporting these groups are maintained.