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## AGENDA

**Committee** POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

**Date and Time of Meeting** WEDNESDAY, 14 JULY 2021, 4.30 PM

**Venue** REMOTE MEETING

**Membership** Councillor Walker (Chair)  
Councillors Ahmed, Berman, Bowen-Thomson, Cowan, Henshaw,  
Lister, Mackie and Williams

*Time  
approx.*

**1 Apologies for Absence**

To receive apologies for absence.

**2 Declarations of Interest**

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

**3 Minutes (Pages 5 - 10)**

To approve as a correct record the minutes of the previous meeting.

**4 Annual Well-being Report 2020/21 - to follow**

4.35 pm

Pre-decision scrutiny of the Council's Annual Well-being report to Cabinet.

**5 Budget Strategy 2022/23 (Pages 11 - 72)**

5.25 pm

Pre-decision scrutiny of the Cabinet report consolidating the Council's financial strategy for 2022/23.

**6 Correspondence Report (Pages 73 - 106)**

6.15 pm

**7 Urgent Items (if any)**

6.20 pm

**8 Way Forward**

**9 Date of next meeting**

To be confirmed.

**Davina Fiore**

**Director Governance & Legal Services**

Date: Thursday, 8 July 2021

Contact: Andrea Redmond, 029 2087 2434, a.redmond@cardiff.gov.uk

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POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

9 JUNE 2021

Present: Councillor Walker(Chairperson)  
Councillors Ahmed, Berman, Bowen-Thomson, Cowan,  
Henshaw, Lister and Mackie

1 : APPOINTMENT OF CHAIRPERSON & COMMITTEE MEMBERSHIP

Noted.

2 : TERMS OF REFERENCE

Noted.

3 : APOLOGIES FOR ABSENCE

None.

4 : DECLARATIONS OF INTEREST

None.

5 : MINUTES

The minutes of the meeting held on 18 May 2021 were agreed as a correct record.

6 : OUTTURN 2020/2021

The Chairperson advised Members that Committee has a remit within its Terms of Reference to monitor the Council's budget throughout the year and the Outturn 2020/21 is of particular interest following a difficult year. This report completes the financial monitoring process for 2020/21 and is an opportunity for Members to reflect on the Council's financial position at the year end, March 2021.

Members were advised that whilst the papers for this item would not be in the public domain until Friday, when Cabinet papers are published, the Leader had agreed that Committee could refer directly to the papers in its scrutiny.

Members were reminded that Appendix 8 would remain confidential when Cabinet papers were published as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. Therefore, if Members wished to ask questions that reference Appendix 8 Committee would need to go into closed session.

The Chairperson welcomed Cllr Chris Weaver, Cabinet Member, Finance, Modernisation & Performance; Chris Lee, Corporate Director, Resource; Ian Allwood, Head of Finance; Anil Hirani, Operational Manager, Capital, Corporate & Treasury and Rob Green, Operational Manager, Schools & Budgetary Control to the meeting.

The Chairperson invited Cllr Weaver to make a statement after which Officers provided Members with a presentation. The Chairperson then invited questions and comments from Members;

Members referred to Capital underspends and whether any analysis had been undertaken on this. The Cabinet Member explained that the appendices detail the under and over spends and that planning was underway to get back on track.

Members noted that the Household Waste Recycling Centre scheme had slipped for over a year and sought assurances that work was progressing on this. Members were advised that a site still needed to be identified but any detail on specific work could be sought from Officers in Waste Management.

Referring to Schools balances, Members noted the deficit budgets in some schools and asked if these had been referred to Audit. Members were advised that 8 schools were in deficit budget, 6 of these were planned and there had been 2 applications to move into deficit. Audit were aware of these.

Members asked about the Covid Hardship fund support for businesses and how long this would continue for. Officers advised that currently it was until the end of September 2021, but they were working with Welsh Government on an extension and criteria for the fund as the pandemic continues.

Members considered that the budget had been well controlled in such a difficult year and commended Cabinet Members and Officers for their work on this and the success in claims from the hardship fund. Members asked what lessons could be learned from this and what could be put in place going forward with regard to resilience of services. The Cabinet Member echoed the commendation of the work undertaken by Officers. He explained that the scale of the pandemic had required Central and Local Government intervention; it had shown the need for good financial resilience and resilience of services was very important. Digital Services had been significantly important and these would continue. Officers added that Covid-19 has provided opportunities for the transformation of digital services.

Members asked how this report would inform the Medium Term Financial Plan. Members discussed how the cost of Covid-19 would impact future budgets and the risks going forward would be savings and income. It was noted that there should be more clarity on funding in the future especially around the Capital Programme.

Members noted the underspend and the staff vacancies in the Parks service. Members also noted the underspend in Facilities Management but were aware that there would be a need for additional spending when the buildings open back up. Members were surprised by the overspend in Governance and Legal Services and were concerned there could be implications for the year ahead. Members were advised that there had been some realignment, but that it was complex to forecast spend on complex Children's Services cases. It had also been difficult to recruit in-house staff.

Members asked if borrowing levels were sustainable and were advised that full Council had approved the report on this. It was noted that the recovery from Covid-

19 would require increased investment and there was a judgement to be made as to how this is financed. Affordability is also reviewed annually.

RESOLVED: The Committee AGREED that the Chairperson writes to the Cabinet Member on behalf of the Committee to convey their comments and observations.

## 7 : MONMOUTHSHIRE COUNTY COUNCIL PROCUREMENT FUNCTION

Members were advised that Committee has responsibility for scrutiny of the Council's Commissioning and Procurement service and were therefore scrutinising the Council's proposal to accept a 3 year Executive Delegation from Monmouthshire County Council to deliver their Procurement Function alongside our own.

The Chairperson welcomed Cllr Chris Weaver, Cabinet Member, Finance, Modernisation & Performance; Chris Lee, Corporate Director, Resource and Steve Robinson, Operational Manager Commissioning & Procurement for this item.

The Chairperson invited Cllr Weaver to make a statement after which he invited questions and comments from Members;

Members sought clarity on the benefits to the Council. Members were advised that it would increase the resilience of the procurement function and also increase the knowledge base. This was seen as a good opportunity to be the first Local Authority to do this and to become a centre of excellence.

Members asked how the time spent working on this would be recorded and were advised that they use a specific package to record all the overheads, as discussed with finance colleagues and keep everything separate from Cardiff Council business.

Members wondered if there was Corporate Support for this and were advised that there was, Corporate Resource Directors had always supported this collaborative approach and would like to develop and take it further.

Members considered that going forward the Council could look to partners outside of South East Wales too.

Members considered that the benefits of this could have been set out more clearly in the report.

RESOLVED: The Committee AGREED that the Chairperson writes to the Cabinet Member on behalf of the Committee to convey their comments and observations.

## 8 : RE-PROCUREMENT OF THE COLLABORATIVE SOUTH EAST WALES HIGHWAYS AND CIVILS CONSTRUCTION FRAMEWORK

Members were advised that this item scrutinises the Cabinet proposal to approve the Council's Commissioning and Procurement team to re-procure arrangements for construction and civils consultancy commissions on behalf of all public sector bodies in Wales. As such, the Committee could test how the Council will benefit from taking the lead in this re-procurement.

The Chairperson welcomed Cllr Chris Weaver, Cabinet Member, Finance, Modernisation & Performance; Chris Lee, Corporate Director, Resource; Steve Robinson, Operational Manager Commissioning & Procurement and Chris McClellan, Senior Category Manager for this item.

Cllr Weaver made a brief statement after which the Chairperson invited questions and comments from Members;

Members asked whether the levy would cover Cardiff's costs and were advised that it would. The board that manages the framework approves staff costs and consider it to be very competitive compared to others.

Members discussed the social value pot and asked how the spend is determined. Members were advised that it would be spread fairly around the region.

In relation to Quality Control, Members had concerns about operators that have had negative reports in the past still being able to join the framework. Members were advised that there are KPI's on time, quality and cost; if an operator has 3 or more negative reports they can be suspended; training is provided for officers for the management of contracts to mitigate against this issue.

Members asked how pricing is audited and were advised that there is Average Price Guidance and a Schedule of Rates which is updated annually, there are also comparisons undertaken across companies.

Members considered that the report could be more self-explanatory, an easier read and use less technical language throughout.

RESOLVED: The Committee AGREED that the Chairperson writes to the Cabinet Member on behalf of the Committee to convey their comments and observations.

## 9 : SCRUTINY ANNUAL REPORT 2020/21

Members were advised that this year Scrutiny are taking a new approach to the formal reporting to Council of scrutiny achievements in 2020/21. This is the first combined Scrutiny Annual Report, capturing the work of all 5 Scrutiny Committees. This is intended to be a much more outward facing document than previous versions and will hopefully appeal to a much wider audience. It has been designed to be read digitally however it will be available to download in large print from the website. It is still draft and to that extent Members comments are welcomed. The report is due to be considered by Full Council on 24 June 2021.

Members commented that this was a good format, more accessible and easier to read but there were a lot of quotes from Cabinet Members in the report and it is a Scrutiny report.

RESOLVED: to approve the draft Scrutiny Annual Report 2020/21 to be laid before Council.

## 10 : COMMITTEE WORK PROGRAMMING 2021/22

Members were advised that they need to consider their approach to constructing a work programme up to the pre-election period in April 2022. Committee's responsibilities fall within three Cabinet portfolios: the Leader; the Cabinet Member for Investment and Development; and the Cabinet Member for Finance, Modernisation and Performance.

Members were advised of the options as to how they approach the work programming: whether to hold an additional informal work programme forum or whether the Chairperson and Principal Scrutiny Officer gather together potential items in liaison with Members, senior managers, and reference to corporate documents and Committee's previous work; then circulate (e-mail) to Members for prioritisation. The final draft incorporating all Members preferences, however gathered, would be brought back to the September Committee. Given the delicacy of organisational recovery and the unusually short year/fewer meetings, The Chairperson was inclined to encourage the latter option.

The Principal Scrutiny Officer added that due to the Council being in recovery, there was not an expansive programme of work and Members should focus on pre-decision items but there was an opportunity for them to bring areas of specific interest or concern forward. Members were provided with a schedule of proposed dates for upcoming Committee meetings.

RESOLVED: to

- I. Note the proposed dates for PRAP scrutiny committee;

Agree the approach to developing the Committee's work programme for 2021-22 - that the Chairperson and Principal Scrutiny Officer gather together potential items in liaison with Members, senior managers, reference to corporate documents and Committee's previous work; then circulate (e-mail) to Members for prioritisation.

## 11 : URGENT ITEMS (IF ANY)

None

## 12 : DATE OF NEXT MEETING

14<sup>th</sup> July 2021 at 4.30pm via Microsoft Teams.

It was agreed that the meeting scheduled for October be moved to 11th October.

The meeting terminated at 6.45 pm

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**CYNGOR CAERDYDD  
CARDIFF COUNCIL**

**POLICY REVIEW & PERFORMANCE  
SCRUTINY COMMITTEE**

**14 July 2021**

**Budget Strategy 2022/23 and Updated Medium Term Financial Plan**

**Reason for this Report**

1. To provide an opportunity for the Committee to consider the Council's Budget Strategy for 2022/23, updated Medium Term Financial Plan and financial resilience.

**Background**

2. Scrutiny of the Council's financial planning, policy and control falls within this Committee's Terms of Reference. The Committee also routinely scrutinises budget proposals and monitors financial performance throughout the year.
3. The Budget Strategy Cabinet report attached at **Appendix A** will be considered by Cabinet at its meeting on 15 July 2021. The report sets out the Council's financial strategy and timetable for developing the 2022/23 capital and revenue budget proposals and provides an updated Medium Term Financial Plan (MTFP).
4. The report outlines the external environment within which the Council is operating, including the economic context, the organisation context, the impact of the Covid-19 virus; and BREXIT. It clarifies the Medium Term Budget Reduction Requirement, and the Budget Strategy approach required to achieve them; indicates consultation and engagement plans for budget proposals, and outlines the five year Capital Investment Programme with a view to developing the Council's Investment Plan for 2022/23 to 2026/27.

## Structure of the Papers

5. To facilitate the scrutiny the following appendices are attached to this report:

**Appendix A** – Cabinet report – Budget Strategy Report 2022/23 & Updated Medium Term Financial Plan.

*Appended to this report are:*

**Annex 1:** Medium Term Financial Plan

**Appendix 1:** Budget Strategy Overview - Questions & Answers

**Appendix 2:** Proposed Budget Timetable Framework 2022/23

**Appendix 3:** Finance Resilience Snapshot

## Context

6. In terms of financial resilience planning, the budget strategy report highlights the following key factors:

- Economic Context – unprecedented falls in national income; potential for further restrictions; 8.7% fall in UK GDP; Government’s Job Retention Scheme ending 30 September 2021; pandemic impact on public sector borrowing.
- Organisation Context – strategic framework for the Budget Strategy is Capital Ambition and the Corporate Plan. This year financial planning will need to factor in the Council’s four strategic renewal and recovery plans addressing the post –COVID operating environment for services, a child friendly recovery supporting the city’s economy and progressing the One Planet Cardiff strategy.
- Covid-19 pandemic – additional costs and loss of income to the Council, changes to service delivery and impact on public sector finances.
- The need to continue to deliver significant levels of savings to meet financial pressures in Social Services and Schools, with consequent impact on the budgets of other directorates and overall budget on ability to identify material levels of savings.

## Medium Term Financial Plan

7. The estimated budget gap for 2022/23 is **£21.310 million** and **£80.853 million** over the next three years.

8. **Points 28-36** of the report to Cabinet detail key areas of sensitivities that affect the MTFP forecast, including: funding changes; pay changes; impact of actuarial reviews of pension schemes; NDR revaluation of Council properties ; transfer of post 16 Additional Learning Needs to Local Government; impact of the Local Development Plan; demographic changes ; Welsh Government’s Programme for Government (including council tax reform) and, critically, the key “known unknown” remains the extent to which the Coronavirus pandemic will continue to have implications over the medium term.

### **Covid-19 Pandemic**

9. **Points 37–39** detail the risk assessment undertaken on the impact of the Covid-19 pandemic, which identifies some of the key overarching issues and their potential implications in future years. These include: failure of businesses; unemployment; public health measures; behavioural shifts; and demographics. A table at **Point 38** shows the risk ratings for these.

### **Budget Strategy 2022/23**

10. **Points 40 – 49** outline the proposed Budget Strategy, which is framed around two assumptions;

- a Council Tax Increase of 4% generating **£6.3m**; and
- Directorate savings required of **£15.010m**.

11. The Council Tax income is based on net income and reflects the current year’s tax base; it will be updated for the 2022/23 tax base once this is approved by Cabinet in December 2021, after the provisional settlement has been received.

12. Savings form the largest element of the strategy with a requirement of **£54.101 million** over the four-year period, and **£15.010 million** next financial year. Directorate efficiency savings form the largest component of the overall savings requirement. The report to Cabinet states that ‘*The quantum is based on*

*directorates covering the cost of their estimated 2022/23 pay awards, as well as contributing additional efficiency savings of up to 2.5%. Percentages vary by directorate, with back office functions attracting higher targets.'*

13. The report also stresses that, at a time when core income budgets are still trying to recover as a result of the pandemic, the scope for income generation to form part of the 2022/23 Budget Strategy is limited and any proposed income generation increases will need to evidence a robust achievability assessment.
14. The strategy recognises that there will be a requirement for policy-led and transformational savings with work on identifying ideas and critically reviewing options being accelerated in coming months.
15. Expressions of interest in voluntary redundancy will be sought, requiring a business case resulting in a cost saving and taking account of future business need.
16. For quick reference, appended to the Cabinet report at **Appendix 2** is an outline budget timetable, during which time *consultation and engagement* on the budget will also take place with the third sector, Scrutiny Committees, Audit Committee, Schools, Trade Unions and employees and at **Appendix 1** a useful question and answer summary.

## **Capital Programme**

17. **Points 53-82** detail matters relating to updating the Capital Programme, a strategy aiming to meet the long-term challenges facing the city. The Capital Programme comprises the General Fund, Housing Revenue Account and Strategic & Major Development Projects, such as the development of an Indoor Arena in Cardiff Bay, Core Office Accommodation, the International Sports Village (ISV) and the Councils approach to participating in the Mutual Investment Model for new schools.
18. The report explains the importance of option appraisal, business cases, and due diligence, capital programme affordability, borrowing and capital receipts, stating

that ‘Generally, assuming a 25-year asset life, every £1 million of capital expenditure funded by borrowing places an additional pressure of £65,000 on the revenue budget in the initial years’.

19. The updated Capital Programme for 2022/23 to 2026/27 should, wherever possible, manage and prioritise emerging pressures within the resources allocated in the current Capital Programme. The approach to be taken in formulating investment priorities will be as follows:

- review schemes already included in the programme;
- manage emerging pressures and increased costs;
- consider new expenditure requests in the context of external funding or robust invest to save business cases;
- for the HRA model long term business plan affordability;
- support directorate asset management plans,
- support the Capital Ambition delivery programme,
- be evidence based and risk prioritised,
- considered all alternative funding possibilities; and
- demonstrate value for money.

### **Financial Resilience**

20. **Point 83** sets out key points relating the financial resilience of the Council, with further details provided in **Appendix 3**. This shows that the challenge facing the Council is significant.

### **Scope of the Scrutiny**

21. This item will give Members the opportunity to consider the Council's strategy for developing the 2022/23 budget proposals, and specifically a fuller understanding of the financial resilience work underway to tackle the challenges posed by the Covid-19 pandemic.

22. To facilitate the scrutiny, the following witnesses have been invited to attend Committee to answer Members questions:

- Councillor Chris Weaver, Cabinet Member for Finance, Modernisation & Performance
- Christopher Lee, Corporate Director – Resources, and
- Ian Allwood, Head of Financial Services.
- Anil Hirani, Operational Manager, Capital, Corporate & Treasury
- Julie Richards, Operational Manager - Budget Strategy & Financial Planning

### **Legal Implications**

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

### **Financial Implications**

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

that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

## **RECOMMENDATIONS**

25. The Committee is recommended to:

- i. note the Budget Strategy for 2022/23;
- ii. consider the ongoing financial challenges caused by the Covid 19 pandemic;
- iii. consider whether it wishes to relay any comments or observations for consideration by the Cabinet Member for Finance, Modernisation & Performance.

## **DAVINA FIORE**

Director, Governance & Legal Services

8 July 2021

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**CABINET MEETING**

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**BUDGET STRATEGY REPORT 2022/23 AND THE UPDATED  
MEDIUM TERM FINANCIAL PLAN**

**PORTFOLIO: FINANCE, MODERNISATION & PERFORMANCE  
(COUNCILLOR CHRISTOPHER WEAVER)**

**AGENDA ITEM:**

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**Reason for this Report**

1. To provide an update in relation to the Medium Term Financial Plan.
2. To consolidate and update the financial strategy of the Council in readiness for the preparation of the 2022/23 revenue and capital budgets.
3. To outline the timetable that the budget process will follow in order to present the 2022/23 Budget to Council in Spring 2022.
4. To provide an update in relation to the Council's financial resilience.

**General Background**

5. The Medium Term Financial Plan (MTFP) included within the Council's 2021/22 Budget Report identified a potential budget gap of £84.9 million over the period 2022/23 – 2025/26. This Report updates the MTFP for more recent information. It outlines the 2022/23 Budget Strategy and associated timetable, and sets out the approach to rolling forward the Capital Programme. It highlights considerations directly associated with the Coronavirus Pandemic and their implications from a financial planning perspective. Finally, it includes an assessment of the Council's financial resilience in the face of continued financial challenges and the unprecedented circumstances of the past 16 months. (Annex 1 contains the Council's updated MTFP whilst Appendix 1 provides an overview of the Budget Strategy (2022/23) in a question and answer format.)

**Issues**

6. Before the 11<sup>th</sup> March 2022, Cabinet Members have a collective duty to place before the Council, proposals, which if approved, would result in the adoption of a balanced budget for 2022/23. This Report sets out a strategy and timetable in order to arrive at that position.

## **Context**

7. The environment in which an organisation operates has a key impact on financial planning. The following paragraphs outline the context to the 2022/23 Budget Strategy.

### Economic Context

8. The pandemic has had a significant impact on the economy, both globally and at a UK level. Restrictions on economic and social life have resulted in unprecedented falls in national income, and at the same time have fuelled increases in deficits and debt. There is hope that the vaccine-roll out will boost recovery; however, there is still considerable uncertainty and the potential for a return to further restrictions.
9. UK Gross Domestic Product (GDP) is currently 8.7% below pre-pandemic levels. Latest published forecasts (March 2021) from the Office for Budget Responsibility (OBR), predicted that GDP would recover to its pre-pandemic levels by mid-2022. However, these forecasts were based on the UK Government's February 2021 roadmap, which envisaged removal of restrictions in England by 21<sup>st</sup> June 2021. This has since been extended until at least the 19<sup>th</sup> July, reinforcing the potential for change.
10. The Government's Job Retention Scheme (JRS), which has mitigated the impact of the pandemic on job losses, is due to end on 30<sup>th</sup> September 2021. Current OBR projections suggest unemployment will peak at 6.5% at the end of 2021, following the ending of JRS. From a financial planning perspective, the cost of any increase in demand associated with the ending of JRS will need to be kept under close review. Potential areas that may be affected include council tax support and free school meals.
11. The pandemic has had a significant impact on public sector borrowing. UK Public Sector Net Borrowing (PSNB) for the 2020/21 financial year was £291.5Bn, a six-fold increase on the previous year. The need to restore debt to more sustainable levels over time has the potential to affect future spending on public services. UK spending plans were revised downwards in both November 2020 and March 2021 compared with pre-pandemic plans.

