
DRAFT BUDGET PROPOSALS

Reason for the Report

1. To provide Members with the context for the scrutiny of the 2015/16 draft budget proposals.

Background

2. The Council's constitution allows for all Scrutiny Committees to scrutinise the draft budget proposals as relevant to their remits, to allow Members to feed comments or recommendations to the Cabinet. The Cabinet will consider the draft Budget Proposals on 19 February 2015, prior to their presentation to Full Council for approval on 26 February 2015.
3. The Policy Review and Performance Scrutiny Committee's role is twofold in terms of how it scrutinises the budget:
 - Its remit provides for it to consider the overall budget proposals from a corporate and strategic point of view, checking the alignment of the proposals to the Council's stated priorities, as well as the processes by which they have been developed;
 - It also has a remit to scrutinise the budget proposals for those specific services under its terms of reference, in the context of the priorities set out in the draft Corporate Plan and in terms of impact on service delivery.
4. The meetings of the other four scrutiny Committees have been scheduled between 3 and 5 February 2015. The Committees will consider the sections of the budget proposals and draft Corporate Plan which are relevant to their terms of reference. Following these meetings, the Chair of each Committee will write a letter to the

Cabinet summing up their Committee's comments. Copies of these letters will be tabled at the Policy Review and Performance Scrutiny Committee meeting, if available in time, in order to allow Members an overall picture of the Committees' comments.

Structure of the Meeting

5. This agenda item will be structured in two parts: firstly an overview of the budget proposals and secondly, consideration of the specific services which fall under this Committee's remit in turn.

6. In order to discuss the overall budget proposals, the Cabinet Member for Corporate Services and Performance has been invited to attend and may wish to make a statement about the Council's overall 2015/16 budget proposals, in terms of capital and revenue. Christine Salter, Corporate Director Resources, will be in attendance to present the 2015/16 Budget Proposals and answer Members' questions. This section of the meeting will deal with the context in which the budget is being set; the assessment processes to which savings have been subject; and the budget strategy assumptions, such as the planning assumption of £5.75 million which will be achieved as part of the Partnership for Change agreed with Trade Unions. The Leader, Councillor Phil Bale; Sarah McGill, Director for Communities, Housing and Customer Services; and Rachel Jones, Operational Manager, have also been invited to attend during this overview session to discuss the results of the Cardiff Debate budget consultation.

7. Representatives of the GMB, Unison and Unite Trade Unions have been invited to attend to give their views of the budget proposals.

8. Following the overview discussion, Cabinet Members and officers will be in attendance as set out on the meeting agenda to answer Members' questions regarding specific service budget proposals.

Structure of the Papers

9. Attached to this report are a series of appendices to enable Members to scrutinise the draft budget proposals:

Appendix A – Partnership for Change: Reform Agenda Cabinet report

Appendix B – Cabinet Budget Proposals for Consultation as amended for due diligence. These have been updated since the Budget Proposals were released for consultation in November 2014, following a due diligence review.

Appendix C – Log of Changes to Savings Document since Consultation Version

Appendix D – Directorate Controllable Budgetary Analyses. These set out Directorates' expenditure and income for the current 2014/15 financial year and summarise 2015/16 savings proposals, allowing Members to see the overall budget context.

Appendix E – Employee Implications of Budget

Appendix F – Senior Management Arrangements Cabinet report

Appendix G – Cardiff Debate report

Appendix H – Directorate Financial Pressures 2015/16

Appendix I – Draft Capital Programme 2015/16 - 2019/20.

10. Those specific areas and budget lines which fall under this Committee's remit are:

- Customer Services, Corporate Grants and the Third Sector within the Communities, Housing & Customer Services Directorate:
 - Budget Savings Proposals for Consultation 2015/16 Directorate Refs: CHC10, CHC11, CHC14, CHC40 (lines 34, 35, 38 and 40)
 - Capital Programme:
 - Ongoing Schemes / Amendments to Ongoing Schemes
 - 27 - Citizen Hubs
 - 29 - STAR Hub
 - New Capital Schemes (Exc Invest to Save)
 - 51 – Community Hubs Programme
 - 59 – Community Asset Transfer
- Corporate Management proposals, which includes the Communications and Media budget:
 - Budget Savings Proposals for Consultation 2015/16 Directorate Refs: CMT1 to CMT8 (lines 42 to 49);

