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**DRAFT BUDGET PROPOSALS 2018-19**

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**Reason for the Report**

1. To provide Members with the context for scrutiny of the 2018-19 draft budget proposals.

**Background**

2. The Council's Constitution allows all Scrutiny Committees to consider the Council's draft budget proposals, as relevant to their terms of reference, to allow non-executive Members to feed comments, observations or recommendations to the Cabinet before final decisions are taken. The Cabinet will consider the draft budget proposals on 15 February 2018, prior to their presentation to Full Council for approval on 22 February 2018.
3. In line with Policy Review and Performance (PRAP) Scrutiny Committee's Terms of Reference Members have responsibility for performing two roles in scrutinising the Council's draft budget:
  - Firstly, Members will consider the overall budget proposals from a corporate and strategic point of view; checking the alignment of the proposals to the Council's stated Corporate Plan priorities, as well as the processes by which they have been developed;
  - Secondly, Members will 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 (*item 4*), and in terms of impact on service delivery.

4. Prior to the Committee meeting, the four other Scrutiny Committees will have already considered the budget proposals and the draft Corporate Plan relevant to their terms of reference. Following these meetings, the Chair of each Committee will write a letter to the Cabinet, summing up the Committee's comments. Copies of these letters will be tabled at the PRAP Scrutiny Committee meeting, where timings allow, to inform Members' lines of inquiry in considering the overall budget.

### **Structure of the Meeting**

5. This agenda item (5) will be structured in two parts in order to meet the Committee's responsibilities outlined above: firstly an overview of Council wide budget proposals; and secondly, consideration of the specific services which fall under this Committee's terms of reference - Resources, Economic Development (*property matters*), and Governance & Legal Services.
6. To consider the overall budget proposals the following Cabinet Members and officers have been invited. Members will receive a presentation by the Corporate Director (Resources), giving a corporate overview of the 2018-19 Budget Proposals, and the processes by which they were arrived. There will then be an opportunity for general questions on the entire Council budget proposals:
  - Councillor Chris Weaver, Cabinet Member Finance, Modernisation and Performance;
  - Christine Salter, Corporate Director Resources;
  - Ian Allwood, Head of Finance;
  - Gareth Newell, Partnership and Community Engagement Manager, with responsibility for co-ordinating the production of the Budget Consultation Report Changes for Cardiff 2018.

7. For the second part of the scrutiny, Cabinet Members and officers will be in attendance for three Directorates to answer Members' questions regarding specific service budget proposals as follows:

**a. Resources,**

- Councillor Chris Weaver, Cabinet Member Finance, Modernisation and Performance;
- Christine Salter, Corporate Director Resources;
- Ian Allwood, Head of Finance;

**b. Economic Development,**

- Councillor Russell Goodway, Cabinet Member Investment and Development
- Councillor Chris Weaver, Cabinet Member Finance, Modernisation and Performance;
- Neil Hanratty, Director Economic Development
- Tara King, Assistant Director Commercial and Collaboration

**c. Governance & Legal Services,**

- Councillor Huw Thomas, Leader
- Councillor Chris Weaver, Cabinet Member Finance, Modernisation and Performance;
- Davina Fiore, Director Governance & Legal

## **Structure of the Papers**

8. Attached to this report are a series of appendices as follows, to enable Members to scrutinise the draft budget proposals:

**Appendix A** – Directorate Budget Savings Proposal Summary 2018-19.

This includes **A (i)** Overview of the Savings Proposals.

**A (ii)** Directorate Budget Savings Proposals.

**Appendix B** – Directorate Controllable Budgetary Analyses. These set out for each of the eight Council Directorates expenditure and income for the current 2017-18 financial year; and summarise 2018-19 savings

proposals, allowing Members to see the overall budget context. The analyses reflect the new senior management arrangements introduced by the Cabinet in November 2017.

This includes: **B (i)** Communities and Housing.