### Organisation Context

12. Capital Ambition and the Council's Corporate Plan provide the strategic framework for the Budget Strategy. This ensures that scarce resources are allocated in a way that maximises support for the Council's priorities. Given the Corporate Plan's alignment with wider national goals to create a more sustainable Wales, this also helps to ensure that the financial strategy supports the Council's duties under the Well-being of Future Generations (Wales) Act 2015. Financial planning will also need to take account of the Council's aims for post-pandemic renewal and recovery, as encapsulated in four strategic recovery plans approved by Cabinet in May 2021. As well as setting out how public services will need to change in a

post-COVID operating environment, these provide a framework for a recovery that is child-friendly, supports the city's economy, and progresses the One Planet Cardiff strategy.

13. The Council has identified over £200 million in savings over the past ten years and has seen a reduction of over 1,600 full time equivalent (FTE) posts (in services other than schools). For a number of years during the 2010's, no funding increases were available to meet increasing demand and price pressures. These pressures, which were material in Social Services and Schools, were predominantly met by savings in other directorates. Over time, this has had a significant impact on the shape of the Council's budget. In 2021/22, capital financing, Schools and Social Services account for over 70% of the Council's net budget. Whilst these challenges are well known, their impact on the Council's ability to continue to identify material levels of savings should not be understated.

### COVID-19

14. The COVID-19 virus and associated public health measures have had significant financial implications for the Council, both in terms of additional costs and loss of income. In 2020/21, the Welsh Government put in place a COVID-19 Hardship Fund to support Local Authorities in managing additional costs, or income loss, as a direct result of the pandemic. In addition to this, hypothecated grants were available to fund specific WG policies, including the provision of free school meals during holidays, the provision of support to businesses, and bonus payments to care-workers.
15. During 2020/21, additional costs that the Council incurred as a direct result of the pandemic included the procurement of protective equipment, the provision of emergency accommodation for homeless people, and the continued provision of food / financial assistance to those entitled to free school meals whilst schools were closed, and to pupils self-isolating. Costs also included provision of financial support to care providers, and operational changes required to ensure the safe delivery of services.
16. Income loss directly associated with the pandemic reflected the closure of the Council's cultural and sporting venues, including theatres, Cardiff Castle and Cardiff International White Water. There was also a reduction in activity in other income generating areas including planning, parking, moving traffic offences, trade waste and school catering.
17. The Council took action to mitigate income losses including the furlough of up to 677 individuals. The Council has only placed staff on furlough, and claimed against the Job Retention Scheme where individuals' posts are funded by income that could not be generated due to the pandemic.
18. The COVID-19 Hardship Fund assisted the Authority in managing the exceptional elements of expenditure and lost income outlined in the preceding paragraphs. Claims to the fund were submitted on a monthly basis for expenditure, and quarterly for income. All were subject to assessment by a Welsh Government panel, in order to ensure they met claim criteria.

19. For the financial year 2020/21, the Council's accepted and pending hardship fund claims total £47.7 million in respect of expenditure, and £38.2 million in respect of income. It is anticipated that Hardship Fund support will continue to be available for the first six months of 2021/22. However, the position beyond that is currently uncertain. To date during 2021/22, the Council's submitted expenditure claims total £4.031 million, with the first claim for income loss due at the end of July.
20. The level of financial support received by the Council during 2020/21 emphasises the extent of the pandemic on Local Authority finances. Whilst vaccine roll-out offers hope for recovery, the situation remains challenging and there are a number of key risks that it will be critical to monitor closely during 2021/22 and as we move into 2022/23. These are set out in the MTFP, and in the sensitivity analysis section within this report.

## BREXIT

21. Another factor, which forms part of the background to the 2022/23 Budget Strategy is the impact of BREXIT and the agreed Trade Deal with the European Union. Potential risks in this regards are captured as part of the Council's Corporate Risk Register. Implications across a range of services continue to be monitored, and will be factored into the MTFP at appropriate refresh points if required.

## **The Medium Term Budget Reduction Requirement**

22. The MTFP was last reported in March 2021, alongside the 2021/22 Budget Report. The MTFP undergoes regular review to ensure it reflects the most up to date information. Updates made to the 2022/23 budget gap are summarised in the table below and explained in paragraph 23.

<b>Elements of 2022/23 Budget Gap</b>	<b>Feb 2021 £000</b>	<b>Updates £000</b>	<b>Revised £000</b>
Employee Costs	7,832	(1,030)	6,802
Price Inflation	4,425	(200)	4,225
Capital Financing & Commitments	3,014	0	3,014
Demographic Pressures	7,918	944	8,862
Emerging Financial Pressures	3,000	286	3,286
AEF* - assumes +1%	(4,879)	0	(4,879)
<b>TOTAL</b>	<b>21,310</b>	<b>0</b>	<b>21,310</b>

*\*AEF or Aggregate External Finance, refers to the Council's general funding – Revenue Support Grant and Redistributed Non-Domestic Rates*

23. The changes outlined in the preceding table reflect the following updates:

Area	Summary of Changes
Employee Costs	<ul style="list-style-type: none"> <li>• Update to teachers' pay assumptions to reflect a proposed 1.75% Teachers Pay Award from 1<sup>st</sup> Sept 2021.</li> <li>• This is the level recommended by the Independent Welsh Pay Review Body (IWPRB) currently out for consultation</li> </ul>
Price Inflation	<ul style="list-style-type: none"> <li>• Update to reflect most recent pricing information</li> </ul>
Demographic Pressures	<ul style="list-style-type: none"> <li>• Children's Services – recognition of further potential post-COVID pressure on placements</li> <li>• Schools - reduction to estimated primary pupil numbers based on most recent pupil number projections</li> </ul>
Financial Pressures	<ul style="list-style-type: none"> <li>• Sum for emerging pressures marginally increased as a result of the net impact of the above adjustments. This is to reflect the risks and uncertainties summarised below.</li> </ul>

24. The 2022/23 Budget Gap will be kept under close review as the year progresses, to reflect emerging issues, and to ensure that assumptions reflect the most up to date information. Key areas to monitor with regards the 2022/23 funding position include:

- AEF assumptions - to be reassessed following the announcement of the Provisional Local Government Finance Settlement. At present, it appears likely that the timescale for the Provisional Settlement may follow that of recent years – i.e. December as opposed to the more traditional October timeframe.
- The Council Tax Base for 2022/23 – pending approval in December 2021, as well as any related AEF redistribution at final settlement.
- Specific grant streams – in particular ICF / Transformation grant funding, over which there is uncertainty beyond the current year (i.e. from April 2022).
- Directorate recovery plans for income-funded areas affected by the pandemic.

25. Areas of potential additional cost pressures that will require ongoing review include:

- Potential increases in demand for services once the JRS ends on 30 September 2021.
- The impact of the removal of the JRS on the Council's ability to mitigate future income losses.
- Announcements regarding National Living Wage rates for 2022/23 and beyond, and their potential impact on the cost of commissioned services.
- The 2021/22 monitoring position as the year progresses.
- The impact on capital financing estimates of rolling forward the capital programme.
- Further announcements in relation to pay awards for 2021/22 and any knock-on implications in terms of part-year effects in 2022/23 or review of future pay assumptions

26. The revised MTFP is summarised below. The estimated budget gap for 2022/23 is £21.310 million and £80.853 million over the period 2022/23 – 2025/26. Further detail on each component of the gap, along with information on key assumptions is included in the MTFP at Annex 1.

	Medium Term Budget Gap				
	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	TOTAL £000
Employee Related	6,802	7,563	7,619	7,695	<b>29,679</b>
Prices	4,225	4,050	3,405	3,450	<b>15,130</b>
Commitments	42	762	(190)	445	<b>1,059</b>
Capital Financing	2,972	6,081	3,304	1,798	<b>14,155</b>
Demographic Pressures	8,862	7,034	5,939	6,520	<b>28,355</b>
Financial Pressures	3,286	3,000	3,000	3,000	<b>12,286</b>
Funding	(4,879)	(4,928)	(4,977)	(5,027)	<b>(19,811)</b>
<b>Total</b>	<b>21,310</b>	<b>23,562</b>	<b>18,100</b>	<b>17,881</b>	<b>80,853</b>

27. Paragraphs 24 and 25 outlined some key issues that will require close consideration in respect of the 2022/23 Budget Gap. There are also a number of issues that will need to be kept under review over the medium term, i.e. the later years of the MTFP. These, along with key areas of sensitivity within the MTFP are set out in paragraphs 28 to 41 below.

### Key Areas of Sensitivity

28. Current assumptions within the MTFP are prudent and based on best available information. However, there is always a risk of change. If certain assumptions within the MTFP fluctuate by small margins, they have the potential to affect the forecast significantly.

### Funding

29. It is difficult to judge how the wider UK economic position may affect Local Government funding levels next year. As already noted, the unprecedented level of UK debt could mean further tightening on public spending. In addition, potential business failures may affect NDR yield, which could have knock-on implications for the Local Government Financial Settlement in Wales.
30. The Council has no indicative AEF figures for 2022/23, and estimating the likely level is difficult. Current assumptions reflect a 1% increase in 2022/23. This level of increase is lower than in recent years in recognition of the factors raised in the preceding paragraph. However, it is more optimistic than the level of settlements received over a number of years prior to that.
31. Minor fluctuations to funding assumptions can have a significant impact on the projected budget gap. For Cardiff, each 0.5% differential in AEF equates to £2.439 million in cash terms. Consequently, in the event that

the 2022/23 AEF was cash flat (i.e. at the same level as in 2021/22), this would add £4.879 million to the budget gap in 2022/23.

32. In order to protect the Council from the risk associated with funding assumptions, the Council has a Financial Resilience Mechanism (FRM). The FRM is a base budget that is used to invest in priority areas. However, that investment must be one-off and decided afresh each year. This means the budget could be deleted without affecting day-to-day services, in the event that the funding settlement is worse than anticipated.

#### Pay

33. As noted above, there is a risk for the economic position to affect future public spending. Previous periods of austerity were accompanied by pay freezes / pay restraint within the public sector. It is difficult to judge whether a potential tightening on public spending will see a return to lower awards.
34. The current MTFP assumes that future pay awards will be 1.5% per annum for NJC staff and 2% for Teachers. This aims to balance the potential for pay restraint with preparedness from a budget perspective. Minor fluctuations in these assumptions could have a significant impact on the MTFP. Each 0.25% fluctuation in Teachers' Pay equates to £0.205 million (taking effect from September) and each 0.25% fluctuation in NJC pay has a £0.641 million impact (including Schools support staff.)

#### Other Sensitivities and Issues

35. A number of "known unknowns" are also being monitored in relation to the MTFP period. These are currently too uncertain to quantify but will be monitored closely as many have the potential to have a significant impact in terms of quantum. These include:
- The outcome of actuarial reviews (Local Government Pension Scheme and Teachers Pension Scheme) during the timeframe of the MTFP.
  - The outcome of NDR revaluation for Council owned properties, due to take effect from 1 April 2023.
  - Arrangements for Post 16 Additional Learning Needs, responsibility for which is due to transfer to Local Government.
  - The impact of the Local Development Plan, particularly in the latter years of the MTFP and beyond.
  - Population figures, other demographic changes, and the effect of the pandemic on previous trends.
  - Welsh Government's Programme for Government – including the intention to press for council tax reform.
36. At present, the key "known unknown" remains the extent to which the Coronavirus pandemic will continue to have implications over the medium term. In this regard, the Council is closely monitoring the potential impact in a number of key areas, which are summarised in the next section.

## COVID-19 Risk Assessment

37. Predicting the future financial impact of COVID-19 is difficult for all of the uncertainties already outlined. It is not known whether there may be any further WG funding beyond the current financial year, should Local Authorities continue to experience pandemic-related financial pressure.
38. The table below identifies some of the overarching issues arising from the pandemic and considers their future potential implications for Cardiff Council. Risk ratings take account of likelihood and financial materiality, and have been updated (since the 2021/22 Budget Report) to reflect the most current assessment of risk. Revised ratings take into account:
- The most significant areas of ongoing claim to the Hardship Fund
  - Areas anticipated to be affected by the ending of the JRS
  - Specific Grant funding streams supporting certain areas
  - Income-funded areas likely to be impacted by ongoing social-distancing requirements

Wider Issue	Potential Implications for Cardiff Council	Risk
Failure of businesses / Unemployment	• Free School Meals - any eligibility increase	R
	• Potential increase in Council Tax Reduction Scheme Demand	RA
	• Potential need to increase Bad Debt Provisions	RA
	• Vacancies in investment estate	RA
	• Potential reduction in council tax collection rates	RA
	• Business Rates yield - could affect funding assumptions	RA
	• Extra demand on advice / into work services	A
	• Economic Development - pressure re: regeneration	A
Public Health Measures	• Impact on council tax base if development dries up	A
	• Longer term loss of income - venues etc.	R
	• School catering	R
	• Provider and Supplier viability / support	R
	• Any learning needs catch up (post schools closure)	R
	• The need for PPE requirements will be reviewed	RA
	• Cleansing - schools and offices	RA
	• School transport	A
	• Further Health & Safety requirements	A
• Shared Regulatory Service - pressure re: enforcing guidelines	A	
Behavioural Shift	• Test Track Protect - assume funding ongoing and sufficient	G
	• New ways of working / transport - impact on Cardiff Bus	R
	• New ways of working / transport - impact on Parking & CPE income	A
	• New ways of working - Office and ICT requirements	A
	• Financial impact of any strategies developed for new normal	A
	• Any changes to Welsh Government priorities?	A
	• More emphasis on outside space - maintenance / cleansing	A
Demographics	• Waste - recycling habits / fine risk / impact of increased domestic tonnages compared to other streams.	A
	• Potential for increased family breakdown / number of Looked After Children Placements	R
	• Changed demographic profile - difficulty predicting demand – particularly in Adult Social Care	RA
	• Homelessness	A

39. With the exception of areas where the pandemic appears to have had a significant impact on demography, the issues above are not currently reflected as figures, within the MTFP. They will need to be kept under close review in coming months, both in the context of how the pandemic continues to unfold, and also taking into account directorate recovery plans. As noted in the 2021/22 Budget Report there will be a need to determine at the earliest opportunity, any areas where Government support or directorate recovery plans are considered insufficient or unable to address ongoing financial pressure in these areas. At the first signs of this, it will be crucial to put in place remedial action in order to protect the Council's financial outlook.

### Approach to 2022/23 Budget Strategy

40. The high-level strategy to address the budget gap is set out below. These assumptions will be reviewed as the budget process progresses, not least because the budget gap itself may change.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	TOTAL £000
Modelled Council Tax (+4.0%)*	6,300	6,552	6,814	7,086	26,752
Savings Required	15,010	17,010	11,286	10,795	54,101
<b>Total</b>	<b>21,310</b>	<b>23,562</b>	<b>18,100</b>	<b>17,881</b>	<b>80,853</b>

*\*Levels are for modelling purposes and are subject to ongoing review and Member approval*

41. The identified council tax income is the net income that will be generated after taking account of the impact on Council Tax Reduction Scheme (CTRS.) It reflects the current year's tax base, and will be updated for the 2022/23 tax base (due to be approved by Cabinet in December 2021), after the provisional settlement has been received.
42. Savings form the largest element of the strategy with a requirement of £54.101 million over the four-year period, and £15.010 million next financial year. Work on identifying savings proposals for 2022/23 has commenced, and the proposed strategy is summarised in the table below:

Savings	£000
Directorate Efficiency Savings	5,606
Schools Efficiency Savings (1%)	2,566
Policy / Transformation Savings	2,788
Corporate Savings and Strategies	4,050
<b>TOTAL</b>	<b>15,010</b>

#### Directorate Efficiency Savings

43. Directorate efficiency savings form the largest component of the overall savings requirement. The quantum is based on directorates covering the cost of their estimated 2022/23 pay awards, as well as contributing

additional efficiency savings of up to 2.5%. Percentages vary by directorate, with back office functions attracting higher targets.

44. Efficiency savings are defined as achieving the same output (or more) for less resource, with no significant impact on the resident / customer. As efficiency proposals do not involve a policy decision, they will be implemented during the current financial year wherever feasible, in order to maximise the possibility of securing full year savings in 2022/23.
45. In previous years, income generation proposals have contributed to the Council's strategy to addressing the budget gap. At a time when core income budgets are still trying to recover as a result of the pandemic, the scope for income generation to form part of the 2022/23 Budget Strategy is limited. Any proposed increases to income for 2022/23 will need to evidence a robust achievability assessment.

#### Schools Efficiency Savings

46. After contributing a modelled 1% efficiency requirement, and taking into account school's contribution to funding the 21<sup>st</sup> Century Schools Band B Programme, the modelling indicates that schools would receive a net additional cash of £2.814 million (1.1%) in 2022/23 as set out in the table below:

<b>Financial Pressure</b>	<b>£000</b>
Pay	4,973
Price Inflation	75
Pupil Number Growth (Secondary)	1,574
Pupil Number Reductions (Primary)	(1,543)
Estimated cost of LDP Schools	466
Associated Pupil Needs	925
<b>Total (Gross)</b>	<b>6,470</b>
Schools' contribution to Band B & Asset Renewal	(1,090)
Application of 1% Efficiency Target	(2,566)
<b>Net Additional Cash at 1.1%</b>	<b>2,814</b>

#### Corporate Savings and Strategies

47. This relates to proposals in relation to corporately held budgets and resources. The £4.050 million target will include review of opportunities in the areas listed below.
- Cross directorate savings associated with changes in working practices.
  - A possible reduction in the Council's general contingency or financial resilience mechanism budgets - at a level that recognises the importance of ongoing financial resilience, given the uncertainties set out in this report.

- An increase in the planned use of earmarked reserves to fund the 2022/23 budget – i.e. over and above the £750,000 draw down assumed in previous planning assumptions, but also continuing to recognise that reserves are a finite funding resource. Proposals will be set at a level that can be accommodated from the Strategic Budget Reserve over the period of the MTFP. This reserve was increased at 2020/21 Outturn for this purpose.
- A review of capital financing budgets to identify opportunities to smooth revenue implications of the current programme.

#### Policy / Transformation Savings

48. The quantum of savings required is such that there will be a requirement for policy-led and transformational savings. These are proposals that could involve changes to services. Work on identifying ideas and critically reviewing options will be accelerated in coming months. Progress in this regard, together with an update on 2022/23 funding, will be reported later in the year, in order to inform consultation.
49. As part of work to support the 2022/23 savings process, as in previous years, expressions of interest in voluntary redundancy will be sought. In line with business case requirements, any release of staff through voluntary redundancy will need to result in a cost saving and take account of future business need.

#### **Consultation and Engagement**

50. In order to provide an opportunity for people to have their say on what is important to them and their communities, consultation on the 2022/23 will take place. This will commence with the inclusion of budget themes within the annual Ask Cardiff Survey, paving the way for more detailed consultation later in the year.
51. The proposed Budget Timetable Framework for 2022/23 is included at Appendix 2. Over this period, consultation and engagement will also take place with the third sector, Scrutiny Committees, Audit Committee, Schools (via the School Budget Forum) and Trade Unions. In addition, employee engagement at all levels within the organisation continues to be given high priority.
52. The Council has various mechanisms in place to engage directly with employees including staff information emails, team briefings and the staff app. Employees will continue to receive briefings on the overall position through these channels at all key stages of the budget process. In addition, managers will also ensure that there is appropriate engagement and consultation with employees who may be affected by any proposals.

## Capital Investment Programme

53. The Council sets a five-year rolling capital investment programme, which is updated annually. The current five-year programme was approved by Council in March 2021 and is summarised below. The 2022/23 Budget Strategy will roll the programme forward a year, to cover 2026/27.