- County Clerk and Monitoring Officer Directorate, including Democratic Services, and Scrutiny Services:
 - Budget Savings Proposals for Consultation 2015/16 Directorate Refs: CLK1 and CLK2 (lines 50 and 51);

- Strategic Estates and International Policy within the Economic Development Directorate:
 - Budget Savings Proposals for Consultation 2015/16 Directorate Refs: ECD7 to ECD9, ECD13 and ECD14) (lines 57 to 60, 64 and 65);
 - Capital Programme:
 - Annual Sum Expenditure
 - 9 - Property Asset Renewal
 - Ongoing Schemes / Amendments to Ongoing Schemes
 - 42 - Office Accommodation Rationalisation Contribution

- Resources Directorate proposals
 - Budget Savings Proposals for Consultation 2015/16 Directorate Refs: RES1 to RES32 (lines 113 to 144);
 - Capital Programme:
 - Annual Sum Expenditure
 - 10 - Asset Renewal Facilities Management Fee
 - 12 - ICT Refresh/SAP landscapes
 - Ongoing Schemes / Amendments to Ongoing Schemes
 - 44 - Modernising ICT to Improve Business Processes

- Corporate Efficiencies proposals:
 - Budget Savings Proposals for Consultation 2015/16: (lines 190 - 195).

Welsh Government 2015/16 Settlement & Budget Reduction Requirement

11. On 20 November 2014, the Cabinet considered a report '2015/16 Budget Proposals – for Consultation', which outlined the outcome of the Welsh Government's 2015/16 Provisional Settlement for Cardiff and the updated Budget Reduction requirement. The Settlement set out a cash decrease of £12.595 million, which after adjusting for

transfers equated to a decrease of 2.9% (compared to a Welsh average decrease of 3.4%). The Council had been planning for a decrease of 4.5%, or £19.6 million in cash terms. The Provisional Settlement therefore included £6.6 million more than the assumptions set out in the 2015/16 Budget Strategy approved by the Cabinet in July 2014. However, a number of additional pressures were identified which were anticipated to absorb the lower than anticipated funding decrease. The outcome was that the Council's Budget Reduction Requirement for 2015/16 was estimated to be £48.294 million of which £4.483 million relates to emerging directorate financial pressures. The position as set out in November 2014, when the Budget Proposals for Consultation were released is set out below:

BUDGETARY GAP:	£000
City of Cardiff Council Commitments	30,764
Directorate Financial Pressures	4,483
RSG Funding Reductions	13,047
TOTAL GAP	48,294

Funded by:	£000
Directorate Savings (per consultation)	(32,745)
Targeted Corporate Efficiencies	(2,487)
Continuation of Budget Strategy Assumptions	(13,062)
TOTAL FUNDING OF GAP	(48,294)

12. The Final Settlement, which was received in December 2014, resulted in a position that was £401,000 more favourable to the Council. This additional sum, along with updates of commitments, pressures and due diligence considerations will form part of the balanced position in February 2015.

13. In relation to the Budget Strategy assumptions referred to above, the Budget Strategy report which was agreed by the Cabinet on 17 July 2014, set out the following:

- Net council tax increases of 5%;
- A review of employee terms and conditions delivering savings of £5.750 million. This would need to be considered against a portfolio of options for consideration;

- A top slice of £1.018 million of schools growth which is 30% over and above the schools protection figure;
- The potential to achieve £1 million from a review of the balance sheet (subject to updating the Balance Sheet Review).¹

‘Partnership for Change: Reform Agenda’ Cabinet Report

14. As set out above, a planning assumption of £5.75 million from employee costs was included in the 2015/16 Budget Strategy approved by Cabinet on 17 July 2014. At its 6 January 2015 meeting, this Committee received research and evidence looking at how local authorities in Wales and in England have sought to address this significant area of local authority spend.

15. At its meeting on 26 January 2015, the Cabinet agreed a report entitled ‘Partnership for Change: Reform Agenda’, setting out an update on discussion with Trade Unions regarding the corporate budget proposals for 2015/16. A copy of the report is attached at **Appendix A**. The reports states that, whilst a Workforce Package is currently in place until 31 March 2015, ‘more recent discussions with the Trade Unions have concluded that a longer term more sustainable approach needs to be in place in relation to savings related to the Council’s workforce. Although the Council has put forward a number of confidential options to the Trade Unions for consideration, the Trade Unions have reinforced their position that they are not prepared to negotiate detrimental changes to terms and conditions for their members.’