**B (ii)** Corporate Management

**B (iii)** Economic Development.

**B (iv)** Education

**B (v)** Governance & Legal Services

**B (vi)** Planning, Transport & Environment

**B (vii)** Resources.

**B (viii)** Social Services.

**Appendix C** – Financial Pressures Summary 2018-19.

**Appendix D** – Capital Programme 2018-19 – 2022-23.

**Appendix E** – Employee Implications of Budget Proposals 2018-19.

**Appendix G** – Fees and Charges 2018-19

**Appendix H** – Changes for Cardiff consultation report 2018-19.

9. For the first part of the budget scrutiny the appendices listed above should be referenced in their entirety. For the second part of the budget scrutiny, only those lines relevant to the Committee's remit and to the Directorate under scrutiny should be referenced. Other lines will be scrutinised by the other four scrutiny committees. To assist with this, key budget documents, the Budget Savings Proposals (Appendix A (ii)), the Capital Programme (Appendix D), and Employee Implications (Appendix E) have been colour coded as follows.
- a. Resources Directorate – Orange
  - b. Economic Development Directorate – Yellow
  - c. Governance & Legal Services – Pink

## **Summary of Budgetary Position**

10. As at 6 February 2018, the Council finds itself with a funding shortfall of approximately £19 million for 2018/19 before savings and new pressures have been accounted for. The shortfall comprises of:

<b>BUDGETARY GAP</b>	<b>£000</b>
Resources Available	601,026
Resources Required	620,254
<b>Shortfall before savings and new pressures</b>	<b>19,228</b>

11. The resources available to finance the budget before any increase in the rate of Council Tax are made up as follows:

<b>Resources Available</b>	<b>£000</b>
Resources from Welsh Government	440,947
Council Tax (at nil increase)	157,729
Use of reserves to support the budget	2,350
<b>Total Resources Available</b>	<b>601,026</b>

12. The following table summarises the resources required to cover base expenditure, commitments and budget realignments.

<b>Resources Required</b>	<b>£000</b>
<b>2018/19 adjusted base budget (after transfers)</b>	<b>595,674</b>
New Responsibilities (per settlement)	1,472
Employees (pay awards, increments, NI etc.)	3,361
Demographic pressures	5,308
Commitments	3,656
Directorate expenditure and income realignments (net)	1,194
Special inflation	4,550
Schools non-pupil number growth (net)	5,039
<b>Total Resources Required</b>	<b>620,254</b>

13. In addition to the budget shortfall of £19.228 million, the Council has identified new directorate pressures of £1.474 million, bringing the shortfall to £20.702 million. Overall, savings of £14.296 million have been identified, resulting in £6.406 million to be raised from additional Council Tax, as set out below:

<b>Budget Shortfall</b>	<b>£000</b>
Shortfall before directorate pressures and savings	19,228
New directorate pressures	1,474
Sub total	20,702
<b>Less</b>	
Total Savings	14,296
<b>Net amount to be raised from additional Council Tax</b>	<b>6,406</b>

14. Directors have been asked to put forward savings proposals in relation to their controllable budgets. In terms of the Directorate savings proposals of **£14.296** million:
- £1.879 million** are savings from **employee costs**;
  - £9.391 million** are saving from **other spend**; and
  - £3.026 million** from increased **income**.
15. To enable Members to understand the prioritisation of proposed savings across Directorates, the table below sets out the level of savings proposals as a percentage of overall budgets for each Directorate.

<b>Total Savings by Directorate</b>	<b>Employee £000</b>	<b>Other £000</b>	<b>Income £000</b>	<b>Total £000</b>	<b>Per Cent</b>
Communities & Housing	92	191	406	689	5%
Corporate Management	21	230	0	251	2%
Council Wide	0	626	0	626	4%
Economic Development	328	1,369	789	<b>2,486</b>	<b>17%</b>
Education and Lifelong Learning	455	713	110	<b>1,278</b>	<b>9%</b>
Governance and Legal Services	73	123	246	442	3%
Planning, Transport & Environment	273	812	753	<b>1,838</b>	<b>13%</b>
Resources - Resources	637	517	372	<b>1,526</b>	<b>11%</b>
Social Services	0	4,810	350	5,160	36%
<b>Directorate Savings</b>	<b>1,879</b>	<b>9,391</b>	<b>3,026</b>	<b>14,296</b>	<b>100%</b>

16. The detailed Directorate Budget Proposals at **Appendix A(ii)** have undergone a three-stage 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.

17. 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. The **achievability rating** indicates the feasibility of the proposed saving, and an **equality impact assessment** identifies the potential equality risks associated with each proposal.
18. The Equality Act 2010 sets out a General Duty that as a public body within Wales, the Council is 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.
19. Where a screening identifies a red or red/amber risk a full Equality Impact Assessment is undertaken. Members can view these at:  
<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Council-Budget/2018-19/equality-impact-assessments-2018-19/Pages/default.aspx>
20. The net additional increase in Council Tax and the savings identified in the above table account for two of four components that the Council identified as part of its 2018/19 Budget Strategy. The other two components, a 30% cap on schools non-pupil number-growth and use of earmarked reserves have already been accounted for within the calculations of the Resources required and the Resources Available for 2018/19. The table below sets out in full, the four components of the 2018/19 Budget Strategy along with their respective contributions to balancing this budget.