Indicator						
Capital Programme Expenditure						
	2021/22*	2022/23 Indicative	2023/24 Indicative	2024/25 Indicative	2025/26 Indicative	Total
	£000	£000	£000	£000	£000	£000
Annual Sums Expenditure	26,121	21,282	18,940	17,515	17,815	101,673
Ongoing Schemes	36,199	59,211	27,059	1,899	225	124,593
New Capital Schemes (exc. ITS)	3,035	7,625	11,700	6,650	5,650	34,660
Schemes Funded by External Grants and Contributions	56,627	24,278	42,464	77,231	33,479	234,079
Invest to Save (ITS) / Earn Schemes	35,631	138,936	170,874	17,250	11,776	374,467
<b>Total General Fund</b>	<b>157,613</b>	<b>251,332</b>	<b>271,037</b>	<b>120,545</b>	<b>68,945</b>	<b>869,472</b>
<b>Total Public Housing (HRA)</b>	<b>86,740</b>	<b>117,685</b>	<b>91,350</b>	<b>70,350</b>	<b>51,240</b>	<b>417,365</b>
<b>Total Capital Programme</b>	<b>244,353</b>	<b>369,017</b>	<b>362,387</b>	<b>190,895</b>	<b>120,185</b>	<b>1,286,837</b>

\* The final slippage figure will be reflected in the Month 4 2021/22 budget monitoring report.

54. Under the CIPFA Prudential Code for Capital Finance in Local Authorities, the Council must approve a Capital Strategy that sets out the long-term context in which capital investment decisions are made. It must also approve a Treasury Management Strategy that includes the approach to managing the borrowing implications arising. [The Council's Capital Strategy](#) approved in March 2021 will be updated as part of the 2022/23 budget process and includes the approach to:

- Working with partners
- Asset Management Planning
- Risk Appetite
- Governance and decision-making
- Capital Investment Programme
- Funding the strategy
- Managing the borrowing requirement
- Prudent Minimum Revenue Provision (MRP) Policy Statement
- Affordability

55. The resulting investment programme maintains momentum in city regeneration and economic development, tackling inequality and inclusive growth, modernising school buildings, delivering a significant house building programme and responding to the climate emergency and public service reform. It is also a key response to the public health crisis and its consequent economic impact, by including a programme of work to lead recovery and successfully reposition Cardiff as a successful global city over the longer term.

56. The impact of the COVID-19 pandemic on the programme to date has been dependent on the nature of the works being undertaken. Construction prices have historically outpaced the general increase in prices, however as the UK emerges from the pandemic, materials supply, increases in construction costs and supplier availability are significant factors that will need to be considered and managed in the update of the programme. This is in addition to the Council's own capacity and skills available to deliver the investment programme, which is a key driver to supporting the city's recovery.

### **Major projects**

57. The Budget Report for 2021/22 provided an update on the Indoor Arena, prior to a Final Business Case in summer 2021. The Capital Programme includes enabling costs and subject to due diligence, direct funding of the arena construction by the Council as an alternative for third party funding. This will be fully funded by annual lease income from the Arena Operator.
58. There are a number of other key strategic projects, which the Council is considering in line with Capital Ambition. These include major projects covering schools, transport, housing and economic development initiatives that may have short, medium and long-term financial implications, as well as consideration of alternative funding approaches. Due diligence and further business cases in respect of these projects are being developed for Cabinet consideration during 2021/22 and future years. These projects include the development of an Indoor Arena in Cardiff Bay, Core Office Accommodation and the International Sports Village (ISV) and the Councils approach to participating in the Mutual Investment Model for new schools.
59. As options, business cases, risks and financial implications are determined; these will need to be considered as part of annual updates to the Capital Strategy, the detailed Capital Programme and the Medium Term Financial Plan in future years.

### **Importance of Option Appraisal, Business Cases and Due Diligence**

60. Implementation of capital schemes approved as part of the budget framework will need to be subject to the governance, financial, procurement and contract procedure rules set out in the constitution, as well as required Cabinet or Officer decision approval of business cases as relevant.
61. Capital Projects have financial implications for the long term, and are the subject of additional financial and non-financial risks. In some areas of expenditure, not undertaking essential expenditure also represents a risk e.g. in maintaining essential city infrastructure. Capital expenditure is a key driver of economic stimulus, which is needed to support a post COVID-19 recovery, however as well as affordability, a key consideration

in setting the Capital Investment Programme is capacity to deliver projects.

62. The size and complexity of Capital Projects including unanticipated taxation, wider financial and operating risks makes it essential that due diligence is undertaken on business cases for capital projects, with sourcing of external expertise where relevant, to support decision-making and to understand key risks and financial liabilities that could arise from such investment. There must also be consideration of whether investment could be better made by, or together with, others as part of thorough options appraisal exercises.
63. Such best practice approaches are a key requirement of the Prudential and Financial Management Code and should be in place for all projects including those predicated on undertaking borrowing to be repaid over a period of time from future income or savings. CIPFA is reviewing its Prudential and Treasury Management Code Guidance in December 2021, in response particularly to investment by some authorities primarily in the search for income or yield.
64. The Capital Strategy for 2021/22 indicated that during 2021/22, the Council will review its approach and guidance in respect of business cases.

### **Capital Programme Affordability**

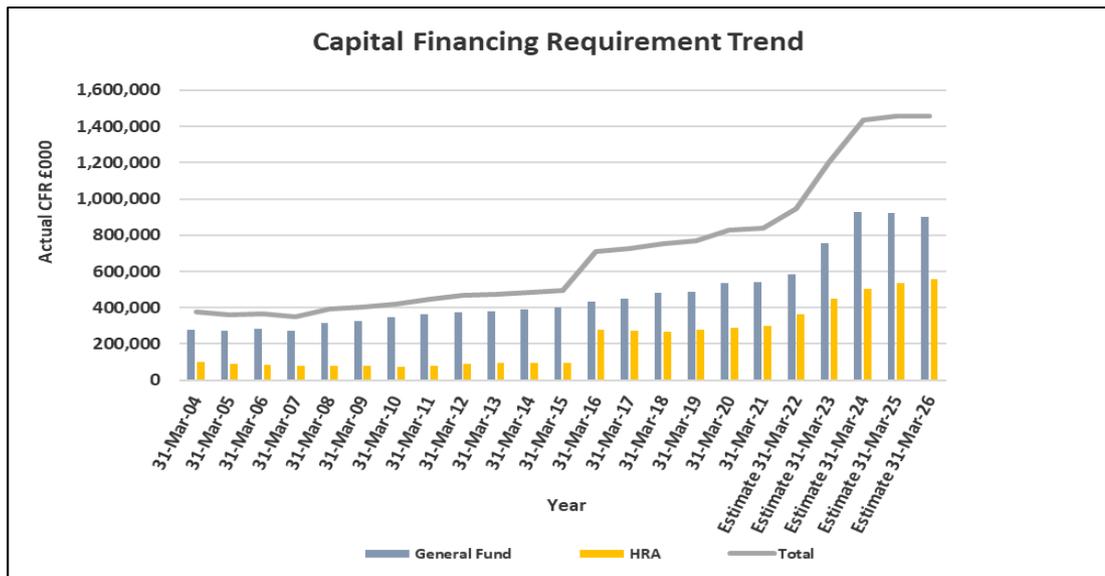
65. The existing capital programme has been set based on a long-term view of the Councils investment requirements consistent with Capital Ambition. The affordability of the programme is reviewed annually taking into account the impacts of the issues highlighted above, with the revenue budget impact of borrowing and operating costs, where significant, included in the Medium Term Financial Plan.
66. The Council continues to be successful in bidding for external grants for specific capital schemes from Welsh Government and other external bodies. This external funding is essential to support affordability of meeting policy objectives set by National Government, but is often only available on a bid basis and has short term timescales.
67. However, the demand and need for investment in our critical infrastructure and to improve service delivery and outcomes for the City has a significant impact on affordability, requiring prioritisation and consideration of alternative ways of achieving the same outcome. The Council has two main resources that it is able to directly influence in order to fund investment - capital receipts and borrowing. Both of these are considered in further detail below.

### **Borrowing**

68. Borrowing has long-term financial consequences, and costs span generations. When the Council incurs capital expenditure without an immediate resource to pay for it (e.g. grant, revenue or capital receipt), it results in a need to borrow. While it may not be necessary to take

additional external borrowing immediately, the Council's underlying need to borrow, called its Capital Financing Requirement (CFR), increases. In other words, there will ultimately be a requirement to borrow money, which will need to be repaid.

69. The Council's CFR has increased since the measure was introduced in 2004. There are two stepped increases. One in 2015/16 which reflects payments to HM Treasury to exit the Housing Revenue Account (HRA) Subsidy System. The other, starting in 2022/23 reflecting the approach to funding the Indoor Arena.



70. In order to reduce the CFR, the Council has a statutory duty to make “prudent provision” for the repayment of debt. This takes the form of a charge to the revenue account, called the Minimum Revenue Provision (MRP.) The MRP spreads the costs of borrowing, helping to ensure that the Council is able to service the debt associated with the current and historic capital programmes.
71. Generally, assuming a 25-year asset life, every £1 million of capital expenditure funded by borrowing places an additional pressure of £65,000 on the revenue budget in the initial years (assets with a shorter life result in a higher charge). This excludes any additional operating costs.
72. Any increase in the amount of borrowing must take into account the affordability implications for the revenue budget, not only now but in future, particularly in the context of the level of savings to be found, financial resilience risks, and the Section 151 Officer view on the deliverability, affordability and risk associated with the Capital Strategy.
73. Based on the existing programme, the medium term financial plans for the General Fund and Housing Revenue Account shows the capital financing budgets increasing into the long term. This assumes no further increases in unsupported borrowing beyond that to which there is already commitment. In addition it assumes capital receipts targets will be met

and all projects approved on an invest to save basis continue to do so and represent no risk to the revenue budget. The increase in the levels of borrowing predicated on such projects makes the preparation, approval and monitoring of robust business cases an important tool in mitigating financial resilience risk.

74. As can be seen throughout the Capital Strategy, Treasury Management Strategy and Housing Medium Term Financial Plan produced as part of the Budget proposals in 2021, a number of indicators are prepared to support the assessment of affordability, prudence and sustainability of borrowing. These will be updated in the Budget Proposals for 2022/23, including any amendments recommended by CIPFA as part of its update of guidance. One of the suite of indicators highlighting the Ratio of Financing Costs to Net Revenue Stream is shown below for the General Fund and Housing Revenue Account. For the General Fund, the net revenue stream is the amount to be met from non-specific WG grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers and service charges. These are clearly based on future assumptions in respect to AEF, council tax income and housing rent policy. Any adverse change in these variables may have a significant impact on the outlook for this indicator.

Indicator							
Ratio of Financing Costs to Net Revenue Budget Stream							
	2019/20 Actual %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %
<b>General Fund</b> Net CF Budget	4.77	4.73	4.68	4.81	5.19	5.40	5.34
<b>General Fund</b> Gross CF Budget	7.05	6.77	7.27	7.42	8.82	9.76	9.56
<b>HRA</b> Gross CF Budget	32.97	32.94	33.93	34.09	36.70	38.00	38.53

*CF = Capital Financing*

75. Additional ratios included in the Capital Strategy also highlight the ratio of Capital Financing costs as a percentage of controllable budget (excludes expenditure on levies, Council Tax support and delegated schools budgets) and also the Capital Financing Requirement (Debt) as a ratio of the Net Revenue Stream. The ratios indicate that a greater proportion of the estimated future revenue budget is required for capital financing costs over the planned Capital Programme period.
76. The net capital financing percentages shown above assume that income or savings associated with Invest to Save (ITS) or Invest to Earn (ITE) Schemes will all be fully realised. The difference between the gross and net indicators highlights that there would be significant revenue implications if the level of income, savings or capital receipts associated with ITS/ITE schemes does not ultimately materialise. This additional risk to borrowing levels and affordability requires robust due diligence and risk assessment of business cases before approval, as well as ensuring that schemes are essential to meet strategic objectives.

## Capital Receipts

77. Capital receipts are an important means of increasing the affordability of the Capital Programme. The generation of capital receipts is also consistent with the need to accelerate a reduction in the Council's asset base where this can support savings requirements.
78. The 2018/19 Capital Programme set a £40 million target for non-earmarked receipts (net of fees) for the period 2018/19 - 2022/23, with a subsequent increase of £1 million to this target in 2019/20, after making a deduction for eligible revenue costs of disposal. Receipts of £7.861 million have been generated in the three years to 31 March 2021 towards this target, leaving a balance of £33.139 million to be found.
79. The Council's approach to the delivery of the capital receipts target and those deemed to be earmarked where approved by Cabinet as ring-fenced for specific projects or strategies, or ring-fenced by legislation, will be updated in the Annual Property Plan which is proposed to be considered in September 2021.
80. It is recognised that realisation and timing of receipts will vary but where these are included as receivable in the budget without a clear timescale, without specific sites and certainty there is a significant risk to the Council's borrowing requirement and future revenue budget. The assumptions in respect to receipts will be reviewed as part of the budget, adopting a prudent approach in the medium term, with any receipts towards the agreed target which are subsequently received being used for repayment of borrowing.

## **Developing the Capital Programme 2022/23 to 2026/27**

81. As mentioned above the capital investment programme is a strategy, aiming to meet the long-term challenges facing the city. As such the programme should not change significantly as a result of short term disruptors. However, the update of the investment programme will have regard to the challenges outlined above namely, longer term affordability in the context of the overall Medium Term Financial Plans; Materials and supply cost pressures; proportionate business cases in place prior to inclusion of schemes in the programme and review of resources available to pay for capital commitments. Accordingly the approach in the medium term is set out below:

<b>Area</b>	<b>Approach</b>
General Fund	No new schemes or additional investment in asset renewal funded by borrowing over the medium term unless: <ul style="list-style-type: none"><li>• re-prioritised from existing programme</li><li>• is on an invest to save / invest to earn basis following a business case approved by Cabinet or</li><li>• where significant external match funding is confirmed.</li></ul>
Housing Revenue Account	Focus on delivery of existing sites in the pipeline to meet target of new affordable housing. Additional sites subject to affordability and medium term rent policy agreed by Cabinet.

Area	Approach
Strategic & Major Development Projects	To create an affordable revenue budget envelope to cover capital costs arising from approved business cases.

82. In updating and formulating the five-year Capital Programme for 2022/23 to 2026/27, the approach to formulating investment priorities will be as follows:

- Schemes already included in the indicative programme to be reviewed for increased cost pressures, mitigation options and timing having regard also to capacity to deliver.
- Emerging pressures and increased costs to be managed and prioritised within existing resources allocated in the current capital programme.
- Any new expenditure requests will only be considered in the context of external funding or robust Invest to Save / Invest to Earn business cases, approved by Cabinet.
- Housing Revenue Account investment to consider long term business plan affordability modelling, with new build schemes approved subject to individual viability assessments. Key to affordability will be approach to rent-setting and demonstrating value for money within the Welsh Government policy framework.
- All investment to be in accordance with Directorate Asset Management Plans, Capital Ambition delivery programme and :-
  - be evidence based
  - be risk prioritised
  - have considered all alternative solutions for funding and achieving the same outcome before requesting council funding
  - demonstrate value for money in expenditure and approach to delivering outcomes.

### Financial Resilience

83. Given the identified challenges, it is important to undertake regular review of the Council's financial standing and resilience. The snapshot included at Appendix 3 provides a high-level overview of the financial health of the Council at the time of setting the Budget Strategy for 2022/23. It reflects key past, present and future information, summarising key points from the draft Statement of Accounts 2020/21, the 2020/21 Outturn Report, the financial impact of COVID-19, and the Budget Strategy reflected within this report.

### Historic Information and Trends

- **Earmarked Reserves** – the Council's earmarked reserves have historically been low for an authority of its size, and previous assessments of financial resilience have noted the need to increase reserves where possible and appropriate. Reserves increased at the end of 2020/21. This was attributable to a number of factors including planned increases, grant

awards made late in the financial year, and less use of reserves during 2020/21 due to the pandemic.

- **Savings** – as noted previously, the Council has identified over £200 million in savings since 2012/13. This is a challenging position from which to continue to identify significant levels of savings.
- **Funding** - the level of specific grant income the Council receives has increased over time. Whilst any increase in funding is welcome, this also poses a risk, because many of the costs funded by these grants are integral to the operation of core services, leaving the Council exposed to potential grant fall-out.
- **Financial Ratios** – the illustrated ratios present no cause for concern.

#### Recent / Current Information

- **Projected Outturn** – the outturn for the financial year 2020/21 was balanced overall, although the position included some unachieved savings as noted below.
- **Unachieved Savings 2020/21** – the snapshot indicates that £4.477 million of 2020/21 savings were unachieved. This included £2.330 million in relation to Social Services proposals. These were written out in setting the 2021/22 Budget, and pose no ongoing risk. The remaining £2.147 million unachieved proposals were largely undelivered due to the Coronavirus pandemic. They will continue to be closely monitored during 2021/22. Almost 75% of the £2.147 million related to income. The Report has already outlined the expectation that income proposals will offer limited capacity to address the 2022/23 budget gap, given that existing income budgets are in a period of recovery.
- **COVID-19** – the snapshot summarises the significant level of funding the Council received in year from the WG Local Authority Hardship Fund. The ongoing risks in relation to COVID-19 are set out in detail earlier in the report. From a financial resilience perspective, there will be a need to act quickly in order to put appropriate remedial action in place in the event that Government funding or directorate recovery plans are considered unlikely to meet ongoing pressure.
- **Capital Programme Outturn** - whilst the unprecedented circumstances of 2020/21 played a role in the level of slippage in 2020/21, the Council's success in attracting significant external funding and the need to utilise such funding by the end of the year also meant that the Council's own resources were required to be displaced and carried forward. Slippage has been an issue for several years. Accordingly the Capital Strategy also outlines the need for discipline from directorates to ensure resources, skills and capacity are available to deliver the investment programme on time.

#### Future Forecasts

- **MTFP** – the financial outlook remains challenging, with significant additional savings requirements over the medium term.
- **Capital Financing Requirement (CFR)** – based on the current capital programme, CFR projections show a significant increase over the medium term. This reflects commitments such as 21<sup>st</sup> Century Schools and the new

house-build programme. The cost of servicing the resultant borrowing requirement will need to be managed as part of the Council's MTFP, and over the longer-term.

- **Local Affordability Indicator** – this local indicator shows capital financing costs as a ratio of controllable budget. The gross indicator reflects total capital financing requirement, whilst the net indicator recognises that some of these costs are due to be met from Invest to Save (ITS) income, or specific directorate budgets. The indicator is influenced by funding assumptions for future years, including changes in RSG. At present, both indicators show an increase, however the increase in the gross indicator is much steeper. This emphasises the importance of robust business cases, where capital investment is undertaken on the basis that it will be paid for from future income or revenue savings. In the event that these are not delivered, associated capital financing costs will fall to the Council's revenue budget.

### **Scrutiny Consideration**

84. The Policy Review and Performance Scrutiny Committee is due to consider this issue on 14<sup>th</sup> July 2021. Any comments will be circulated at the Cabinet meeting.

### **Reasons for Recommendations**

85. To seek Cabinet approval for the Budget Strategy in respect of 2022/23 and the updated MTFP.
86. To note the Budget Timetable Framework and forward this to Council for approval.

### **Legal Implications**

87. It is the responsibility of the Cabinet to receive financial forecasts and develop a medium term financial strategy with a view to proposing a Budget for the Council to approve. Any specific legal issues arising will be addressed as part of the proposed budget preparation. These implications do not contain legal advice on the individual projects referred to in the report, which will be provided on the respective projects as and when considered.
88. The report provides that the proposed Budget Timetable framework for 2022/23 will make provision for consultation. In order for there to be robust consultation, the process must occur when proposals are at a formative stage; it should give sufficient reasons for any proposal to permit proper consideration; and it should allow adequate time for consideration and response. There must be clear evidence that the decision maker has considered the consultation responses before taking its decision. It is important to note that the consultation raises the legitimate expectation that any feedback received from the consultation will be taken into account in developing the proposals consulted upon.

## General legal requirements

### Equality Requirements

89. In considering this matter the decision maker must have regard to the Council's duties under the Equality Act 2010. Pursuant to these legal duties Councils must, in making decisions, have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are: (a). Age, ( b ) Gender reassignment ( c ) Sex (d) Race – including ethnic or national origin, colour or nationality, (e) Disability, (f) Pregnancy and maternity, (g) Marriage and civil partnership, (h) Sexual orientation (i) Religion or belief – including lack of belief.
90. When taking strategic decisions, the Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socio-economic disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers (WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 (gov.wales) and must be able to demonstrate how it has discharged its duty.

### Well Being of Future Generations (Wales) Act 2015

91. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
92. In discharging its duties under the Act, the Council has set and published well being objectives designed to maximise its contribution to achieving the national well being goals. The well being objectives are set out in Cardiff's Corporate Plan 2021-24. When exercising its functions, the Council is required to take all reasonable steps to meet its well being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.
93. The well being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:
- Look to the long term
  - Focus on prevention by understanding the root causes of problems

- Deliver an integrated approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

94. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below:

<http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

#### Welsh Language.

95. The decision maker should also have regard, when making its decision, to the Council's wider obligations under the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

#### **Financial Implications**

96. The financial implications are set out in the detail of the report. In summary, the report refreshes the MTFP and sets out the Budget Strategy for 2022/23. It outlines a likely budget reduction requirement of £80.853 million over the period 2022/23 – 2025/26, of which £21.310 million relates to 2022/23. Further detail on the elements of the budget gap is included at Annex 1. The current outline modelled strategy to address the budget gap is a combination of council tax increases (£26.752 million) and savings (£54.101 million.) The gap will continue to be reviewed during the current year to reflect most recent information.