16. The Council has therefore developed a Memorandum of Understanding with the Trade Unions in order to work in partnership on a programme for reform. The following measures will be used in order to meet the 2015/16 planning assumption of £5.75 million:

- Revised Voluntary Severance Scheme²

¹ Budget Strategy 2015/16 And The Medium Term Cabinet Report 17 July 2014, available at: [https://formerly.cardiff.gov.uk/committeebrowser.asp?\\$state=meeting&\\$committee=12950&\\$meetingdate=17/07/14](https://formerly.cardiff.gov.uk/committeebrowser.asp?$state=meeting&$committee=12950&$meetingdate=17/07/14)

² See Review of Council’s Voluntary Severance Scheme Cabinet report 26 January 2015, available on the Council’s website at: [https://formerly.cardiff.gov.uk/committeebrowser.asp?\\$state=meeting&\\$committee=12950&\\$meetingdate=26/01/15](https://formerly.cardiff.gov.uk/committeebrowser.asp?$state=meeting&$committee=12950&$meetingdate=26/01/15)

- Reduction in amount of agency spend
- Introduction of recruitment freeze
- Reduction in amount of discretionary overtime
- Management delayering
- Promotion of voluntary schemes (such as sabbatical leave, voluntary reduction in hours, flexible retirement, homeworking and a new Purchase of Additional Leave Scheme).

Issues – Cabinet Budget Proposals for Consultation 2015/16 as amended for due diligence

17. The 2015/16 Budget Proposals for Consultation are attached at **Appendix B**. The Proposals have been slightly amended since they were put out to consultation in November 2014, having been corrected following an officer due diligence exercise by Finance Officers. A log of changes to the savings document is attached at **Appendix C**. Further contextual information is contained in **Appendix D**, Directorate Controllable Budget Analyses, and **Appendix E**, the Employee Implications of Budget spreadsheets.
18. Detailed savings proposals are set out for each Directorate, as well as a number of Corporate Efficiency Savings. The spreadsheet sets out a number of details for each proposal:
- Directorate against which the savings is proposed;
 - Savings proposed and an explanation of the proposal;
 - Budget Analysis Reference, allowing the savings proposal to be tracked to the sub division of the service from which it is proposed to be taken, when crossed referenced with the Directorate Controllable Budgetary Analyses;
 - Breakdown of the saving, for example will it be derived from employee costs, 'other', income or a combination of these;
 - A risk analysis in respect of the residual risk, an achievability rating and an Equalities Impact Assessment rating (see below);
 - The Cabinet Portfolio in relation to the proposed saving.

19. The total of savings proposals by directorates are set out in the table below. An additional £2.495 million is proposed to be achieved from Corporate Efficiency Savings.

Total Savings by Directorate	Employee Costs £000	Other Spend £000	Income £000	Total £000
Children's Services	1,285	1,410	0	2,695
Communities, Housing and Customer Services	698	1,141	475	2,314
Corporate Management	45	733	250	1,028
County Clerk and Monitoring Officer	204	14	0	218
Economic Development	261	166	454	881
Education and Lifelong Learning	1,991	496	418	2,878
Environment	1673	5,100	285	7,058
Health and Social Care	3,066	3,159	(10)	6,215
Resources	1,122	207	708	2,037
Sport, Leisure & Culture	3,895	1,674	(2,006)	3,563
Strategic Planning, Highways & Traffic and Transportation	154	739	729	1,622
Total Savings	14,394	14,812	1,304	30,509

'Senior Management Arrangements' Cabinet Report

20. As part of the 2015/16 Budget Proposals for Consultation report which was agreed by Cabinet on 20 November 2014, a budget saving of £650,000 was proposed from 'Management and Related Savings'. On 26 January 2015, the Cabinet approved a further report, 'Senior Management Arrangements', which sought provisional approval for a revised senior management restructure in order to achieve this savings line, subject to the outcome of a consultation process to include discussions with this Committee. The Cabinet report is attached at **Appendix F**.

21. Subject to the outcome of consultation, the proposals would result in a remodelling of Tier 1 (Director-level) to reduce the number of Directors from 11 to 7 with budget savings of £647,000 for a full year. As it is not anticipated that this structure will be in place at the start of the 2015/16 financial year, it is proposed that the £650,000 budget saving target will be achieved partly through this restructure, as well as a realignment of support costs and a re-modelled Tier 2 and 3 level structure (Assistant Director/Chief Officer and Operational Manager 1 levels).

