

Budget Strategy Report 2018/19 - Question and Answers

Revenue Budget

What is this about?

- This is a brief overview of the Council's July 2017 Budget Strategy Report which you can view in full online.

What are things looking like?

- In two words, challenging and uncertain.

What are the uncertainties?

There are many, but here is a flavour:-

- The general grant we receive from Welsh Government (WG) accounts for 75% of how we fund our budget and we won't know the level of this grant until at least October.
- There is a UK budget in the autumn – previously these have been in the spring.
- BREXIT - what terms will be secured and how will they impact the economy?
- Local Government Reform in Wales – WG will expect Local Authorities to consider appropriate regional working but we don't fully know what that will look like yet.

What are the challenges?

Again, there are many but here is an overview:-

- The Council is still facing significant cost pressures over the next few years. These pressures are partly price related, e.g. pay awards and external providers increasing their prices. They are also demand related, for example, increasing pupil numbers and the much publicised pressures on social services that are being experienced across the UK. In addition, we believe that funding will continue to reduce but don't know by how much.
- The combination of funding reductions and financial pressures is what creates the "budget gap" - this is how much we have to find to balance the books.
- Every year, balancing the books becomes harder because so much of the budget has already been reduced - £105 million savings have been made over the past three years alone.
- Two areas of the budget that are under demand pressure – schools and social services – account for 65% of the Council's budget. This means the squeeze on other areas is even harder.

How much is the Budget Gap?

- The budget gap is estimated to be £24 million in 2018/19 and £74 million over the next three years.

2018/19 £m	2019/20 £m	2020/21 £m	Total £m
24	26	24	74

So what is the Strategy to address the gap?

- The four things we can essentially do to address the gap are 1) increase council tax 2) use reserves 3) limit schools growth 4) make savings.
- Developing the strategy is about deciding the right mix - to do this we need to balance the Council's priorities as set out in the Corporate Plan and Capital Ambition document, with risk and the Council's long term financial resilience.
- This is the strategy as outlined in the Budget Strategy Report:-

	2018/19 £m	2019/20 £m	2020/21 £m	TOTAL £m
Budget Strategy				
Limit Schools Growth - @ 30%	1.4	1.9	1.2	4.5
Council tax at 3.7%	4.7	4.9	5.0	14.6
Use of Earmarked Reserves	2.4			2.4
Savings	15	18.9	17.9	52
Total Strategy	24	26	24	74

£7.2m in total over 3 years

This is a cap not a cut. Schools will receive £17.7m

To be kept under review

What is the approach to identifying savings?

- Two years ago, the Council undertook a detailed three-year analysis of budgets and this formed the basis of the 2016/17 and 2017/18 Budgets. This work has undergone incremental review and roll forward but it is time to pause, reset and refresh this work to take account of new challenges over the medium term with a new administration.
- Work so far this year has focussed on the 2018/19 position in order to provide a solid foundation from which to move forward and all aspects of the budget have undergone review.
- Although the strategy in the report covers 2019/20 and 2020/21, at this stage this is more loosely defined than for 2018/19, and a detailed piece of work will take place over the autumn to develop this out.

How can I have my say?

- The Council is open and honest about the difficult choices it faces.
- Over the summer you can have your say by responding to budget-related questions in the "Ask Cardiff" survey.
- In the autumn, there will be a more detailed consultation, once there is a clearer picture of Welsh Government funding.

What if funding reductions are worse than planned?

- There are no firm funding figures for 2018/19 and that is a key risk.
- We have assumed that funding will reduce by 1% and that is reflected in our budget gap.
- The Council could withstand a further 1% reduction by using a budget we would otherwise use for one-off investment. This was created in 2016/17 to protect the Council from future funding uncertainties.

Capital Programme

What is capital?

- Capital expenditure refers to acquiring or improving assets for the long term. The way the Council can fund this type of expenditure is different to revenue.
- The capital programme sets out what we will spend on capital and how we will fund it over a five year period

What is the picture on Capital?

- Capital funding has reduced by 35% over recent years. This essentially means that to fund new capital spend, we must either sell existing assets or borrow. Borrowing places pressures on the revenue budget - debt must be repaid with interest.
- The need to maintain our buildings and highways as well as to address corporate priorities places pressure on the capital programme.

What is the strategy for Capital?

- The strategy is to focus on looking after our existing assets – the need to spend must be evidence based and prioritised by risk.
- Any new capital expenditure pressures that do not relate to existing assets that are to be retained in the long term, need to be considered in the context of external funding or robust invest to save business cases.

What next?

- We will continue to keep the budget gap under review – things change quickly and regular review is an important part of being prepared.
- General consultation during the summer will pave the way for a detailed consultation in the autumn.
- Over the summer, directorates will refine their work on the 2018/19 position.
- Focus will shift to updating the savings framework for 2019/20 and 2020/21 in the autumn.