#### **HR Implications**

97. The report outlines the contexts under which the budget is being set together with the continued financial challenges faced by the Council in balancing reducing finances with increasing demands and the challenges that the COVID pandemic has created. The Council will continue to review the shape and scope of the organisation and the way in which services are delivered and efficiencies achieved. New service delivery models will need to meet demand pressures and reflect budgetary realities alongside securing further efficiency savings through better collaboration and partnerships, integration of service delivery and reducing duplication of effort and resources.

98. Given the level of savings required in 2022/23 and beyond, it will be key that the savings proposals identified are robust and deliverable. The extent of financial challenge in a continued period of restraint will result in savings targets for controllable budgets that will be considerably challenging and will result in significant changes to how local government services are delivered. The availability of resources to support the delivery of these sustained changes will be key.

99. Whilst it is not possible to provide specific HR implications on any changes at this time, it is clear that the ongoing budget difficulties will continue to have significant people implications associated with actions necessary to manage the financial pressures facing the Council. As service delivery proposals are brought forward, there will be consultation with employees (those directly and indirectly impacted) and the Trade Unions so that they are fully aware of the proposals, have the opportunity to respond to them and understand the impact that the new model of service will have on them. Further and specific HR implications will be provided when relevant models are proposed.
100. Any proposed reductions in resource levels will be managed in accordance with the Council's recognised policies for restructuring which include, where appropriate, redeployment and voluntary redundancy. The Council's Voluntary Redundancy Scheme is always available, however, whilst those interested in leaving on this basis (with a post subsequently deleted) should express an interest to do so, a business case to support the exit will still need to be made and signed off. Flexible retirement continues to be another option available and a Sabbatical policy is in place as well as ability to request voluntary reductions in working hours. Training and development to support new skill requirements will remain available in order to place employees in the best possible position for potential redeployment.
101. Initial Trade Union consultation has taken place on this report. The Trade Union Partnership Meeting will be utilised to facilitate early discussion with Trade Unions on any key organisational proposals, with more detailed discussion continuing with employees and trade unions at local directorate level. It is essential that there continues to be appropriate consultation on proposals that are taken forward, as and when they are developed. This could include early proposals which are required to be implemented in preparation for the 2022-/23 financial year. Many of these will have people implications that will need to be considered at an early stage in consultation with the Trade Unions and employees affected.

### **Property Implications**

102. There are no direct property decisions or recommendations contained within this report however property is intrinsic to the delivery of the budget strategy. The Council's land and property estate generates capital receipts from the disposal of assets and income in the form of rent from leased premises. Furthermore the acquisition, construction and refurbishment of property to meet the council's evolving service requirements is a significant component of the capital and revenue corporate budget objectives.
103. Strategic Estates work closely with finance on all property transactions with the governance surrounding this to be further strengthened as part of the 2021/26 Corporate Property Strategy. All capital receipts and revenue income transactions will be reviewed with finance to align with

the agreed objectives of the budget strategy. In addition, reporting will be expanded to include acquisition and disposal of all property within the Annual Property Plan (APP) from all property portfolios and projects.

104. The corporate property strategy 2021/26 will once again include a 5 year capital receipt target to support the Council's capital programme. It is also intended to introduce a new target relating to rental income to be achieved over the 5 years. Progress will be reported on an annual Basis through the APP.
105. New corporate objectives relating to carbon reduction within the One Planet Cardiff strategy are anticipated to have a significant impact on property decision making and capital / revenue investment requirements. This is referred to as "the built environment in the OPC strategy and is relevant to new builds, refurbishments, asset renewal and also proposed and potential carbon offsetting projects. To meet carbon reduction targets, capital and revenue requirement is anticipated to increase considerably as more energy efficient components, designs and also management arrangements are implemented. The details of proposals will be developed in collaboration with finance with budget implications communicated and reviewed through established governance.
106. Strategic Estates will continue to work closely with finance via a regular scheduled meetings, to ensure property decision making in the various estate portfolios is aligned with the objectives of the budget strategy.

## **RECOMMENDATIONS**

The Cabinet is recommended to:

- (1) Agree the budget principles on which this Budget Strategy Report is based and the approach to meeting the Budget Reduction Requirement both in 2022/23 and across the period of the Medium Term Financial Plan within the context of the objectives set out in Capital Ambition.
- (2) Agree that directorates work with the relevant Portfolio Cabinet Member, in consultation with the Corporate Director Resources and Cabinet Member for Finance, Modernisation and Performance to identify potential savings to assist in addressing the indicative budget gap of £21.310 million for 2022/23 and £80.853 million across the period of the Medium Term Financial Plan.
- (3) Delegate to the Chief Executive, in consultation with the Leader and Cabinet Member for Finance, Modernisation and Performance, the authority to implement any saving proposal in advance of 2022/23 where no policy recommendation is required or where a policy decision has already been taken.
- (4) Note that work will continue to update and refresh the MTFP and that this will be reported to Members as appropriate.

- (5) Propose that Council agree that the Budget Timetable Framework set out in Appendix 2 be adopted, and that the work outlined is progressed with a view to informing budget preparation.
- (6) Agree that consultation on 2022/23 budget proposals will take place in order to inform the preparation of the draft 2022/23 Budget.

**CHRIS LEE**  
**Corporate Director Resources**  
**2 July 2021**

*The following Annexes are attached:*

Annex 1: Medium Term Financial Plan

*The following Appendices are attached:*

Appendix 1: Budget Strategy Overview - Questions & Answers

Appendix 2: Proposed Budget Timetable Framework 2022/23

Appendix 3: Finance Resilience Snapshot

### **Background Documents**

2021/22 Budget Report – February 2021

Capital Strategy 2021/22

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# Cardiff Council

# Medium Term Financial Plan

2022/23 – 2025/26



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## 1.1 Aims and Purpose of MTFP

The Medium Term Financial Plan (MTFP) forecasts the Council's future financial position. Preparation of an MTFP is good financial practice. In particular:

- It helps ensure that the Council understands, and can prepare for, the challenges in setting a balanced budget.
- It encourages discussion about the allocation of resources, helping to ensure they are directed towards delivering core responsibilities and policy objectives.
- It is an important part of understanding the Council's financial resilience, helping to protect the Council's long term financial health and viability.

## 1.2 Governance

The MTFP process is an integral part of the Council's financial planning framework. It closely aligns with other key aspects of the financial planning process, including the Council's Capital Strategy.

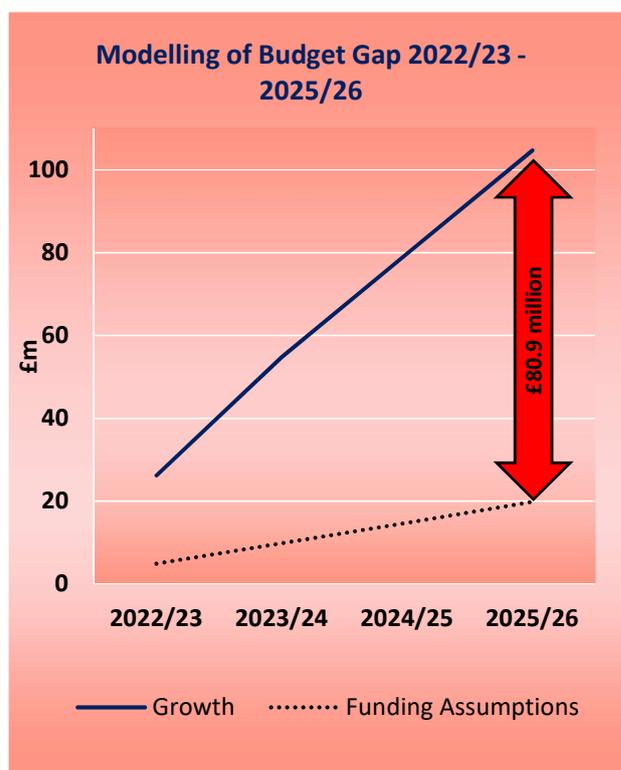
Development of the MTFP is an iterative process. Regular review is required to ensure it reflects most recent information and captures emerging issues. Elected Members and Senior Management are engaged in the process through a series of regular briefings, to scope, inform and review the plan.

The transition from high-level planning principles, to detailed budgets that align with the Council's priorities, is shaped by Elected Members with support and advice from senior management. As proposals develop, engagement is extended to a wider range of partners including citizens, Scrutiny, staff, School Budget Forum and Trade Unions. Consultation feedback is considered as part of the finalisation of annual budget proposals.

The MTFP is formally reported as part of the Council's Budget Report and an update is included with the Budget Strategy Report.

## 1.3 MTFP Overview

The Council has faced an extended period of financial challenge. Whilst Local Government Financial Settlements have been more positive in 2020/21 and 2021/22, the impact of COVID-19 on the national economic picture means future funding is volatile, and will need to be kept under close review. The MTFP currently estimates a budget gap of £81 million over the period 2022/23 – 2025/26.



“Budget Gap” is the term used to describe the difference between the funding the Council expects to receive, and the estimated cost of continuing to deliver services at the current level. Put simply, the budget gap is a result of funding failing to keep pace with demand, inflation and other financial pressures.

# Section 2. Key Considerations

## 2.1 Council Priorities

Capital Ambition, sets out the Administration’s policy agenda. The Corporate Plan, “Delivering Capital Ambition”, sets out how the Administration’s priorities for Cardiff will be achieved. Key priorities are summarised below.



The Corporate Plan is consistent with wider local and national goals that support long-term sustainability. It aligns with the Cardiff Well-being Plan, which contains the shared well-being objectives of Cardiff Public Services Board. These complement Wales’ National Well-being Goals, which focus on creating a more sustainable Wales.

The Council’s financial strategy documents, including the Budget, MTFP, Capital and Treasury Strategies, are framed by the above priorities.



This ensures that resources are spent in line with priorities and that financial strategy supports long-term sustainability, in line with the Council’s duties under the Well-being of Future Generations (Wales) Act 2015.

The Council’s vision for post-pandemic recovery and renewal will also need to be factored into future financial strategy. This is encapsulated in four strategic recovery plans approved by Cabinet in May 2021. As well as setting out how public services will need to change in a post-COVID operating environment, these provide a framework for a recovery that is child-friendly, supports the city’s economy and progresses the One Planet Cardiff strategy.

### Implications for Financial Planning

The MTFP needs to reflect the revenue funding requirements of Capital Ambition, and the Council’s aims for post pandemic recovery and renewal aspiration. This will include where applicable, the financing requirements of the capital investment needed to deliver the Administration’s priorities.

In addressing the medium term budget gap, savings will be required. There will be a need to continue to ensure that scarce resources are allocated in a way that support identified priorities.

## 2.2 City Overview

Previous iterations of the MTFP have included detail around Cardiff’s demographics, including population, education, housing, employment and deprivation. The pandemic has had an unprecedented impact on all of these areas, and previous expectations around some demographic variables are not necessarily still relevant to today’s MTFP. The lasting impact and effect on people’s day-to-day lives, are still uncertain, but are likely to include those set out in the following paragraphs. Given the level of uncertainty posed, the risk section of the MTFP, considers pandemic-related uncertainty in more detail.

## Section 2. Key Considerations

### *Population*

As at 2018, Cardiff had a population of 364,000. Between 2008 and 2018, its population grew by 9.5%. Beyond 2018, the expectation was that the city would continue to grow, albeit at a slower rate. There will be a need to consider whether this will continue to be the case once the lasting impact of the pandemic on working practices, birth rates and housing begin to become clearer, all of which could impact on the overall population of the city.

#### **Implications for Financial Planning**

Generally, a growing city places greater demand on Council services, including housing, education, environment and social care. Steeper growth in the over-65 age brackets will mean continued demand on social services.

### *Education*

Investment in the building of new schools, and the refurbishment and improvement of existing accommodation is being progressed via the 21<sup>st</sup> Century Schools Band B Programme, along with programmed asset renewal works. New schools will also be developed in connection with the Local Development Plan (LDP). The timing of previously assumed revenue pressures in this regard will require review. There will be a need to consider lasting effects of the pandemic and consider the use of blended learning practices and factors that may affect levels of support required by pupils.

#### **Implications for Financial Planning**

Capital financing and future operating costs will need to be reflected in forecasts.

### *Housing*

Cardiff's Local Development Plan (LDP) is a 20 year Plan from 2006 - 2026. It set a target for 41,000 additional homes by 2026. Statutory periodic review of the LDP will take place over the next few years. The Council also has an ambitious Housing Strategy to build affordable, high quality, energy sustainable homes.

#### **Implications for Financial Planning**

The financing costs of the Council's house building programme are reflected in the Housing Revenue Account (HRA) business plan (as the HRA is a ring-fenced account.) From a General Fund perspective, planned housing growth will mean that new communities will need the support of Council services such as waste and schools.

Demand for these services will require careful modelling, including the extent to which additional Council Tax from more dwellings may offset cost. There is a need to gauge how demand for services in new communities, including school places, might affect demand in other parts of the city.

### *Employment*

Where possible, working from home has become a necessity during periods of lockdown, and many employers are indicating that a move to more agile working is likely to become a permanent feature.

Whilst the Job Retention Scheme is running, the true impact on unemployment levels is unknown. Once financial support ends, more companies may be unviable with further job losses likely. This may affect levels of deprivation, benefit claims and Council Tax receivable. The loss of companies and more agile working will also affect Non-Domestic Rates yield, which in turn could affect funding levels if there is an impact on the All Wales Pool.

There are large disparities in unemployment levels across the city, and there is in-work poverty. Just over a fifth of people in employment earn less than the Real Living Wage. The Real Living Wage is an independently calculated hourly rate of pay, set to cover the basic cost of living, which is paid voluntarily by more than 6,000 UK employers. Cardiff Council is a Real Living Wage Employer and an advocate of Real Living Wage in the city.

## Section 2. Key Considerations

### *Deprivation*

The 2018/19 National Survey for Wales indicated that 16% of people aged 16 or over in Cardiff live in households in material deprivation, which is slightly above the Welsh average of 14%. However, there is disparity across the city. The full and lasting impact of the pandemic on these figures will depend on the areas outlined above.

#### **Implications for Financial Planning**

Policies to tackle poverty will need consideration in financial planning. These include the capital financing implications of the provision of affordable housing (HRA), making Cardiff a Living Wage City, together with a continued focus on education. Pressures on the homelessness service will be kept under review in terms of potential cost pressures.

### *One Planet Cardiff*

One Planet Cardiff sets out the Council's strategic response to the climate change emergency. It contains a wide range of ambitious actions aligned with the vision of achieving carbon neutrality by 2030. These include building sustainable homes, green energy generation, facilitating active travel and enhancing biodiversity.

#### **Implications for Financial Planning**

The capital financing of larger schemes associated with One Planet Cardiff will need to be reflected in the MTFP. There will also be a need to consider any potential revenue costs, including those required to deliver schemes, as well as those associated with their ongoing operation. There will also be a need to capture any revenue savings associated with One Planet Schemes.

### **2.3 Economic and Financial Outlook**

Local financial planning is linked to the economic context. At present, economic, demographic, social and global considerations, (all key external

factors that influence budget-setting), are highly uncertain due to the global pandemic.

### *UK Context*

The Office for Budget Responsibility (OBR) produce medium term forecasts for key economic indicators. Latest published forecasts (March 2021) underlined the global economic impact of the Coronavirus Pandemic. Restrictions on economic and social life have resulted in unprecedented falls in national income, and fuelled rises in public deficits and debt. There is hope that vaccine roll-out may boost recovery, but there is still considerable uncertainty.

UK Gross Domestic Product (GDP) is currently 8.7% below pre-pandemic levels. The latest published OBR forecasts predict that GDP will recover to pre-pandemic levels by mid-2022. However, these forecasts were based on the UK Government's February 2021 roadmap, which envisaged removal of restrictions in England by 21<sup>st</sup> June 2021. This has since been extended until at least the 19<sup>th</sup> July, reinforcing the potential for change.

The Government's Job Retention Scheme (JRS), which has mitigated the impact of the pandemic on job losses, is due to end on 30<sup>th</sup> September 2021. Current OBR projections suggest unemployment will peak at 6.5% at the end of 2021, following the ending of JRS.

The pandemic has had a significant impact on public sector borrowing. UK Public Sector Net Borrowing (PNSB) for the 2020/21 financial year was £291.5Bn, a sixfold increase on the previous year. The need to restore debt to more sustainable levels over time has the potential to affect future spending on public services. UK spending plans were revised downwards in both November 2020 and March 2021 compared with pre-pandemic plans.

## Section 2. Key Considerations

### Implications for Financial Planning

The position is uncertain, in terms of both the future economy, and its implications for spending on public services.

From a financial planning perspective, the cost of any increase in demand associated with the ending of JRS will need to be kept under close review. Potential areas that may be affected include council tax support and free school meals.

### BREXIT

The Council's Corporate Risk Register captures potential risks in relation to BREXIT and the agreed Trade Deal with the European Union. Implications across a range of services continue to be monitored, and will be factored into the MTFP at appropriate refresh points if required.

### Welsh Context

The WG Budget covers one year only which means the Council has no indicative funding figures for 2022 or beyond. Estimating funding is extremely difficult; national economic uncertainty may affect public spending generally, and distribution decisions must be made by both Westminster and Welsh Government before funding reaches individual Welsh Authorities.

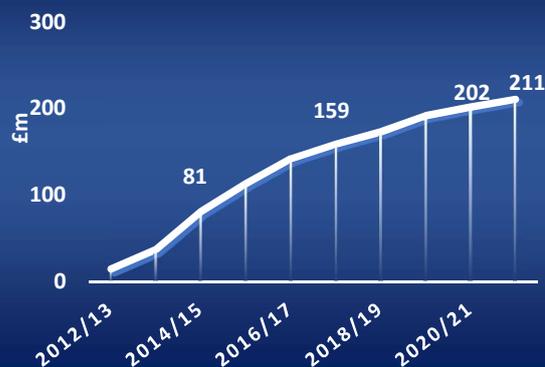
A number of taxes are devolved to WG control including landfill disposal tax, Non-Domestic Rates (NDR), land transaction tax and Welsh Income Tax. Whilst WG has the power to vary taxes, the current administration have pledged not to change income tax rates prior to the 2021 election. Beyond that, the position is currently uncertain.

### 2.4 Council Financial Context

#### Historic Context

Over the 10 year period 2012/13 – 2021/22, the Council has identified over £200 million in savings and lost over 1,600 FTE posts in services other than schools.

### CUMULATIVE SAVINGS - 10 YEARS



This period coincides with a marked deterioration in general grant levels. Whilst Cardiff has not seen a **cash** reduction in AEF since 2015/16, until 2020/21 there were annual real term reductions. AEF has not kept pace with the inflationary and

### Implications for Financial Planning

This context makes it more challenging to continue to deliver material levels of savings over the medium term. The Council's financial resilience will continue to be kept under close review.

demand pressure that the Council has experienced.

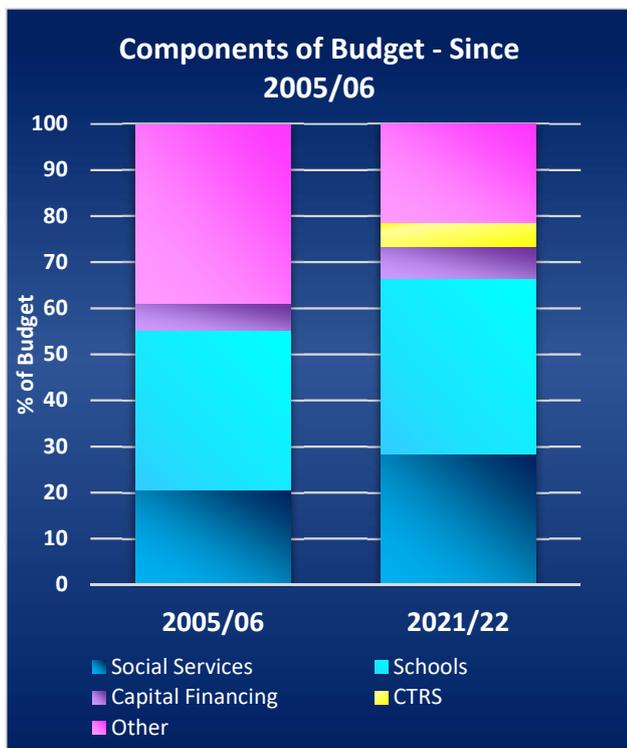
### Impact on the Council's Budget

The extended period of financial challenge has had a significant impact on the *shape* of the Council's budget. Some directorate budgets have contracted significantly and others have grown. Demand and price pressure has been acute in Social Services and Schools. Between 2017/18 – 2021/22, these budgets increased by £84 million.