Savings Proposals Risk Assessment Process

22. The Budget Proposals for Consultation have undergone a three-stage initial risk analysis assessing the residual risk to the Council should the savings proposal be accepted; the achievability of the saving; and its equality impact rating.

23. The **residual risk** may relate to a variety of factors including: risks to the Council's reputation; adverse implications for the achievement of a Directorate's objectives or performance targets; implications for the community; or financial implications. Residual risk may comprise several of these factors at once.

24. The **achievability rating** indicates the feasibility of the proposed saving. In its Corporate Assessment of the City of Cardiff Council, published in September 2014³, the Wales Audit Office, concluded in relation to the 2014-15 budget savings that: 'There is a high risk that savings targets for 2014-15 will not be achieved and longer-term savings requirements are unlikely to be met if current methods of service delivery are sustained.' When the budget monitoring position for 2014/15 was last reported in November 2014, for Month 6, an overall shortfall of £5.986 million against the £48.833 million directorate savings target for 2014/15 was projected.⁴

25. Directorates have completed an **equality risk** screening document identifying the potential equality risks associated with each proposal. The Equality Act 2010 sets out a General Duty that as a public body within Wales, the City of Cardiff Council is

³ Available on the Wales Audit Office website at: <http://www.wao.gov.uk/publication/cardiff-council-annual-improvement-report-2014>

⁴ The full Budget Monitoring Report for Month 6 2014/15 is available on the Council's website at: https://formerly.cardiff.gov.uk/objview.asp?object_id=29484

required to have due regard in its decision making processes (including financial decisions) to three factors:

- To eliminate unlawful discrimination, harassment and victimisation,
- To advance equality of opportunity, and
- To foster good relations between people who share a protected characteristic (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, religious belief and non-belief, race, sex, sexual orientation and Welsh Language) and those who do not.

26. Each of the budget proposals for consultation given a Red or Red-Amber Equality Risk rating has been subject to a full Equality Impact Assessment by Directorates; these are available on the Council's website⁵. The Assessments have been informed by public and employee feedback received during the process of consultation.

Savings Proposals Consultation arrangements

27. Following agreement at Cabinet on 20 November 2015, a seven week public consultation was launched under the Cardiff Debate. This closed on 12 January 2014. An online consultation document was available on the Council's website and hard copies distributed to Council hubs, libraries and leisure centres. A number of public drop-in consultation events were also arranged in November and December 2014. A report detailing the responses to the consultation is attached at **Appendix G**.

Directorate Financial Pressures 2015/16

28. Attached at **Appendix H**, Members will find a list of identified Directorate Financial Pressures for 2015/16.

Capital Programme

29. Attached at **Appendix I**, Members will find details of the Draft Capital Programme including proposals for the 2015/16 financial year and indicative figures for the following financial years to 2019/20.

⁵ At: www.cardiff.gov.uk/EIA. Where the EIAs have been updated following consultation feedback, these are marked 'Final – updated Jan 15'

Scope of the Scrutiny

30. The scope of the scrutiny is to consider:

- The overall budget proposals in terms of their relationship to the Corporate Plan 2015-17, to test whether they will support delivery of the aims and priorities set out in the Plan, and to test the processes and assessments used in their development;
- 'Corporate' budget proposals, such as the proposed senior management restructure set out in the Senior Management Arrangements Cabinet report dated 26 January 2015, as well as the planning assumptions set out in the Budget Strategy. The latter includes a planning assumption of £5.75 million to be found from a combination of measures as set out in the 'Partnership for Change: Reform Agenda' Cabinet report;
- The relevant Directorate budget proposals in terms of their alignment with the Corporate Plan 2015-17, to test whether they support delivery of its aims and priorities, and in terms of their potential impact on service delivery, service users and citizens of Cardiff.

Way Forward

31. Cabinet Members and officers will be attending the meeting as set out in the 'structure of the meeting' section above and as detailed on the meeting agenda.

Legal Implications

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

properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

33. 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.

RECOMMENDATION

Members are invited to consider the information presented in these papers and at the meeting and refer any comments and concerns for consideration by the Cabinet prior to its meeting on 19 February 2015.

MARIE ROSENTHAL

County Clerk and Monitoring Officer

3 February 2015