Budget Strategy Component	£000
30% cap on schools growth (non-pupil number)	2,196
Use of Earmarked Reserves	2,350
Savings	14,296
Council Tax at 5% (net)	6,406
<b>TOTAL</b>	<b>25,248</b>

## Cabinet Budget Proposals 2018-19

21. Detailed savings proposals are set out for each Directorate (**Appendix A (ii)**), as well as a number of council wide budget savings proposals. The spreadsheet at A (ii) sets out a number of details for each proposal: For each numbered proposal (line)

Members will find:

- The Directorate against which the savings is proposed;
- The Theme within which the saving falls; (*Review of External Spend, Income Generation, Business Processes including Digitalisation, Prevention and Early Intervention*)
- 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 cross referenced with the Directorate Controllable Budgetary Analyses (**Appendix B**);
- Breakdown of the saving, for example will it be derived from 'employee costs', 'other spend', '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 point 19 above);
- The Cabinet Portfolio in relation to the proposed saving.

## Directorate Controllable Budgetary Analysis 2017-18

22. The eight Directorate Controllable Budgetary Analysis sheets attached at **Appendix B** provide current year (2017/18) information and savings proposals by service divisions within the Directorates.



## Financial Pressures 2018-19

23. **Appendix C** is a summary of Financial Pressures the Council faces in 2018/19.

Members may wish to refer to all pressures listed when considering the budget overview. Total pressures council wide are £1.474 million. There are no pressures specific to the services under the Committees terms of reference.

## Council Capital Programme 2018-19 to 2022-23

24. **Appendix D** is the Council's Capital Programme for 2018-19 to 2022-23. It proposes capital expenditure of £720.714 million over five years. The Programme has two parts, a General Fund, and the Public Housing Capital Programme (HRA). Within the **General Fund** categories of expenditure are:

- a. **Annual Sums** - for example line 8 - Highway Carriageway Reconstruction – *to address structural failure beyond routine repairs* - £1.304m in 2018/19, and £0.3m indicative over the following 3 years.
- b. **Ongoing Schemes** – for example line 43 - Economic Development Initiatives – *A range of economic development schemes aiming to bring growth and new jobs to the City region as well as other benefits to citizens, business and visitors. This will include the delivery of a Transport interchange at Central Square, Dumballs Road regeneration and other commitments outlined in Cardiff Capital Ambition* - £1.6m in 2018/19 and an indicative £13.223m in 2019/20.
- c. **New Capital Schemes** - for example line 56 – Schools Additional Property Asset Renewal – *Schools property- Health and Safety, additional learning needs* - £4m in 2018/19 £6.5m the following two years, £6m in 2021/22 and £2m in 2022/23.
- d. **Schemes funded by Grants and Contributions** – for example line 83 - Planning Gain (S106) – *Various improvements to open space, transportation, public realm and community facilities* - £3.393m in 2018/19, and indicative £3.167m in 2019/20 and £1.885m in 2020/21.
- e. **Existing Invest to Save Schemes** – for example line 86 - Leisure Centres – *Alternative Service Delivery (ADM). Commitment to make prudential*

borrowing available to be repaid as part of the procurement exercise for leisure services - £2.1m in 2018/19.

- f. ***New Invest to Save Bids***- for example line 99 -*Lamby Way Solar Farm – Working with Welsh Government and Local Partnerships to deliver a solar farm facility on the former landfill site. - £192,000 in 2018/19, and £3.81m next year.*

25. Part two of the Capital Programme is the **Public Housing Capital Programme (HRA)**, for which all funding is ring fenced. For example line 102 - New Build Council Housing/Acquisition – *Develop or acquire new housing and land in order to increase the level of affordable housing* - £21.975m proposed in 2018/19, followed by an indicative £17.622m in 2019/20, £26.250m in 2020/21, £30.280m in 2021/22, and £23.5m in 2022/23.

### **Employee Implications**

26. The Employee Implications of the Budget, attached at **Appendix E** illustrates the posts to be deleted or created as a result of budget proposals. Overall, the Budget proposes a reduction of 24.19 FTE posts. Of particular interest, within the Committee's remit, will be a decrease of 2 FTE posts in Governance and Legal Services, and a decrease of 17.25 FTE posts in the Resources Directorate.