Year	Schools £m	Social Services £m	Total £m
2017/18	7.2	9.2	16.4
2018/19	7.4	8.4	15.8
2019/20	10.4	4.1	14.5
2020/21	10.4	10.6	21.0
2021/22	6.2	10.4	16.6
<b>TOTAL</b>	<b>41.6</b>	<b>42.7</b>	<b>84.3</b>

## Section 2. Key Considerations

Until 2020/21, with no real term AEF increases to help meet this demand, it was primarily financed from savings in other directorates, causing those budgets to contract significantly over time.



The “Other Services” budget includes all Council Services except Schools and Social Services. For example, it includes highway maintenance, waste collection, parks and homelessness. It contains areas of statutory duty.

## Section 3. Medium Term Financial Plan

### 3.1 Forecast Financial Position

The Council's forecast financial pressures, funding and resultant £81 million budget gap are set out below.

	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
<b>Base Budget Brought Forward</b>	<b>682,253</b>	<b>687,132</b>	<b>692,060</b>	<b>697,037</b>
<b>Schools</b>				
Pay Costs	4,343	5,071	5,073	5,133
Price Inflation	75	75	75	75
Pupil Numbers	1,412	1,484	339	1,470
Contribution to Band B & Asset Renewal	(1,090)	(1,090)	(1,090)	(1,090)
<b>Total Schools Pressures</b>	<b>4,740</b>	<b>5,540</b>	<b>4,397</b>	<b>5,588</b>
<b>Social Services</b>				
Pay Costs	733	744	756	765
Price Inflation	3,500	3,395	2,500	2,545
Demographic - Adult Social Services	1,650	1,750	1,800	1,850
Demographic - Children's Social Services	5,000	3,000	3,000	3,000
<b>Total Social Services Pressures</b>	<b>10,883</b>	<b>8,889</b>	<b>8,056</b>	<b>8,160</b>
<b>Other Services</b>				
Pay Costs	1,726	1,748	1,790	1,797
Price Inflation	650	580	830	830
Commitments	1,132	1,852	900	1,535
Demographic Growth	800	800	800	200
<b>Total Other Services Pressures</b>	<b>4,308</b>	<b>4,980</b>	<b>4,320</b>	<b>4,362</b>
<b>Capital Financing</b>	<b>2,972</b>	<b>6,081</b>	<b>3,304</b>	<b>1,798</b>
<b>Emerging Financial Pressures</b>	<b>3,286</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
<b>Resources Required</b>	<b>708,442</b>	<b>715,622</b>	<b>715,137</b>	<b>719,945</b>
<b>Resources Available:</b>				
Aggregate External Finance	492,792	497,720	502,697	507,724
Council Tax before any future increases	193,590	193,590	193,590	193,590
Earmarked Reserves	750	750	750	750
<b>Total Resources Available</b>	<b>687,132</b>	<b>692,060</b>	<b>697,037</b>	<b>702,064</b>
<b>BUDGET REDUCTION REQUIREMENT</b>	<b>21,310</b>	<b>23,562</b>	<b>18,100</b>	<b>17,881</b>

# Section 3. Medium Term Financial Plan

## 3.2 Pressures Key Assumptions

### Employee Costs

#### Pay Awards

There are no agreed pay awards for the period covered by the MTFP. The plan contains the following assumptions:

- Teachers' Pay Award – 2% per annum (from Sept 2022)
- NJC Pay Award – 1.5% per annum

Whilst there have been messages at a UK level regarding public sector pay restraint, Local Government Pay is a matter for collective bargaining through the National Joint Committee, and Teachers' Pay Awards are set by Welsh Government. In light of this, it is not prudent to assume no pay award at this stage, however, this assumption will undergo regular review.

#### National Insurance

No significant changes to National Insurance rates or thresholds are anticipated. This position will be kept under review.

#### Employer's Superannuation Contributions

Actuarial review of the Local Government Pension Scheme took place during 2019/20 and resultant changes in Employers' contributions are reflected in current budgets. The results of the next actuarial review could affect later years of the MTFP. At this stage, no further change in contribution rate is assumed but this will be kept under close review.

The Teachers' Pension Scheme (TPS) is an unfunded public service pension scheme. Employers' contributions to the scheme increased significantly in September 2019 due to an actuarial review and change in the discount rate used to set scheme contributions. At present, the MTFP reflects no further changes, but this is another area that will require careful consideration as the next actuarial review nears.

#### Incremental Pay Progression

Forecast pay pressures include an allowance for teachers' pay progression. Estimates are reduced year on year, in recognition that over time, budgets should be sufficient to cover the top of each pay grade. No pressures are anticipated in respect of pay progression for non-teaching staff for this reason.

#### Apprenticeship Levy

Forecast pay pressures allow for the Council's Apprenticeship Levy to increase in line with general pay uplifts. The Apprenticeship Levy is a Government levy payable by larger employers at 0.5% of annual pay bill.

#### Redundancy Costs

In times of financial challenge, savings requirements mean that redundancy costs are an important consideration in financial planning. The Council has a base budget and earmarked reserve set aside to meet these costs. Financial forecasts include potential redundancy costs over and above existing provision.

#### Price Inflation

The Council's budgetary policy is that directorates manage price inflation within existing resources, except in exceptional circumstances. These may relate to the scale of the increase, or the quantum of the budget to which the increase applies. Areas deemed exceptional and included as forecast price pressures include out of county placement costs, NDR, Social Services commissioned care costs and energy.

At April 2021, inflation (CPI) stood at 1.5%, up from 0.7% in March 2021. The table below sets out OBR forecasts for CPI. Where appropriate, these inform inflationary costs over the medium term. However, consideration is also given to other key cost drivers in the services being commissioned, including for example wages.

## Section 3. Medium Term Financial Plan

2022	2023	2024	2025
1.8	1.9	1.9	2.0

### Commitments

Forecast financial commitments include capital-financing costs, increases to levies the Council is committed to paying and the future implications of previous Cabinet or Council decisions. Further detail on each area is set out below.

#### Capital Financing Costs

Forecast capital-financing costs reflect the 2021/22 – 2025/26 Capital Programme and the cost of commitments made in previous years. They reflect the following key assumptions:

- No new commitments funded by additional borrowing unless on an invest to save/earn basis.
- Borrowing predicated on income or savings achieve the outcomes expected in order to pay for themselves in the intended timescales.
- The timing and delivery of expenditure will be as profiled in the capital programme.
- The assumed interest rate for new borrowing is circa 2%.
- Capital receipt targets will be met
- The timing and method of managing borrowing repayments will be determined in accordance with the Treasury Management Strategy
- There remains one pool of debt for the General Fund and HRA.

The Capital Programme includes a number of major projects including the development of a new Indoor Arena. Whilst it is anticipated that capital-financing costs will be recovered through new income streams over the life of the project, the MTFP reflects an element of interim support between 2024/25 and 2025/26.

#### Levies

Forecast financial commitments include estimated increases to levies and contributions. The most significant of these is the South Wales Fire Services (SWFS), with a current Council contribution level of approximately £18 million. The budget for the SWFS is levied across constituent local authorities on a population basis. Estimates reflect potential future levy increases as a result of both population increases as well as potential increases to the SWFS' overall budget.

#### Other Commitments

These include:

- Additional base budget funding for the Council's Corporate Apprentice Scheme in 2022/23, which is when remaining reserve funding will be almost fully depleted.
- Revenue funding associated with the procurement of a new refuse vehicle fleet.
- The operating costs of a Household Waste Recycling Centre consistent with the timescales in the capital programme.
- Additional maintenance costs associated with the future upkeep of capital programme investment in the public realm.
- Revenue funding to operate a youth zone, consistent with capital programme timescales.

#### Demographic Pressures

The key areas of forecast demographic growth, and the associated financial impact over the period 2022/23 – 2025/26 are summarised below:

Demographic Increases	£m
Adults Social Services	7.0
Children's Social Services	14.0
Pupil Numbers	4.7
Out of County Education Placements	1.8
Other	0.8
<b>TOTAL</b>	<b>28.3</b>

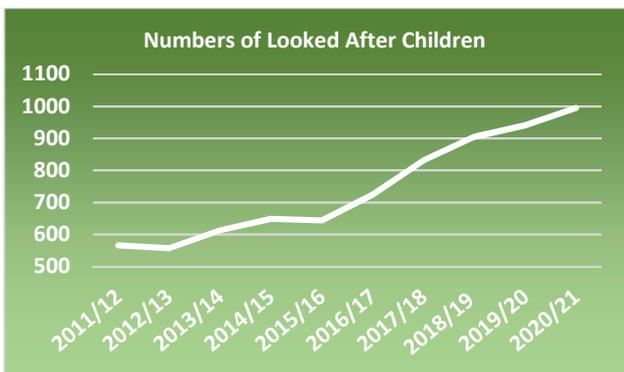
## Section 3. Medium Term Financial Plan

### *Adults Social Services*

Estimated growth in Adult Social Services is particularly difficult to predict at present, as sadly, the pandemic has had a particular impact on this demographic. The MTFP includes an annual allowance for demographic growth in this area, but this will need to be closely reviewed in coming months as the immediate impacts of the pandemic begin to subside, and its lasting impact on placement numbers and market sustainability becomes clearer.

### *Children's Social Services*

Estimated growth in Children's Services is also difficult to predict. The graph below sets out annual increases since 2011/12.



At present, there is uncertainty regarding what long tail impact the COVID 19 pandemic may have on family breakdown. There is a concern that there may be a significant increase in the number of Looked After Children and associated placements. Financial forecasts will need to be kept under close review in this regard. Further modelling will be required to understand the extent to which preventative measures being implemented by the directorate will take effect, and to gage the potential future mix of placements (fostering and residential), to determine whether the significant increase in residential placements in recent years will even out.

### *Pupil Numbers & Associated Learning Needs*

Pupil number projections reflect the existing pupil population moving up a year group each year.

They are adjusted to take account of historic retention rates. New pupils starting nursery each year are modelled using published birth rate data.

Up until September 2024, projections show a continued reduction in primary pupil numbers and an increase in secondary pupils. Following this, the recent fall off in primary numbers begins to feed through into secondary schools.

Costs associated with the Associated Learning Needs (ALN) of pupils are more difficult to model. As well as estimating future predicted demand, there is also a need to consider complexity of need as different types of support have different costs. ALN forecasts are based on estimates by the Education directorate and take into account historic and projected pupil population information. They will be regularly reviewed to take account of most recent information. There will also be a need to keep potential increases in eligibility for Free School Meals under close review.

Future operating cost of schools in LDP areas are difficult to predict and subject to change. Forecast figures have been amended to reflect schools beginning to open in LDP areas from the September 2022. Each new school may take a different form, with some being starter schools, which refer to schools that begin with reception and year one groups only and then grow year on year, and others offering places in all year groups from the outset. Assumptions are high level and will need refinement as development within the city progresses and demand for school places becomes clearer. There will also be a need to gage whether the take up of school places in LDP areas affects demand in other areas of the city.

Forecasts for 2025/26 include a significant increase in the number of special school pupil numbers. This increase reflects the anticipated completion of SOP expansion works at three special school sites in that year. Figures currently

## Section 3. Medium Term Financial Plan

assume that those places would become available in September.

During the interceding years, there will be a need to model to what extent the costs associated with the availability of additional special school places could be offset by savings in other areas, in particular Out of County placement budgets.

Forecasts currently allow for consistent annual growth in the number of Out of County Placements between 2022/23 and 2024/25. No further growth is assumed for 2025/26, on the basis that the availability of additional capacity within Cardiff may avoid the need to place Out of County. As noted in the preceding paragraph, as well as limiting future demographic growth, there will be a need to consider whether the additional capacity may enable savings on existing Out of County budgets.

### **Emerging Financial Pressures**

Forecasts include £3 million per annum to address emerging financial pressures, which equates to just under 0.5% of the Council's net budget. This reflects the fact that it is impossible to foresee all issues and that additional burdens may arise over the next five years, through new legislation, unforeseen demand, policy change, and grant fall out.

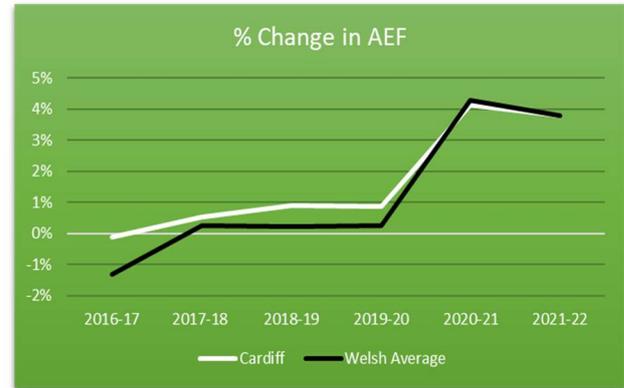
The inclusion of a figure against emerging issues provides a margin of headroom, avoiding the need to identify additional savings proposals at short notice. Sums included for emerging pressures are kept under regular review and are removed from plans if they are no longer considered necessary.

### **3.3 Funding Key Assumptions**

#### **Aggregate External Finance (AEF)**

The 2021/22 Local Government Finance Settlement was for one year only. The settlement was significantly more positive than expected with a real term increase in funding for Local

Government. At +3.8% Cardiff's increase was at the level of the Welsh average. The chart below models recent settlements (in cash terms).



Whilst settlements were more positive in both 2020/21 and 2021/22, it would not be prudent to assume this will continue. Weighing up the considerations in the economic outlook, in particular, the potential for public spending to be tightened as a means of addressing unprecedented levels of UK debt, funding assumptions are currently based on annual increases of 1%.

If indicative funding is worse than these planning assumptions, there may be a need to identify significant additional savings at short notice. This could pose a material risk to the Council's financial resilience, as the achievability risk associated with such savings is likely to be high.

In order to address this risk, the Council has a £3.8 million base budget called a Financial Resilience Mechanism (FRM.) It is used to invest in priority areas, but that investment must be one-off and decided afresh each year. This means that the budget is used proactively, but could be deleted without affecting day-to-day services if required.

#### **Reserves**

In the interests of financial resilience, reserves should not be heavily relied upon to fund the budget. This is because:

## Section 3. Medium Term Financial Plan

- Reserves are cash sums and their use to fund the budget creates a gap in the finances of the following year.
- Earmarked reserves are set aside for a particular purpose.
- Reserves are an important part of financial resilience, providing a cash buffer.
- Cash in reserves is not idle; it generates investment income in line with the Treasury Management Strategy and avoids the need for short-term borrowing.
- The level of reserves held by Cardiff Council may be considered to be just at an adequate level for an Authority of this size. As a percentage of gross revenue expenditure, Cardiff has one of the lowest levels of reserves compared to other Welsh Authorities.

Funding forecasts currently assume that £0.75 million will be used from reserves to support the budget each year between 2022/23 and 2025/26. This means a total of £3 million will be used from reserves to support the budget over the four years.

The Council has a Strategic Budget Reserve to support the medium term and any opportunities to increase that reserve at year-end are taken. In addition, there is an annual review of reserves, with amounts released where they are no longer required for the purpose originally intended.

The proposed use of reserves is considered to strike an appropriate balance between the points set out at the start of this section, with the need to support services in times of financial pressure. These assumptions will be kept under review.

### **Grant Funding**

Specific grants must be used for a particular purpose, which is defined by the grant provider. The funding may only be used for that purpose, and the Council is audited to ensure compliance. The Council receives a significant amount of specific grant funding, notably from WG.

Over an extended period, Welsh Local Government have pressed WG for “funding flexibility.” This means that wherever possible, funding should be directed through AEF. As well as providing more flexibility for Local Authorities, this would also reduce administrative burdens.

There has been a tendency in recent years, for WG to direct additional funding for Local Government through specific grants. Examples of this have included Teachers’ Pay and support for Social Services pressures. These grants support day-to-day operational pressures, as opposed to WG policy initiatives.

From a financial planning perspective, there is a risk that specific grants may reduce in cash or real terms, or be discontinued altogether. This risk increases where grants are supporting core activity. Whilst still a challenge where grants support specific initiatives, there is at least an opportunity to review whether those initiatives should continue.

The Council has a budget of £125,000 to deal with in-year specific grant funding issues. In addition, the MTFP reflects anticipated reductions to specific grant streams, where failure to do so could ultimately result in a larger cost, such as a fine. Beyond this, the MTFP is based on the assumption that any future specific grant reductions would be dealt with by:-

- Reviewing the grant funded activity
- Providing transitional funding through the FRM, (if it is still available)
- Providing funding through the sum included within the MTFP to meet emerging financial pressures.

A key area to keep under review in this regard are Integrated Care Fund (ICF) and Transformation Grants in Communities and Social Care. There is currently a lack of certainty regarding these streams beyond 31<sup>st</sup> March 2021.

## Section 4. Addressing the Gap

### 4.1 Budget Gap

The estimated budget gap for the period 2022/23 – 2025/26 is set out below:

2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
21.3	23.6	18.1	17.9	80.9

This will need to be addressed through a combination of savings, income generation and Council Tax increases.

### 4.2 Council Tax

Council Tax accounts for 28% of the Council's general funding. This means that in order to generate a 1% increase in overall funding, Council Tax would have to increase by over 4% (after accounting for Council Tax Reduction Scheme (CTRS)). This is called the gearing of the tax. The Council has little control over the majority of its funding, which is through Welsh Government Grant.

Technical variables that must be considered when setting the Council Tax include:

- The Council Tax Base of the Authority
- Council Tax Support Budgets
- The level of the Council Tax

#### *Council Tax Base*

The Council Tax Base is the number of Band D equivalent properties in the city. In simple terms, it reflects the number and type of dwellings in the city, and takes into account if they may be eligible for Council Tax discounts or exemptions. Local Authorities use the Council Tax Base to calculate how much Council Tax they expect to generate.

Whilst other factors affect the Council Tax Base, broadly speaking, property development in an area usually means that the Council Tax Base will increase, generating more Council Tax income. Whilst there is the potential for the Council Tax Base to increase over the medium term, the

budget strategy does not pre-empt these increases within MTFP. This is because an increase in Council Tax Base often results in a reduction in AEF.

#### *Council Tax Support Budgets*

The Council pays Council Tax support to eligible recipients under the CTRS. The current annual budget is over £35 million.

The CTRS Budget must be considered when projecting future Council Tax income. If eligibility for Council Tax Support remains consistent; an increase in the rate of the Council Tax will place additional pressure on the CTRS Budget. This is because support must be paid at the new, higher rate. Figures quoted in the next section are net, in that they take into account the associated impact on the CTRS Budget.

#### *The level of the Council Tax*

In addressing the budget gap, it is assumed that Council Tax will increase by 4.0% per annum. An annual 4.0% increase would contribute the following amounts to addressing the budget gap:

2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
6.3	6.6	6.8	7.1	26.8

The assumption of annual 4.0% increases is not fixed, and will be kept under review over the medium term and is subject to Member approval.

### 4.3 Savings Requirement

The residual budget gap to be met from savings after taking into account assumed Council Tax increases is:

2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
15.0	17.0	11.3	10.8	54.1

## Section 4. Addressing the Gap

In addressing this gap there will be a need to:

- Continue to target efficiencies, including baseline efficiencies for *all* services including schools.
- Continue to review income streams, whilst recognising that in the short to medium term, core income budgets are at risk due to the pandemic and therefore opportunities to generate additional income will be more limited than in previous years.
- Consider the level at which it is affordable to continue to subsidise services of a more discretionary nature.
- Capture the full financial benefit of the early intervention and preventative work ongoing across the Authority, in order to manage the pattern of future demand for Council services.
- Continue to undertake service reviews
- Identify opportunities to work across directorates and in partnership with other organisations.
- Target productivity savings to ensure that optimum value for money is achieved within scarce resources, including making best use of digital technology.
- Consider how targeted capital investment may deliver revenue savings.

In developing detailed savings proposals for the medium term, there will be a need to work across directorate boundaries to review all elements of expenditure that the Council is able to influence. This will include working with delegated schools to identify efficiency opportunities in relation to the £254 million Schools' budget.

# Section 5. Risk and Uncertainty

## 5.1 Sensitivity Analysis

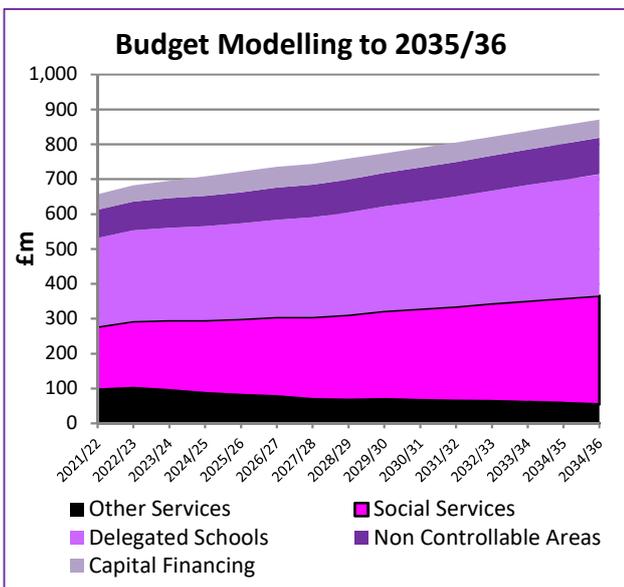
Current MTFP assumptions are based on best available information. However, there is always a risk of change. The table below sets out areas of non Covid-19 related sensitivity and their potential annual impact.

