

Budget Strategy Report 2017/18 – Questions and Answers

What is this about?

- Each July, the Council sets its Budget Strategy for the following year and medium term.
- This is a brief summary of the Council’s July 2016 Budget Strategy Report which covers 2017/18 – 2019/20. You can view the full report online.

Is the Council still facing challenging times?

- Yes, things are still extremely challenging.
- The Council is facing significant cost pressures over the next few years
- We believe that funding will continue to reduce – we won’t know by exactly how much until Welsh Government confirm in October
- Costs are increasing and funding is falling creating a “budget gap”
- This gap is how much the Council expects to have to find to balance the books

How much is the Budget Gap?

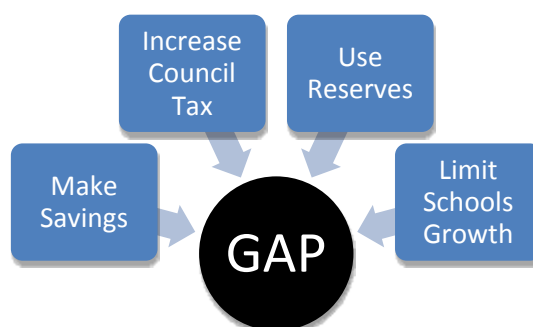
- The budget gap is estimated to be £24 million in 2017/18
- The budget gap is estimated to be £75 million between 2017/18 and 2019/20.

2017/18 £m	2018/19 £m	2019/20 £m	Total £m
24	24	27	75

- The gap is less than in recent years but £75 million is still a very large sum
- We also need to remember that the Council has already had to find circa £200 million over ten years so each year it gets harder to bridge the gap.

What can the Council do to plug the Gap?

- The main things the Council can do to plug the gap are shown in the diagram below.



- Setting a Budget Strategy involves finding a combination of these that is realistic, protects the Council’s financial interests and recognises the Council’s service priorities.

How did you develop a strategy?

- When the Council prepared the 2016/17 Budget Strategy this time last year, it recognised that there were significant challenges still to come.
- The Council considered how it could reshape itself and its budget to meet these challenges to be as prepared as possible
- A framework was developed for a medium term budget strategy and this was set out in the 2016/17 Budget Report last February.
- The 2017/18 Budget Strategy has built on the existing framework and directorates have started to test and update it, putting down further detail now that we are one year further forward.

What is the Budget Strategy?

- The Council's budget strategy is:-

	2017/18 £000	2018/19 £000	2019/20 £000	TOTAL £000
Budget Strategy				
Limit Schools Growth - @ 30%	1,253	1,163	1,583	3,999
Council tax at 3.7%	4,451	4,616	4,786	13,853
Use of Earmarked Reserves	1,500	1,500	1,500	4,500
Savings	17,977	15,552	19,416	52,945
Total Strategy	25,181	22,831	27,285	75,297

Need to be cautious

Schools will still receive £19.7m extra

To be kept under review

- We believe that schools will require an additional £23.7 million over 3 years. The budget strategy is based on them receiving all the funding they need as a result of increasing pupil numbers (£10.4m) but extra pressures in relation to pay and prices (£13.3m) will be limited by 30%. Schools budgets are **not** being cut, but schools **are** being asked to find a part of their additional costs
- Council tax is set at the level of the 2015/16 increase. This will be kept under review throughout the year
- The strategy assumes some use of earmarked reserves but not too much. Using reserves to fund the budget is not a long term solution; similar to using a savings account to buy groceries, once they dry up you have a problem.
- The savings are a combination of directorate savings and corporate or "addressable spend" savings. Further detail is shown below.

What does this mean for services next year?

The savings themes included within the budget strategy for 2017/18 are:-

	Total £000
Income Generation	2,807
Working with Partners & Others	1,836
Use of Technology	710
Review of Subsidies and Grants	852
Internally Facing Proposals	8,974
Second/Third year of Proposals	2,798
TOTAL	17,977

Wherever possible, savings themes reflect the Council's goals to become more commercially-focused, to make better use of technology and to work more closely with others. Effort will be made to reduce external costs and to look for solutions that minimise the impact on front line services. That said, difficult decisions will be required over the medium term and savings will be challenging to achieve.

How can I have my say?

- The Council is keen to be open and honest about the difficult choices it faces
- Over the summer you can have your say by responding to a number of budget themed questions that will be included in the "Ask Cardiff" survey. You will find close links to the savings themes shown above.
- This will pave the way for more detailed consultation in the autumn, once we have a better picture of the Welsh Government funding we will receive next year.

What about Brexit?

- The short answer is that it is too soon to say but will require close monitoring.
- The economy will be uncertain and potentially volatile in the aftermath of Brexit. We will need to keep a close eye on developments including the potential for an Emergency UK Budget
- An emergency budget could have knock on consequences for Welsh Government and Welsh Local Government both in terms of level of funding and how soon it is confirmed

What if funding reductions are worse than you've planned?

- We have no firm funding figures for 2017/18 and that is a key risk.
- We have assumed that funding will reduce by 1% and this is reflected in our budget gap.
- We know we could withstand a further 1% reduction by using a budget that would otherwise be used for one-off investment. This was created in 2016/17 to protect the Council from future funding uncertainties.

What Next?

- We will continue to keep the budget gap under review – things change quickly and regular review is an importance part of being prepared
- General consultation during the summer will pave the way for detailed consultation in the autumn
- Over the summer further review of 2017/18 savings themes will take place with development of more detailed individual proposals. Focus will also shift to updating the savings framework for 2018/19 moving to review of 2019/20 over the autumn.