### **Fees and Charges 2018-19**

27. **Appendices F (i) to (iii)** provide a summary of Fees and Charges, including General fees and charges, those that apply to the Housing Revenue Account (HRA), and those for Outdoor Activities. Listed are those that have a proposed price change and those where there is no proposed increase. Some apply from 1 April 2018, and others from 1 September 2018.

## Specific Proposals within the Policy Review and Performance Terms of Reference

28. As mentioned above (in point 9), for the second part of the budget scrutiny, only those lines relevant to the Committee's remit and to the Directorate under scrutiny should be referenced, as follows:

### **Resources Directorate** proposals – shaded **orange**:

- Budget Savings Proposals 2018-19 (lines 89-92, 94-108);
- Capital Programme: (lines 23,24,48,91);
- Employee Implications: (lines 19-27).

### **Economic Development Directorate** proposals – shaded **yellow**:

- Budget Savings Proposals 2017-18 (lines 4-7, 13,16);
- Capital Programme: (lines 45,63);
- Employee Implications: N/A.

### **Governance & Legal Services Directorate** proposals – shaded **pink**

- Budget Savings Proposals 2017-18 (lines 79-88);
- Capital Programme: N/A;
- Employee Implications: (lines 17, 18).

## **Budget consultation on Savings Proposals**

29. A public consultation survey on savings proposals, '*Changes for Cardiff 2017/18*', opened on the 2nd November 2017 and ran until 14th December 2017.

30. The full report, analysing the responses to the consultation, is attached at **Appendix G**. A total of **2,937 responses were received** to the consultation. This represents an increase of 17% (or c.500 responses) compared to the 2017/18 budget consultation.

31. An Executive Summary of findings can be found on page 2 of **Appendix G**.

32. A range of mechanisms were used as part of the process, including:

- Online survey promoted electronically and made available on dedicated Council Web pages.
- Paper survey – 2,000 copies distributed through leisure centres, libraries and hubs and available at a range of face-to-face events held at locations across the city.
- Eighteen community engagement events held at community buildings across the city.
- A further 7 focus groups held with specific individuals who are less frequently heard e.g. mental health services users, BME groups and younger people.
- Opportunity for people to email comments directly via [budget@cardiff.gov.uk](mailto:budget@cardiff.gov.uk)
- Consultation promoted via email to members of the Cardiff Citizens' Panel and the wider Council email address list (91,391 unique email addresses)
- Communicated to approximately 6,000 staff within the City of Cardiff Council via Your News
- The consultation was further supported by regular promotion carried out via social media throughout the consultation period via @cardiffcouncil and @cardiffdebate, and Facebook 'Boosts' were carried out to increase the visibility of the promotion.

33. *The Changes for Cardiff* budget consultation results have been analysed and a full copy of the report is attached at **Appendix G**. Members attention is drawn to the following:

P6 – 7 – Digitalisation of Services

P8 – 12 – The future of the Council newspaper and use of Council-related social media

P 13-14 - E-Billing for Council Tax

P 15 - Income Generation - Commercial waste; Pest control; Building cleaning services; Welsh language translation; Training and development; generating more income from renewable energy and street lighting, Cardiff Dogs Home, and an increased volume of planning fees.

P16-17 – Meals on Wheels

P18 –21 - Cardiff International White Water

P22 –23 - Bereavement Services

P24 –25 - Dogs Home

P26 – 27 – School Meal Provision

P28 – 31 - Early Intervention and Prevention (Adult Services)

P32 – 33 - Collaboration – Savings from Shared Regulatory Services

P34 – 35 - Waste Collection

P36 – New Deal with Citizens – Volunteering

P38 – The public’s top three priorities for 2018/19 are:

- **Building more affordable houses and tackling homelessness**
- **Investing in sustainable transport to reduce congestion and improve air quality**
- **Intervening early to support vulnerable children**

## **Scope of the Scrutiny**

34. The scope of the scrutiny is to consider:

- The overall budget proposals in terms of their relationship to the Corporate Plan 2018-19, 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;
- The relevant Directorate budget proposals 2018-19 in terms of their alignment with the Corporate Plan 2018-19, 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**

35. 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. Members are invited to question those in attendance, and agree those comments, concerns and observations that should go forward to the Cabinet during discussion at the Way Forward, item 6 on the agenda.

## **Legal Implications**

36. 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**

37. 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, observations and concerns for consideration by the Cabinet prior to its meeting on 15 February 2018.

**DAVINA FIORE**

**Director of Governance and Legal Services**

**8 February 2018**