Assumption	£m
AEF 1% worse than anticipated	4.9
Teachers Pay Award 1% higher (from Sept)	0.8
NJC Award 1% higher	2.6
CPI 1% higher (on permitted heads)	1.4
<b>Total Annual Impact</b>	<b>9.7</b>

If **all** these variables changed, they could have a £9.7m impact in any individual year. The cumulative impact across the MTFP would be £39 million. It is unlikely that **all** variables would shift unfavourably, but the scale of the impact if they did, highlights the importance of regularly reviewing assumptions.

## 5.2 Longer Term Outlook

This graph models a potential long-term outlook for the Council’s budget. It is difficult to model beyond the MTFP due to unknown factors, but the chart is an indication of how things may look in future if historic trends are extrapolated.



The graph shows the continued contraction of “Other Services” over the medium term albeit not as quickly as in previous iterations of the MTFP due to slightly more favourable funding assumptions. As this contains areas of statutory duty, the strategy to address the gap will need to reshape this profile as far as possible.

## 5.3 Key Risks

The key risks associated with the MTFP are recapped below:

Funding	<ul style="list-style-type: none"> <li>Worse than predicted LG financial settlements.</li> <li>The potential fall out of specific grants – especially where they support core activity.</li> <li>Challenges in relation to capital funding and the associated implications for revenue budgets. These include the impact of additional borrowing beyond that reflected in the current programme.</li> </ul>
Demand	<ul style="list-style-type: none"> <li>The difficulty of modelling complexity of demand, including in Adult and Children’s Services and Additional Learning Needs.</li> <li>The difficulty in modelling increased demand for services resulting from the LDP.</li> <li>Homelessness</li> </ul>
Uncertainty	<ul style="list-style-type: none"> <li>BREXIT and any impacts of the trade deal</li> <li>The outlook for public spending.</li> <li>The potential for key assumptions in the MTFP to fluctuate.</li> <li><b><u>The ongoing financial impacts of the Covid-19 pandemic, which are separately recorded below.</u></b></li> </ul>
Financial Resilience	<ul style="list-style-type: none"> <li>The medium term savings requirement, particularly when viewed in the context of historic savings levels.</li> <li>The shape of the Council’s budget – with over 70% now accounted for by capital financing, Social Services and Schools.</li> <li>Planned use of reserves to support the budget, which will need to be kept under review.</li> <li>The difficulties associated with predicting the cash impact of preventative strategies.</li> </ul>

## Section 5. Risk and Uncertainty

### 5.4 Covid-19 related risks

In 2020/21, the Covid-19 virus and associated public health measures have had significant financial implications for the Council, both in terms of additional costs and loss of income. During the year the Council incurred additional costs of over £47 million in responding to the crisis and experienced income losses of over £38 million due to lockdown measures. Support was received from the Welsh Government's Covid-19 Hardship Fund.

Throughout the pandemic, the financial implications of the Council's actions to support the city through the crisis and to deliver services safely have been closely monitored. This has included the impact of adapting to an essential service model at the height of the crisis, through to the proactive measures the Council has taken to restart services and support city recovery as lockdown measures have eased. Over the course of coming months, and throughout the period covered by the MTFP, it will be key to ensure close links between financial planning and strategies to assist Cardiff's post-crisis renewal.

Review of current year issues associated with the pandemic, is a starting point in identifying future considerations. However, as restrictions continue to ease, there will be a shift in the key issues that need to be addressed, and this will continue to be the case over the medium term.

The adjacent paragraphs identify some of the key overarching issues arising from the current pandemic and considers their potential implications for Cardiff Council next financial year and beyond. Not all these issues are reflected as figures in the MTFP at present, but they will be kept under close review and brought in incrementally as required.

### *Business Failure / Unemployment increases*

Financial risks include:

- Free School Meals – potential eligibility increase
- Potential increase in CTRS Demand
- Potential need to increase bad debt provisions
- Vacancies in investment estate
- Any long term effect on council tax collection rates
- Business rates yield – funding implications
- Extra demand on advice / into work services
- Economic Development – regeneration pressure
- Impact on council tax base if development dries up

### *Ongoing public health measures*

Financial risks include:

- Longer-term loss of income – venues etc.
- School catering
- Provider / Supplier viability
- Potential for learning needs catch up
- Potential need for an annual PPE budget
- Cleansing – schools, offices and school transport
- Future Health and Safety requirements
- Shared Regulatory Service – pressures of enforcing guidelines
- Test, Trace Protect – currently assumed that funding will be sufficient and ongoing

### *Behavioural Shift*

Financial risks include:

- New transport norms – impact on Cardiff Bus and on parking and civil parking enforcement income
- More emphasis on outside space may result in additional maintenance / cleansing costs
- Office and ICT requirements associated with new ways of working
- Financial impact of strategies developed to support the “new normal”
- Switch in waste streams – more people at home
- Welsh Government Grant priorities – potential changes

### *Demographic Implications*

- Potential for increase family breakdown and increased numbers of Looked After Children
- Changed demographic profile – difficulty predicting demand – especially in Adult Services
- Homelessness – transitional arrangements

## Budget Strategy Report 2022/23 - Question and Answers

### What does this cover?

- This is a brief overview of the Council’s 2022/23 Budget Strategy Report, which you can view in full online. The Budget Strategy sets out the Council’s approach to:
  - setting next year’s Revenue Budget
  - rolling forward the Capital Programme

### What is the starting point for the Budget Strategy?

- There are many factors to take into account in setting the Budget Strategy.
- These differ depending on whether we are looking at capital or revenue. The key starting points that are common to both are:
  - The need to link closely with the Council’s key priorities and plans
  - Affordability

## The Revenue Budget

### What is the Revenue Budget?

- The revenue budget is the amount of money the Council has to spend on day-to-day services
- These services include running schools, caring for vulnerable people, collecting waste, maintaining highways and parks, and operating libraries and cultural venues.

### How do you decide the Budget Strategy for Revenue?

- We start by:
  - Estimating the cost of delivering services next year
  - Comparing this to the funding we expect to receive next year
  - If estimated costs are more than estimated funding, there is a “Budget Gap”
- The Council has a statutory duty to produce a balanced budget - if there is a budget gap, the Council must bring expenditure and funding back into balance.
- The plan to achieve this is the Budget Strategy. It can involve:
  - Reducing Spend (making savings)
  - Increasing income (for specific services)
  - Reviewing the level of the Council Tax
  - Considering using earmarked reserves – although this is not a long term solution

### Is there a Budget Gap for 2022/23?

- Yes, there is an estimated Budget Gap for 2022/23 of £21.3 million.
- The gap is because we do not expect additional funding to keep pace with likely cost pressures.
- Cost pressures include price inflation, pay inflation and capital-financing commitments. We are also expecting an increase in demand for services, including in relation to Children’s Social Care. Overall, we estimate cost pressures will total £26.2 million in 2022/23.
- We currently estimate that we may receive a 1% increase in general funding (called Aggregate External Finance or AEF) in 2022/23. This would give us £4.9 million to help meet the £26.2 million additional costs but it still leaves a £21.3 million budget gap.

### Is there a similar situation in later years?

- Yes, the budget gap is estimated to be £80.9 million over the next four years.
- This is set out in the Council’s Medium Term Financial Plan (MTFP) and is summarised in the table below:

2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
21.310	23.562	18.100	17.881	<b>80.853</b>

### What is the Strategy to bridge the gap?

- The current high level strategy to bridge the gap is set out below
- At £54.1 million over the four-year period, savings form the largest part of the strategy. This will be a challenge in view of the levels of savings previously found by the Council (over £200m in ten years)

The Council tax is a modelling assumption that will be kept under review

To be kept  
under  
review

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Modelled Council Tax at +4.0%	6.300	6.552	6.814	7.086	26.752
Savings	15.010	17.010	11.286	10.795	54.101
<b>Total</b>	<b>21.310</b>	<b>23.562</b>	<b>18.100</b>	<b>17.881</b>	<b>80.853</b>

### How will you find the savings for 2022/23?

- The table below summarises the approach to the 2022/23 savings - further explanation on each area is set out below the table.

Savings	£m
Directorate Efficiency Savings	5.606
Schools Efficiency Savings (1%)	2.566
Policy / Transformation Savings	2.788
Corporate Savings and Strategies	4.050
<b>TOTAL</b>	<b>15.010</b>

- **Directorate efficiency savings** – as well as covering their own pay awards, services are being asked to find efficiency savings of up to 2.5%. Levels vary by directorate with back office functions finding more. Efficiency savings involve delivering the same (or more) for less cost, and so should have no visible impact for citizens.
- **Schools efficiency savings** - modelling indicates that after a 1% efficiency saving, schools would receive net additional cash of £2.8 million (1.1%) in 2022/23.
- **Policy / Transformation Savings** – these proposals may involve changes to services. Work on identifying ideas and reviewing options is ongoing. We will report progress later in the year.
- **Corporate Savings and Strategies** – this will include savings associated with changes in working practices, as well as a review of capital financing and other corporate budgets. It will also consider whether to increase the planned use of reserves to fund the budget, (over and above the £750,000 already planned).

### Why is there no target for additional income?

- Whilst income generation proposals have helped to address previous years' Budget Gaps, at present income budgets are still getting back onto an even keel after the pandemic.
- It is therefore unlikely that income proposals will contribute significantly to meeting the 2022/23 Budget Gap.

**Is there anything else I need to know?**

- A wide range of external factors impact on an organisation's financial plans.
- More so than usual, there is a lot of uncertainty that could affect our planning assumptions.

**What are the key uncertainties?**

- The Report includes more detail. However two key uncertainties are:
  - **The ongoing impact of COVID-19** – the pandemic has had a significant impact for Local Authorities. To date, Welsh Government's COVID-19 Hardship Fund has largely reimbursed additional expenditure and lost income, but we do not know whether there will be any WG funding beyond the current financial year if pressures continue. Key areas to keep a close watch on include: infection control (PPE and cleaning), the potential for increased family breakdown, supplier viability, ongoing income loss at cultural venues, school catering, free school meals and learning needs catch up. We will also need to be mindful of the ending of the Job Retention Scheme (also known as furlough) on 30<sup>th</sup> September 2021. If this sees unemployment levels increase, there may be extra demand e.g. for council tax support / free school meals, that we will need to factor into our spending plans.
  - **Funding levels** – at present, future funding levels are just estimates. We know that coping with the pandemic has significantly increased UK Government debt. In time, this will need to be repaid, and this could mean a reduction in public spending. If that happens, our funding may be lower than we have currently estimated, increasing the budget gap.

**How can I have my say?**

- The Annual 'Ask Cardiff' Survey will include budget themes, paving the way for a more detailed consultation later in the year.
- This is likely to take place in December, once the Council has an indication of 2022/23 funding.

**What next?**

- We will continue to keep the budget gap under close review – things can change quickly and regular review is an important part of being prepared.
- Directorates will refine their work on savings proposals over the coming months.
- There will be early implementation of efficiency proposals where possible and appropriate.
- There will be further focus on transformation / policy change proposals.
- Progress, along with any further clarity on funding issues, will be reported in December in order to inform consultation.

## The Capital Programme

**What is capital expenditure?**

- Capital expenditure refers to acquiring or improving assets - it has a longer-term focus than revenue expenditure.
- Examples of capital expenditure include building a new school or highway resurfacing

**How is capital expenditure paid for?**

- Councils receive general and specific grant funding to support capital expenditure. This is similar to Revenue, but there are also some very important differences.

- One of these is that rules permit Councils to borrow in order to fund capital expenditure - **as long as that borrowing is considered affordable, prudent and sustainable.** Borrowing has to be repaid with interest.
- Councils can also fund capital expenditure from selling assets and using the proceeds – called capital receipts.

#### **What is the Capital Programme?**

- The capital programme sets out our expenditure plans and how we will pay for them over a five-year period.
- Council approved the current five-year capital programme in March 2021. This set the programme for 2021/22 and the indicative programme until 2025/26.
- The 2022/23 Budget Strategy must set the approach to updating the indicative programme and rolling it forward one year to cover 2026/27.

#### **What are the key considerations in updating the programme?**

- Investment pressures
- Affordability

#### **What are the investment pressures on the Programme?**

- Broadly speaking, these relate to investment in existing assets, or to investment in development projects to meet the Council’s strategic aims. Some examples include:
  - Maintaining our Highways infrastructure and assets used in providing services
  - Demand for affordable housing
  - 21<sup>st</sup> Century Schools Programme
  - Economic development and regeneration aspirations
  - Mandatory investment – e.g. disabled adaptations
  - Creating city resilience for future ways of working, and service delivery resulting from the impact of COVID-19.

#### **What are the key considerations in terms of affordability?**

- General Capital Funding provided by WG has reduced significantly over the past decade
- This places pressure on the Council to fund necessary investment.
- It means that in order to fund new capital spend, we must either borrow more, or sell existing assets (to generate a capital receipt). There are important considerations around both – see more below.

#### **What is the position on capital receipts?**

- In times of pressure, reducing assets can have a dual benefit in terms of financial planning.
  - Firstly, it provides funds to support the capital programme.
  - Secondly, it reduces the costs associated with maintaining and operating assets.
- The current capital programme already includes challenging targets in respect of capital receipts - £33 million by the end of 2022/23. Realisation of these is a risk.
- It is important to ensure that there is a clear, approved strategy to realise them and that we review progress closely.
- The Council’s approach to the delivery of the capital receipts target will be updated in the Annual Property Plan - due to be considered by Cabinet in September 2021.

#### **What is the position in terms of borrowing?**

- Borrowing places pressures on the revenue budget. This is because the Council must repay debt with interest.
- Broadly speaking, each £1 million of capital expenditure places additional pressure of £65,000 on the revenue budget. This assumes a long asset life of 25 years - the impact on revenue is higher when asset lives are shorter.
- Capital financing already accounts for a significant proportion of the revenue budget. Even with no further borrowing, this budget will increase over the medium term.
- Given the challenges on the revenue budget, the MTFP assumes there will be no further borrowing beyond that already included in the current capital programme.

**Is there opportunity for some investment to pay for itself through savings or new income streams?**

- Yes, these are called invest to save (ITS) or invest to earn (ITE) schemes.
- These are schemes where capital investment results in savings or income that help to meet the borrowing costs.
- A robust business case is key to ensure that the income / savings will actually materialise and that they will be sufficient to meet the borrowing costs. If they do not, there is a risk that the revenue budget will end up picking up those costs for many years into the future.

**In light of the above, what is the planned approach to updating the capital programme?**

- Firstly, directorates will confirm if commitments in the current programme remain essential, or whether there is any scope to reduce or delay them. This should include a realistic appraisal of the capacity to deliver these schemes.
- For existing assets, any new pressures or cost increases will need to be managed and prioritised from resources already in the programme.
- New capital expenditure pressures will only be considered for inclusion in the programme if they can be funded externally, or if there is sound evidence of an invest to save / earn business case.
- It will be essential to keep progress towards capital receipts under review. This is a key factor in overall programme affordability.
- All proposed investment should be in line with the Capital Ambition delivery programme, and all alternative solutions for funding and achieving the same outcome, should be explored before additional Council funding is considered.

**What next?**

- Directorates will be asked to commence with the approach outlined above, starting with a robust review of the current programme.

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## PROPOSED REVENUE BUDGET TIMETABLE FRAMEWORK 2022/23

Date	Budget Strategy
Jul 2021	<ul style="list-style-type: none"> <li>• Budget Strategy Report considered at Cabinet</li> <li>• Budget Strategy Report considered at Council</li> </ul>
Jul – Sept 2021	<ul style="list-style-type: none"> <li>• Directorates further develop 2022/23 efficiency savings proposals</li> <li>• Ongoing review of the in-year monitoring position and the key risk areas identified in the body of the report</li> <li>• Further clarity on whether or not there will be Q3 /Q4 in-year Hardship Fund support – consider implications of this for financial planning</li> <li>• Directorates review scope for policy / transformation proposals</li> <li>• Following consultation with Cabinet Members, business cases to be developed in targeted areas</li> <li>• Inclusion of budget themes within the annual Ask Cardiff survey paving the way for more detailed consultation later in the year</li> </ul>
Oct – Nov 2021	<ul style="list-style-type: none"> <li>• Senior Officer Meetings / Cabinet Member meetings to scrutinise proposals</li> <li>• Consider early implementation of 2022/23 efficiency proposals where possible and appropriate</li> </ul>
Dec 2021	<ul style="list-style-type: none"> <li>• Provisional Local Government Settlement (estimated timescale)</li> <li>• Cabinet approval of 2022/23 Council Tax Base</li> <li>• Commence consultation on 2022/23 draft budget savings proposals</li> </ul>
Jan 2022	<ul style="list-style-type: none"> <li>• Further consideration of budget proposals, taking account of consultation feedback</li> <li>• Further review and consideration of medium term financial plans</li> </ul>
Feb/ Mar 2022	<ul style="list-style-type: none"> <li>• Approval of Corporate Plan and Budget</li> <li>• Final Local Government Settlement received</li> <li>• Statutory notices placed and Council tax bills issued</li> </ul>

In addition, throughout this period there will be:

- continued involvement and consultation with council tax payers, the grants sector, Scrutiny Committees, Trade Unions, employees and statutory consultation with schools
- continued review of the 2022/23 Budget Gap and all underlying assumptions

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**FINANCIAL RESILIENCE SNAPSHOT - BUDGET STRATEGY REPORT VERSION**

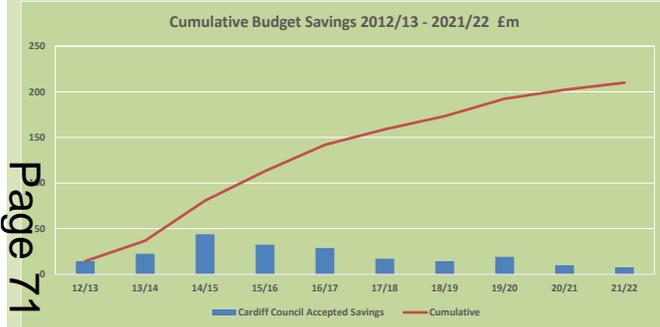
The following tables, charts and figures give an indication of the financial resilience of the Council as per the Statement of Accounts and information in the Budget Strategy Report.

**Level of Useable Earmarked Reserves and Useable Reserves as a % of net Council Budget**



\* 2020/21 - Information from Statement of Accounts subject to an audit

**Cardiff Council Historic Cumulative Budget Savings**



**Actual Revenue Funding Split**



**Other Financial Indicators - Cardiff Council Single Entity Accounts**

Indicator	2016/17	2017/18	2018/19	2019/20	2020/21 *
Working Capital as a percentage of Gross Revenue Expenditure (%)	6.99%	8.69%	7.15%	10.94%	15.27%
General Reserves to Gross Revenue Expenditure (days)	6	6	6	6	6
Long-term Borrowing to Long-term Assets (ratio)	35.13%	36.36%	36.91%	38.46%	36.71%
Long-term Borrowing to Taxation & Aggregate External Finance	103.10%	103.10%	104.00%	114.75%	99.44%

\* 2020/21 - Information from Statement of Accounts subject to an audit

The tables below show the Revenue Outturn position for the 2020/21 financial year for both revenue and capital.

**Revenue Outturn Position 2020/21**

Directorate	Net Exp. Budget £000	Outturn £000	Variance £000	Variance %
Corporate Management	26,270	26,340	70	0.3%
Economic Development				
- Economic Development	8,090	7,582	(508)	-6.3%
- Recycling & Neighbourhood S	30,467	30,467	0	0.0%
Education & Lifelong Learning	287,258	287,533	275	0.1%
People & Communities				
- Housing & Communities	46,526	46,241	(285)	-0.6%
- Performance & Partnerships	3,047	2,868	(179)	-5.9%
- Social Services	182,338	182,967	629	0.3%
Planning, Transport & Environment	7,104	7,104	0	0.0%
Resources				
- Governance & Legal Services	5,700	6,286	586	10.3%
- Resources	15,636	15,239	(397)	-2.5%
<b>Total Directorates</b>	<b>612,436</b>	<b>612,627</b>	<b>191</b>	<b>0.03%</b>
Capital Financing	30,936	31,354	418	1.4%
Discretionary Rate Relief	400	362	(38)	(9.5%)
General Contingency	3,000	0	(3,000)	(100.0%)
Summary Revenue Account etc.	9,414	12,859	3,445	36.6%
Council Tax	0	(1,016)	(1,016)	0.0%
<b>Total</b>	<b>656,186</b>	<b>656,186</b>	<b>0</b>	<b>0%</b>

**Revenue Savings Achieved and Unachieved 2020/21**



Directorate	2020/21 Savings Outturn		
	Achieved £000	Unachieved £000	Total £000
Corporate Management	90	0	90
Economic Development	846	804	1,650
Education & Lifelong Learning	686	265	951
People & Communities	929	2,409	3,338
Planning, Transport & Environment	606	790	1,396
Resources	923	209	1,132
<b>Total</b>	<b>4,080</b>	<b>4,477</b>	<b>8,557</b>

**Covid - 19 Hardship Fund**

	Additional Expenditure £000	Lost Income £000	Total Hardship Fund £000
Claimed	50,849	39,044	89,893
Withdrawn	1,031	889	1,920
Rejected	2,114	0	2,114
<b>Reimbursed</b>	<b>47,704</b>	<b>38,155</b>	<b>85,859</b>

\* Lost income claim withdrawn due to alternative fund becoming available

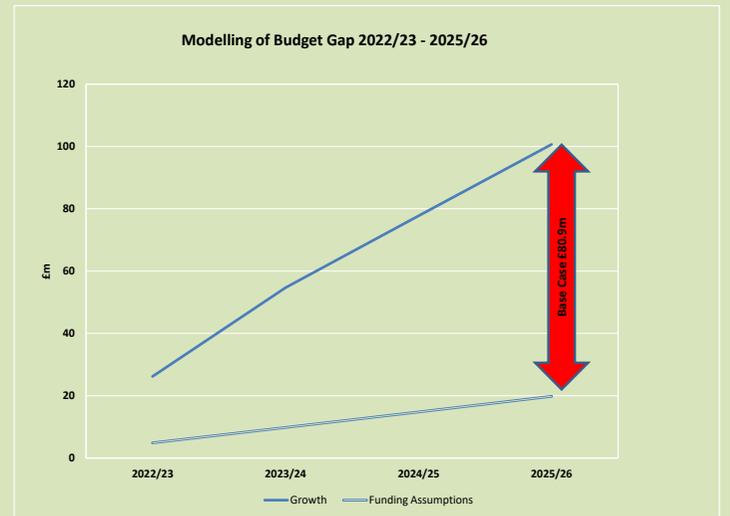
**Capital 2020/21 Outturn Position**

Directorate	Budget £000	Projected Outturn £000	Variance £000	Variance %	(Under)/Overspend £000	Slippage £000
Economic Development	23,312	13,871	(9,441)	(40.5%)	0	(9,441)
Education & Lifelong Learning	31,261	29,974	(1,287)	(4.1%)	1,721	(3,008)
People & Communities	14,880	10,610	(4,270)	(28.7%)	62	(4,332)
Planning, Transport & Environment	46,066	35,997	(10,069)	(21.9%)	(2,101)	(7,968)
Resources	17,723	11,118	(6,605)	(37.3%)	0	(6,605)
<b>Total</b>	<b>133,242</b>	<b>101,570</b>	<b>(31,672)</b>	<b>(23.77%)</b>	<b>(318)</b>	<b>(31,354)</b>

The tables below show the Medium Term Financial Plan (MTFP), the risks and affordability indicators facing the Council.

**MTFP Scenario**

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	TOTAL £000
Total Pressures	26,189	28,490	23,077	22,908	100,664
Funding Assumptions	(4,879)	(4,928)	(4,977)	(5,027)	(19,811)
<b>Budget Requirement Reduction</b>	<b>21,310</b>	<b>23,562</b>	<b>18,100</b>	<b>17,881</b>	<b>80,853</b>
Council Tax Assumptions - at 4%	6,300	6,552	6,814	7,086	26,752
Total Savings	15,010	17,010	11,286	10,795	54,101
<b>Budget Requirement Strategy</b>	<b>21,310</b>	<b>23,562</b>	<b>18,100</b>	<b>17,881</b>	<b>80,853</b>



**Capital Expenditure & Capital Financing Requirement (CFR)**

	31 Mar 21 £m	31 Mar 22 £m	31 Mar 23 £m	31 Mar 24 £m	31 Mar 25 £m	31 Mar 26 £m
Capital Expenditure	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
Council Fund (General Fund)	112	158	251	271	121	69
Housing Revenue Account	54	87	118	91	70	51
<b>Total Capital Expenditure</b>	<b>166</b>	<b>244</b>	<b>369</b>	<b>362</b>	<b>191</b>	<b>120</b>
Capital Financing Requirement excl. Landfill						
Council Fund CFR	540	584	755	930	920	901
Housing Revenue Account CFR	301	362	449	505	538	555
<b>Total CFR</b>	<b>841</b>	<b>946</b>	<b>1,204</b>	<b>1,435</b>	<b>1,458</b>	<b>1,456</b>

**Affordability Indicator - Capital Financing Costs as a % of Controllable Budget**

	2011/12	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Difference 11/12-25/26
Actual	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
%	%	%	%	%	%	%	%	%
<b>Net</b>	<b>13.47</b>	<b>11.34</b>	<b>11.00</b>	<b>11.40</b>	<b>12.52</b>	<b>13.11</b>	<b>12.98</b>	<b>(3.64)</b>
<b>Gross</b>	<b>15.17</b>	<b>16.37</b>	<b>17.02</b>	<b>17.51</b>	<b>21.19</b>	<b>23.59</b>	<b>23.13</b>	<b>52.47</b>

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**CYNGOR CAERDYDD  
CARDIFF COUNCIL**

**POLICY REVIEW & PERFORMANCE  
SCRUTINY COMMITTEE**

**14 July 2021**

**Committee Business Report - Correspondence**

**Reason for this Report**

1. To update Members on correspondence arising from recent scrutiny meetings.

**Correspondence**

2. Following each Scrutiny Committee meeting, the Chair writes on behalf of all Members, to the relevant Cabinet Member and senior officer, summing up the Committee's comments, concerns and recommendations regarding the issues considered during that meeting. The Committee is routinely copied in to the letters when they are forwarded to the Cabinet Member. Depending on the issues highlighted, the letter usually asks for a response from the Cabinet Member to any recommendations made, and sometimes requests further information.
3. For Members information attached to this report at **Appendices 2, 3, 4 & 5** are copies of correspondence following the May and June meetings of the committee, both letters sent and Cabinet responses where received.
4. Where responses are *outstanding* the support officer continues to follow up on the Committee's behalf, particularly where the Committee has made a formal recommendation for monitoring as part of the new model and

database in place to capture the impact of scrutiny. There are occasions, however, that the Committee does not formally request a response.

<b>Committee</b>	<b>Scrutiny</b>	<b>Appendix</b>
18 May 2021	Recovery and Renewal	1a
18 May 2021	Recovery and Renewal – <i>Cabinet response</i>	1b
9 June 2021	Outturn 2020-21	2a
9 June 2021	Outturn 2020-21 – <i>Cabinet response</i>	2b(i) &2b(ii)
9 June 2021	Monmouthshire Procurement	3a
9 June 2021	Monmouthshire Procurement – <i>Cabinet response not requested</i>	
9 June 2021	SEWales Civils and Highways Construction Framework	4a
9 June 2021	SEWales Civils and Highways Construction Framework - <i>Cabinet response not requested</i>	

## **Legal Implications**

5. 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 when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

6. 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:

- a. Note correspondence between the Committee and the Cabinet.

**Davina Fiore**

Director Governance & Legal

8 July 2021

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

Date: 19 May 2021

Councillor Huw Thomas,  
Leader  
Cardiff Council,  
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Dear Huw,

### **PRAP: 18 May 2021 – Organisational Recovery and Renewal**

On behalf of the Policy Review and Performance Scrutiny Committee a sincere thank you for sharing the organisation's plan for recovery and renewal for pre-decision scrutiny this week. Please also relay our thanks to the Chief Executive, Corporate Directors and Heads of Service who attended the online meeting in support of the scrutiny. This is clearly a pivotal opportunity for strategic re-alignment within the Council and Members agreed that I pass on the following observations to inform Cabinet discussion. You will find our recommendations for monitoring and requests for further information listed at the end of the letter.

#### **Adopting a Hybrid Working Model**

The Committee notes that introducing a hybrid working model is central to organisational service re-design, we do however **recommend** that your proposals for the assessment and categorisation of roles should also factor in an assessment of the employee's individual needs/choices when allocating the hybrid working category. We encourage you to build flexibility into the policy and **recommend** that you include wording to stress that, in negotiating arrangements with staff members, that individual circumstances and preferences will be taken into account.

We suggest there is an opportunity to broaden the narrow focus of the proposals on place of work to include a wider review of staff Terms and Conditions. The nature of these pending changes offers that option in a way that may not present itself in such a way again.

Members were keen to build a picture of recent staff performance, productivity and accountability whilst home-working, in light of their casework experience during the pandemic. Anecdotally managers consider that productivity has improved mainly because the lower absence levels enabled a higher than normal number of people actually at work. Other formal means of measuring productivity do not appear to feature in this assessment but will need to be clarified, agreed and monitored under the new arrangements.

We note that you are addressing the matter of new starters, and have initiatives in place to ensure their successful cultural integration in the early days of employment.

The Committee, Cabinet and Senior Management recognise that the responsibility for driving the cultural change required to successfully deliver hybrid working will be steered by the Senior Management Team. We note that experience of leading and managing the pandemic will assist in this. However, it will be important to acknowledge that team working remains key and a cultural shift will require continuous reinforcement and ongoing support. Senior and middle managers may not all possess the skills required to make a success of these aims. You do plan a sustained piece of work with managers to encourage positive behaviours but additional personal and organisational development initiatives are likely to be required.

It is our view that, having introduced new ways of working and a new cultural tone to the organisation, a longer term realignment of the organisational structure will be required together with a systematic review of individual roles and deliverables. Clear accountabilities for all employees will also need to be established within a renewed Performance Management Framework.

Members will also need to be briefed and involved in understanding these transformation aims. They will also need to know how and when they will be able to re-join the Council's routines, including its formal meetings.

## Convening and leading city-wide response to recovery and renewal

The report recognises that a key principal of recovery is *Partnership – a whole system response from the city’s public services*. We are keen to establish whether PSB partners are aligned in their commitment and recognition of the value of the relationships established during the pandemic and whether they are prepared to work on sustaining these new relationships and ways of working in tackling other shared challenges. We note that there was a deepening of health, council and police operational working and a positive shift to a community focus in response to the pandemic. We also note the Council’s wish to continue this deepening process but **recommend** that the commitment to match this enthusiasm is formally clarified with each partner organisation.

We are also keen to establish how partnership working could be improved. We note that you consider it is good at a strategic level, however the positive improvements achieved through collaboration have mainly been noted within the public health arena. We heard your suggestion that there are conversations to be had around how public health interventions are shaped in the future and whether the option of a public health partnership might be achievable. There will also be the need for clarification of Welsh Government expectations of the role of local government in public health and in other wider partnerships going forward.

We heard that there are many opportunities for PSB partners to physically share spaces, however we urge that, where closer joint operational working develops and multiagency teams are introduced, there may need to be some discussion on standardisation of terms and conditions.

We note your ambition to build stronger relationships with the FE and university sectors. We **recommend** that you explore the potential to formalise such relationships and consider suitable fora for dialogue and joint working.

We consider that as you capture the PSB success, consolidate partnership integration and produce a new Well-being Plan you will need to focus on the accountability of any new arrangements. We also **recommend** that you refresh the approach to capturing the deliverable outcomes from the partnership agenda.

## **Accelerating the Council's Digital Programme**

The report states that the Council was well-placed to respond to the shift in digital and online working necessitated by the pandemic due to a major programme of investment in the Council's ICT infrastructure. The Committee notes the further spending proposals within the 2021/22 budget and that there is Welsh Government support through the Covid Hardship fund. We also note the budget implications of the many digital opportunities that lie ahead within this programme that will need to be forecast and planned for.

The Committee endorses a digital first approach, however we remain concerned about those potentially left behind. We were therefore pleased that you acknowledge that face to face and telephone options will be required and that the hybrid approach will aim to reach all demographic groups.

## **A strengthened approach to performance management and data analysis**

Members were pleased to hear that there will be an action plan to deliver the Recovery and Renewal Programme, with a clear emphasis on outcomes that will assist with effective accountability. We note that the Chief Executive and Corporate Director Resources are developing a Recovery and Renewal Programme Plan that will include key tasks with clear timescales. You agreed to share the Plan with the Committee and we will programme it for consideration as appropriate.

We note the requirement for robust self and peer assessment within the Local Government and Elections (Wales) Act 2021, requiring the use of wider organisational intelligence in assessing performance. The report states that you will introduce a new Performance Management Framework alongside a new Data Strategy for the Council, including a fresh approach to enhancing the use of data in service management and service improvement. We request that you share the new framework with the Committee as it develops. I understand from officers the best timing for this is September 2021 and would be grateful for confirmation.

**Requests following this scrutiny:**

- That you brief all Members on your Recovery and Renewal aims.
- That you update all Members how and when they will be able to re-join the Council's routines, including its formal meetings.
- That you share the Recovery and Renewal Programme Plan that will include key tasks with clear timescales with the Committee, so that we can programme scrutiny as appropriate.
- That you share the new performance framework with the Committee as it develops, and confirm that the best timing for scrutiny engagement with this is September 2021.

**Recommendations to be monitored following this scrutiny:**

- That Cabinet proposals factor in an assessment of the employee's individual needs/choices when allocating the hybrid working category to a role.
- That Cabinet builds flexibility into the hybrid working proposals and includes wording to stress that, in negotiating arrangements with staff members, individual circumstances and preferences will be taken into account.
- That Cabinet uses its convening power to explore the potential to build and formalise stronger relationships with the FE and university sectors, considering suitable fora for dialogue and joint working.
- That the Council formally clarifies with each partner organisation their commitment to continued deepening of operational working and a positive shift to a community focus.
- That the PSB refreshes the approach to capturing the deliverable outcomes from the partnership agenda.

Once again thank you for your ongoing commitment to the value of pre-decision scrutiny in strategic and operational planning. We look forward to hearing how the Recovery and Renewal Programme progresses over the coming year.

Yours sincerely,



**COUNCILLOR DAVID WALKER**

**CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc Members of the PRAP Committee  
Councillor Chris Weaver, Cabinet Member, Finance, Modernisation and Performance  
Leaders of Opposition Groups  
Paul Orders, Chief Executive  
Chris Lee, Corporate Director, Resources  
Gareth Newell, Head of Performance and Partnerships  
Tracey Thomas, Head of Human Resources  
Dylan Owen, Head of Cabinet Office  
Gary Jones, Head of Democratic Services  
Tim Gordon, Head of Communications & External Relations  
Jeremy Rhys, Assistant Head of Communications and External Affairs  
Debi Said, Cabinet Support Officer  
Joanne Watkins, Cabinet Office Manager

**SWYDDFA'R ARWEINYDD  
OFFICE OF THE LEADER**

Fy Nghyf / My Ref: CM45795

Eich Cyf / Your Ref:

Dyddiad / Date: 7 July 2021

Cllr David Walker  
County Hall  
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Annwyl / Dear David

**PRAP 18<sup>th</sup> May 2021: Organisational Recovery & Renewal**

Thank you for your letter of 19<sup>th</sup> May 2021 and the Committee's consideration of the Recovery and Renewal agenda.

Each of the scrutiny committees will have an important role to play in the development of this agenda and I welcome the opportunity to brief all members on progress. A programme of engagement with the public, city stakeholders and public service partners, staff, and trade unions on the Council's recovery and renewal proposals has commenced and will run over the summer months. I look forward to continued engagement with PRAP and all committees as this agenda develops over the coming months.

**Adopting a Hybrid Working Model**

I would like to thank the committee for the constructive discussion around the new hybrid working model, and the role that you have played in supporting this agenda.

**Recommendations:**

- That Cabinet proposals factor in an assessment of the employee's individual needs/choices when allocating the hybrid working category to a role.

This recommendation is accepted. The 'Organisational Recovery and Renewal' Cabinet report sets out a number of the issues that need to be considered in ensuring a successful transition to a hybrid working model (para 14). The process for assessing and allocating roles into categories is also set out in the report (para 19 – 23) and is clear that this will be done in consultation with individual employees, taking into account service delivery requirements, and the individual's needs and preferences. In circumstances where mental and/or physical health, or appropriateness and safety of the home working

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**GWEITHIO DROS GAERDYDD, GWEITHIO DROSOCH CHI**

Mae'r Cyngor yn croesawu gohebiaeth yn Gymraeg, Saesneg neu'n ddwyieithog. Byddwn yn cyfathrebu â chi yn ôl eich dewis, dim ond i chi roi gwybod i ni pa un sydd well gennych. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

**WORKING FOR CARDIFF, WORKING FOR YOU**

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environment are factors, these issues will be paramount in the consultation process. The report also states that *'managers will have the ability to organise for appropriate arrangements to be put in place for those employees who, for a variety of reasons, find home working challenging'*.

- That Cabinet builds flexibility into the hybrid working proposals and includes wording to stress that, in negotiating arrangements with staff members, individual circumstances and preferences will be taken into account.

As above, this recommendation is accepted.

A programme of trade union and staff engagement on the introduction of a 'hybrid working' model will be launched imminently. This will give staff an opportunity to raise any concerns, discuss the opportunities and help shape their new working environment going forward. As part of this engagement programme, work is already ongoing on a comprehensive staff questionnaire which will help canvass the views of officers on a range of issues.

I would like to stress that the well-being of staff will be a central consideration as this work is developed. The Council has placed the utmost importance on the health, safety and well-being of staff throughout the pandemic, and this will continue to be the case as the Council adapts to the post-Covid working environment.

## **Convening and leading city-wide response to recovery and renewal**

### **Recommendations:**

- That the Council formally clarifies with each partner organisation their commitment to continued deepening of operational working and a positive shift to a community focus.

This recommendation is partially accepted. As noted in your letter, the Council has identified ten principles which will help to inform how local public services change as a result of the pandemic. One of these is partnership working and a whole-system response from the city's public services. The Council has committed to this deeper partnership working becoming business as usual, building on the incredible work across agencies of the course of the pandemic.

As Chair of the Cardiff Public Services Board (PSB) I can confirm that the desire for maintaining the momentum of partnership working has been discussed and agreed at the PSB. As a result of this, the PSB is actively engaged in the city's recovery and renewal work, with a programme of meetings arranged over the summer to develop and agree a shared approach to each aspect of recovery and renewal, including city development, a child friendly recovery, organisational recovery and renewal, and a One Planet recovery.

Through the Organisational Recovery and Renewal report, Cabinet also agreed to lead a refresh of public service partnerships and governance, reporting to the PSB. This work is now underway. Cabinet also agreed to a strengthened approach to public health, and discussions are currently underway with the University Health Board on progressing this important agenda post-pandemic.

And so, while I share the committee's desire for a continued deepening of operational partnership working, and am committed as Chair of the PSB to make this happen, I do not believe there is a need to formally clarify this with each partner. I understand that, as part of its annual work programme the committee will be considering arrangements for partnership working in the autumn.

- That the PSB refreshes the approach to capturing the deliverable outcomes from the partnership agenda.

This recommendation is accepted. The development of the next Well-being Assessment and Well-being Plan – which must be done over the next 12 months – represents an important opportunity to agree a new set of partnership priorities and outcomes coming out of the pandemic. The Well-being Assessment work has already commenced, and the findings will be jointly collected, considered and analysed and will help inform a clear programme of work for public service partners. This work is being managed in close partnership with PSB members and is being managed in tandem with the Population Needs Assessment required under the Social Services and Well-being Act. Part of this new approach will also involve a tighter focus on capturing outputs and deliverable outcomes of collaborative working, which will be a clear feature of the revised Well-being Plan.

- That Cabinet uses its convening power to explore the potential to build and formalise stronger relationships with the FE and university sectors, considering suitable fora for dialogue and joint working.

This recommendation is accepted. As the 'Recovery and Renewal' Cabinet report makes clear (para 40), a strong operational partnership has been in place between public service partners and the Higher Education sector over the course of the pandemic, and the Council is committed to exploring new partnership arrangements with the sector post-pandemic.

As an early indication of this strengthened approach, the Council, in partnership with Cardiff University, is holding a series of online events which will bring leading thinkers and experts together to discuss Cardiff's post-Covid recovery and renewal plans. The launch of 'Greener, Fairer, Stronger: Cardiff's Post-Pandemic Recovery and Renewal', which took place on 3<sup>rd</sup> June, was hosted by Cardiff University and chaired by Professor Gillian Bristow, Head of Geography and Planning.

Thank you again for your and the committee's continued contributions.

Yn gywir,  
Yours sincerely,



**CYNGHORYDD / COUNCILLOR HUW THOMAS**  
**ARWEINYDD / LEADER,**  
**CYNGOR CAERDYDD / CARDIFF COUNCIL**

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Date: 10 June 2021

Councillor Chris Weaver,  
Cabinet Member, Finance, Modernisation & Performance,  
Cardiff Council,  
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Dear Chris,

### **PRAP Scrutiny Committee 9 June 2021: Outturn 2020/21**

Thank you for attending Committee on 9 June 2021 to present the Outturn report for 2020/21. Please also pass on my appreciation to Chris Lee, Ian Allwood, Anil Hirani and Rob Green for presenting and answering Members questions at the remote meeting. I have been asked to pass on Members' comments and observations as follows.

#### **Overall Strategic Financial Control**

The Committee appreciated the difficulties faced by Council in a complex budget year and the effort invested by the Financial Services team in accessing grants from the Welsh Government Hardship Fund. We heard that the experience of ensuring financial security during emergency times has resulted in organisation learning and valuable experience for the future. The Corporate Director Resources reflected that that the pandemic had revealed the extent to which citizens can access online services, the importance of resilient services and continuing the Council's digital journey. We note that effective financial planning and management will be a key element of the Council's new Transformation Programme and look forward to monitoring its progress.

Members look forward to scrutinising the Budget Strategy 2022/23, and enquired how the Outturn 2020/21 report will inform the Medium Term Financial Plan. We note your reference to five key impacts on future budgets; the costs associated with recovery; the savings risk; the need for greater clarity surrounding the risk to income; more certainty on funding mechanisms; and the need to catch up with the capital programme.

Members enquired what conversations had taken place in relation to balancing the Council's borrowing against the use of reserves to ensure a balanced budget. We were seeking assurance as to the sustainability of borrowing levels. It was stated that Cabinet has Council's support for the current levels of borrowing, however longer term the exit from the pandemic will require investment and there will be a judgement to be made as to whether reserves are used rather than increasing levels of borrowing. Officers assured us that the affordability of borrowing is reviewed annually and that financial resilience has been enhanced by transferring underspend to reserves.

Members commented that a substantial number of projected service area savings had not been achieved and would have to be carried over. It was unclear what priority would be given to this work given that further new savings targets and activity will be expected for 2021/22.

The Committee **recommends** that missed savings targets are fully assessed with the departments concerned, reported formally and that specific action plans are drafted to address last years missed savings targets. The Committee would like to have sight of this work at a future scrutiny meeting within the next three months.

### **Capital programme**

The Committee enquired as to what analysis there had been of the significant slippage in Capital spend over the year. You acknowledged that the £160m spend was below target and there was a need to urgently get back on track. We will therefore look to monitor Capital spend more closely throughout the current budget year and how this substantial slippage will be addressed so that it does not carry over, at this scale, in future years.

Members were specifically interested in the Household Waste Recycling Centre (HWRC) capital project, which appears to have slipped two years in a row. You explained that work is ongoing to identify the right site for the HWRC. We would like a fuller briefing, with greater detail and therefore **request** more information on the site identification activity and current position from the Waste Management service.

The Committee wishes to pass on a number of observations on specific Directorate positions:

**Schools** – Members note a number of schools ended 2020/21 in budget deficit. We are assured that the Audit function has been made aware of the position. We note that eight of the City's schools were in deficit at the end of 2020/21, six were planned deficits that continue to decrease over time, and two were unplanned applications to carry forward a deficit of approximately £25-30,000.

**Parks** – Members note that the Parks service is underspent. We are surprised this is the case given the increase in usage of parks throughout lockdown and the fact that work in the open air was permitted to continue. We require a better understanding of the reasons for this underspend, particularly whether it was due to failure to deploy staff to parks projects and planned maintenance and, if this was the case, why this decision was taken. We therefore **request** more information from the Economic Development Directorate on how the underspend has occurred and why work activity in parks was lower than expected where there was clearly no apparent shortage of either work or parks employees to complete it.

**Governance & Legal Services** – Members expressed surprise at the size of the overspend in Governance and Legal Services and were keen to establish what the implications are for the current budget year. Officers advised there had already been an in-year re-alignment and an increase in the budget for 2021/22. Children's services is very much needs based reflecting an increase in complex child cases. It was stated that a precise forecast of the implications for 2021/22 may be difficult. We note that the Finance team has worked with Legal Services to ensure the service is doing what it can to operate within budget. This service area has expanded in previous years in an attempt to grow its own expertise. We note that there have been recruitment challenges during the year.

The Committee **requests** detailed assurance that this service is looking closely at this substantial increase in demand for its services and the high unanticipated costs and pressures placed on its budget and that of the Council as a whole. It also expects that the trend in increasing work demand from Children Services and other departments is factored into all future spending projections.

### **Requests following this scrutiny:**

- Members are specifically interested in the Household Waste Recycling Centre (HWRC) capital project and therefore request more information on the number of potential sites considered since the 2020/21 budget was agreed and the latest position from the Waste Management service.
- Members request detailed information from the Economic Development Directorate on how the underspend in Parks has occurred and what duties were performed by Parks outdoor staff during lockdown and following its relaxation.
- Detailed assurance that Governance and Legal Services are looking closely at the substantial increase in demand for its services and the high unanticipated costs and pressures placed on its budget.

### **Recommendation following this scrutiny:**

- That the 2020/21 missed savings targets are fully assessed with the service areas concerned, reported formally and that specific action plans are drafted to address last year's targets. The Committee would like sight of this work at a future scrutiny meeting over the next three months.

Finally, on behalf of the Committee, I wish to thank you and the officers for your continued support for the internal challenge of important issues that can improve the quality of services the Council is delivering to its customers. I look forward to your response.

Yours sincerely,



**COUNCILLOR DAVID WALKER  
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc Members of the Policy Review & Performance Scrutiny Committee;  
Leaders of Opposition Parties  
Chris Lee, Corporate Director Resources;  
Ian Allwood, Head of Finance;  
Anil Hirani, Operational Manager, Capital, Corporate & Treasury  
Rob Green, Operational Manager, Schools & Budgetary Control  
Alison Taylor, Cabinet Support Officer  
Joanne Watkins, Cabinet Business Manager;  
Andrea Redmond, Committees Support Officer.

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## SWYDDFA CYMORTH Y CABINET CABINET SUPPORT OFFICE

Fy Nghyf / My Ref: CM45908  
Eich Cyf / Your Ref: Scrutiny/PRAP/CommPapers/Correspondence  
Dyddiad / Date: 29th June 2021



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Councillor David Walker  
Chairperson Policy Review & Performance Scrutiny Committee  
Cardiff Council  
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Annwyl/Dear David

### Policy Review & Performance Scrutiny Committee - 9 June 2021 Outturn 2020/21

Thank you for your letter following the meeting of the Policy Review and Performance Scrutiny Committee meeting that was held on 9<sup>th</sup> June 2021. Please find my response below:

#### Requests following this scrutiny

- *Parks Underspend* - I set out in the attached Appendix to this letter a detailed breakdown of the underspend and the actions taken by Parks during the last financial year.
- *Household Waste Recycling Centre Sites in North* - A baseline review of a number of sites was undertaken in 2018/19, but none were identified as suitable at the time of the review. We are therefore still exploring site options with Strategic Estates, as they become available, in order to identify a suitable site. Currently, there is capacity to take bookings to access at both Recycling Centre's at Lamby Way and Bessemer Close.
- *Legal Services Overspend* - As reported in the outturn position, the legal services team has not been able to contain within budget the support provided for increasingly complex legal cases involving our most vulnerable children. Additional funding was added to Legal Services for 2021/22 but if demand exceeds the budgeted level then there will be a need potentially to access the contingency budget once again in the current year.

#### GWEITHIO DROS GAERDYDD, GWEITHIO DROSOCH CHI

Mae'r Cyngor yn croesawu gohebiaeth yn Gymraeg, Saesneg neu'n ddwyieithog. Byddwn yn cyfathrebu â chi yn ôl eich dewis, dim ond i chi roi gwybod i ni pa un sydd well gennych. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

#### WORKING FOR CARDIFF, WORKING FOR YOU

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## Recommendations

I thank the Committee for the recommendation in respect of missed savings targets. I can confirm that a report on the performance of these savings in 2021/22 will be captured in the Month 4 monitoring report and that the full details will be shared at a future Committee meeting.

I also thought it useful to set out the current position on each of the 2020/21 missed savings. The 2020/221 Outturn report highlighted that £4.477 million of savings were not achieved. In determining the 2021/22 Budget, consideration was given to the demands and pressures facing the directorate and the building up of the current year budget included a budgetary realignment of £2.33m of the savings not achieved in 2020/21

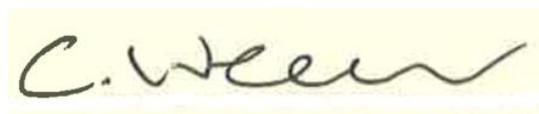
The remaining savings can be split into two themes, one being efficiencies and the other being income generation. The following two tables highlight the efficiency proposals totaling £509,000 and Income generation £1.638 million thus totaling £2.147 million. The majority of these proposals were unable to be delivered due to the Coronavirus pandemic. The position for last year's proposals on income is that they will require close monitoring during the year with recovery plans identified and actioned in order to place income budgets on a financially sustainable and viable basis as we progress through the year. All proposals set out in the two tables will continue to be monitored during 2021/22, and an update will be provided to the Committee.

	Efficiencies	£000
ECD	Transfer New Theatre building to an alternative provider	212
ECD	Reduction in staffing budget in Economic Development	58
ECD	Cardiff Castle - Volunteer Programme	20
ECD	Reduction in Staff Costs in the Events Service	48
ECD	Review of staffing resources within Facilities Management	40
GLS	The Legal Process and Complaints Review	48
PTE	Review of staffing resources within Planning	22
PTE	Review of staffing resources within Bereavement Services	21
RES	Reduction of ICT spend with external suppliers	40
<b>TOTAL</b>		<b>509</b>

	Income	£000
ECD	Increased Income Generation at St David's Hall	129
ECD	Pest Control	27
ECD	New Theatre - additional rental income from new operator	60
ECD	New Attraction at Cardiff Castle (Black Tower Tales)	190
ECD	Increase retail yield at Cardiff Castle	20
EDU	Proposal to increase prices at Storey Arms Centre	15
EDU	Review of Services provided to schools on a traded basis	250
H&C	Review of Charging for Equipment	31
PTE	Energy Management - Lamby Way Solar Farm Scheme	35
PTE	Civil Parking Enforcement	550
PTE	Planning - implement various Planning initiatives	100
PTE	PTE - General Fees & Charges	32
PTE	Registration - Fees & Charges	30
RES	Additional Income in Recovery & Revenues	85
RES	Commissioning & Procurement - Additional Income	40
RES	Health & Safety - Additional External Income	15
RES	HR - Cardiff Academy Income	29
<b>TOTAL</b>		<b>1,638</b>

I hope that the above answers given alongside the accompanying budget information provides the Committee with a full response.

Yn gywir/Yours sincerely,



**Y Cyngorydd / Councillor Chris Weaver**  
**Aelod Cabinet dros Gyllid, Moderneiddio a Pherfformiad**  
**Cabinet Member Finance, Modernisation & Performance**

**Enc:** Appendix A - Briefing Note Parks Underspend - 2020/21 Financial Year

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**Briefing Note**

**Parks Underspend - 2020/21 Financial Year**

- The overall underspend position recorded resulted from planned and unplanned reductions in expenditure, increases in excess of budgeted income and additional unbudgeted recharges made to other services. The key variances are set out below :
- In terms of planned reductions in expenditure a FRM budget of £250k allocated for Ash Die Back Management was, in early 2020/21 deferred into 2021/22 to assist with the financial budget pressures anticipated within the Council in 2020/21, particularly as a result of Covid-19.
- Within Grounds Maintenance and owing to the impacts of Covid-19 and the suspension of aspects of the service in Quarter 1, recruitment exercises planned for Quarter 1 were suspended with appointments not being made until Quarter 3. Expenditure on overtime also reduced culminating in an underspend on employee related expenditure of £148k.
- Within the Land Management / Technical function and Business Administration savings on vacancies also resulted in an underspend of £56k and £ 24k respectively.
- Owing to operational restrictions during Covid-19 and arrangements for distance learning for Apprentices and Trainees a decision was made not to recruit to new cohorts from vacancies but to suspend recruitment until quarter 1 of 2021/22. This decision was made to ensure that Apprentices and Trainees could gain from the best possible experience in the appropriate environment. The resulting saving was 68k.
- Savings totalling 12k were also achieved on depot and premises related expenditure, mainly relating to reduced repair demand.

- In terms of income and notwithstanding COVID-19, increases in excess of budget were achieved for plant sales within the Plant Production Nursery owing to marketing and promotional activity and within Grounds Maintenance, totalling £65k.
- Additional unbudgeted recharges of £37k relating to Cardiff Harbour Authority for health / safety and administrative support, a reduction in transport / vehicle charges of £30k and reductions in the use of herbicide and fertilisers of £15k, mainly owing to the suspension of sports fixture programmes also contributed to the underspend position.
- Corresponding overspends occurred in Playground Management, Allotments, the Park Ranger Service, Bute Park and Flat Holm Island, across employee and supplies and services cost headings, offsetting the underspends elsewhere within the service.
- No underspends were incurred on parks revenue projects for 2020/21.
- Non-essential works undertaken by the parks outdoor workforce such as the maintenance of planted areas and mowing, excluding highway locations whereby visibility required maintaining were suspended in Quarter 1 of 2020/21, in line with the Council's policy at the time in taking measures necessary to reduce the transmission of the virus.
- Robust risk assessments were also introduced from Quarter 1, also designed to prevent the spread of the virus which saw the creation of split shifts and staggered breaks for the parks outdoor workforce, this as with other parts of the Council's workforce resulted in the reduction of working hours for a period.
- During the period above and beyond staff were redeployed into critical front line services including the Bereavement and Registration Service

and Social Care, in response to the pandemic demands. Repurposing of jobs roles within the parks outdoor workforce were also necessary during Quarters 1, 2 and 3, to undertake daily patrols of the Council's 154 Playgrounds / Outdoor Sport Facilities ensuring that Covid-19 related signage was in place and chains / locks secure, preventing access.

- Extensive daily independent and joint patrols in conjunction with South Wales Police were conducted during Quarters 1, 2 and 3 providing a presence in our parks and reassurance to users, supporting SWP in the enforcement of Coronavirus Regulations.
- The outdoor parks workforce were also, throughout 2020/21, engaged in city greening activities supporting the work of the Planning, Transport & Environment Directorate, installing, maintaining and dismantling temporary landscape features within the City Centre and adjoining wards.
- The impact of increased parks usage during the pandemic resulted in an increase in patrolling, monitoring and litter collection. The patrolling / monitoring function was achieved through the repurposing of the parks outdoor workforce, the impacts and resourcing of increased litter collection was supported by the Neighbourhood Services Team who are responsible for routine litter collection and bin servicing across all service areas.
- During Quarter 2 service recovery saw the reintroduction of non-essential works, however owing to the suspension of such from late March 2020, activities such as the maintenance of planted areas and mowing of grassland took longer to undertake as a result of growth rates during the suspension period.
- The decision to suspend non-essential works during Quarter 1 was, at the time, taken in order to prevent the transmission of the virus.

Inevitably, the frequency of annual operations / activity was reduced but was not symptomatic of a failure to redeploy staff. The decision to redeploy staff into areas of critical front line activity followed corporate requirements, the decision to repurpose job roles within the service was taken by the service and the reduction of available hours for a period of 2020/21 was a consequence of risk assessment, ensuring compliance with Welsh Government Coronavirus Regulations.

Date: 16 June 2021



Councillor Chris Weaver, Cabinet Member  
Finance, Modernisation and Performance,  
City of Cardiff Council  
County Hall  
Cardiff  
CF10 4UW

Dear Chris,

### **Policy Review & Performance Scrutiny Committee: 9 June 2021.**

Thank you for joining the remote meeting of the Policy Review and Performance Scrutiny Committee last week to facilitate consideration of the proposed delegation of Monmouthshire County Council's procurement function to Cardiff. As Chair I wish to convey the Committee's gratitude for the co-operation of the Corporate Director Resources, and Commissioning and Procurement Manager in attendance to answer Members' questions. Members have asked me to pass on the following observations and concerns.

#### **Context - Atebion Solutions**

The Committee heard that Atebion Solutions, the Council's arms-length trading commissioning and procurement company, was set up to generate revenue, increase resilience and grow the knowledge base of the service at a time of shrinking budgets. We note also that the proposal before Cabinet is set within a context of Cardiff's expertise in the procurement arena gaining recognition from a variety of local authorities and agencies.

Officers clarified that Atebion Solutions were invited to review Monmouth Council's procurement arrangements, and the proposal for Cardiff's commissioning and procurement team to deliver the Monmouth procurement function, whilst a result of the review, will not be the vehicle to deliver the proposed partnership arrangement.

#### **Benefits to Cardiff Council**

Given the backdrop as outlined above Members were keen to establish whether the Council will benefit financially from the proposed procurement partnership with

Monmouthshire Council. Whilst you were unable to confirm there would be financial or economy of scale benefits for Cardiff, you reassured us that the arrangement allows the service to fulfil budget cuts and the extra capacity will build resilience. We note that a 'Free agent' system is in place to record time and overheads, and discussions are underway with Financial Services to ensure there are accurate recording, apportionment of time and charging mechanisms in place

### **The Council's strategic view**

The Committee notes that the partnership is very much an opportunity for both Councils, the arrangement will be a procurement first for Cardiff and is seen as a game changing opportunity. We were therefore keen to test the organisations strategic view of the procurement service growing its customer base further. Should Atebion expand its activities and seek further partnership arrangements? We note that the Corporate Director Resources believes collaborations and relationships across local authorities present opportunities and are very important. Therefore, whilst the approach is evolutionary, it presents an opportunity to grow a centre of excellence, and is a great example with which to sell the benefits and skills of Cardiff. We concur with the Corporate Director that procurement presents an opportunity to be proactive and use Cardiff's capacity to lead.

On behalf of the Committee thank you once again, the Committee is supportive of the proposal and there are no recommendations that follow this scrutiny.

Yours sincerely,



**COUNCILLOR DAVID WALKER**

**CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc Members of the Policy Review & Performance Scrutiny Committee  
Leaders of Opposition Parties  
Chris Lee, Corporate Director Resources  
Steve Robinson, Operational Manager  
Joanne Watkins, Cabinet Support Office  
Debi Said, PA to Leader

Date: 16 June 2021



Councillor Chris Weaver, Cabinet Member  
Finance, Modernisation and Performance,  
City of Cardiff Council  
County Hall  
Cardiff  
CF10 4UW

Dear Chris,

### **Policy Review & Performance Scrutiny Committee: 9 June 2021.**

Further to your attendance at the Policy Review and Performance Scrutiny Committee in support of the re-procurement of the Collaborative South East Wales Civils and Highways Construction Framework, on behalf of the Members thank you for engaging with scrutiny. I have been asked to pass on Members' comments and observations as follows.

#### **Accessibility of the report to Cabinet**

The Committee wishes to highlight that this report to Cabinet is not clearly understandable and relevant to the audience for which it is written. We consider the use of jargon makes it complex for councillors, both in scrutinising proposals and making decisions. Members requested more context setting information and heard that Cardiff has hosted the framework, which is open to all authorities in the Capital region, since 2017 and is now to be re-procured. We felt it was unclear who pays the levy and what the relationship is between the framework levy and the social value levy pot.

We heard officers explain that the 4 year framework appoints, for example, 6 contractors who have passed all pre-qualification requirements, known as pre-approved contractors or pre-qualified suppliers. This is a 4 year arrangement that local authorities can use to avoid carrying out individual procurements on projects up to a value of £10m. The benefit is that it avoids a 4 month OJEU process, the shorter timelines leading to lower procurement costs and enables early market engagement. When a contract is announced a mini competition takes place between the 6 appointed contractors for the work. Essentially a collaborative procurement agenda promotes really useful best practice and consistent behaviours.

### **Social Value Levy**

Members requested clarification of how projects are evaluated to benefit from the Social Value Levy pot. We heard that the pot applies to smaller contractors, those delivering contracts of £2m or less, who would otherwise find it difficult to meet the council's social responsibility requirements. The SEWH Governance Board agrees how spend will be spread around the region, ensuring that monies generated in Cardiff are spent across the region on local community interventions, such as targeted support for training in construction and building skills.

### **Framework Levy**

The Committee was keen to establish that the Framework Levy applicable to contracts covers the cost of its administration. We note your reassurance that it does, that the SEWH Board approves staff costs and the 0.75% levy applied to all projects has been the same for last 8 years and is very competitive compared with other frameworks in existence.

### **Contract management and quality control**

We consider that day to day quality control of work delivered by contractors is critical. We note that approved framework contractors must meet agreed KPI's on time, cost and quality, the power of peer group pressure and that officers are trained to ensure the successful management of contracts. We also note that a contractor can be suspended from the framework if they deliver 3 or more poor contracts, and will be suspended if they fail to bid for new contracts.

The Committee is therefore supportive of the proposal and there are no formal recommendations that follow this scrutiny. We would however like the comments in this letter, particularly those related to presentation of the Cabinet report, to be taken into account by the authors.

Yours sincerely,



**COUNCILLOR DAVID WALKER**

**CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc Members of the Policy Review & Performance Scrutiny Committee  
Leaders of Opposition Parties  
Chris Lee, Corporate Director Resources  
Steve Robinson, Operational Manager  
Chris McClellan  
Joanne Watkins, Cabinet Support Office  
Debi Said, PA to Leader

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