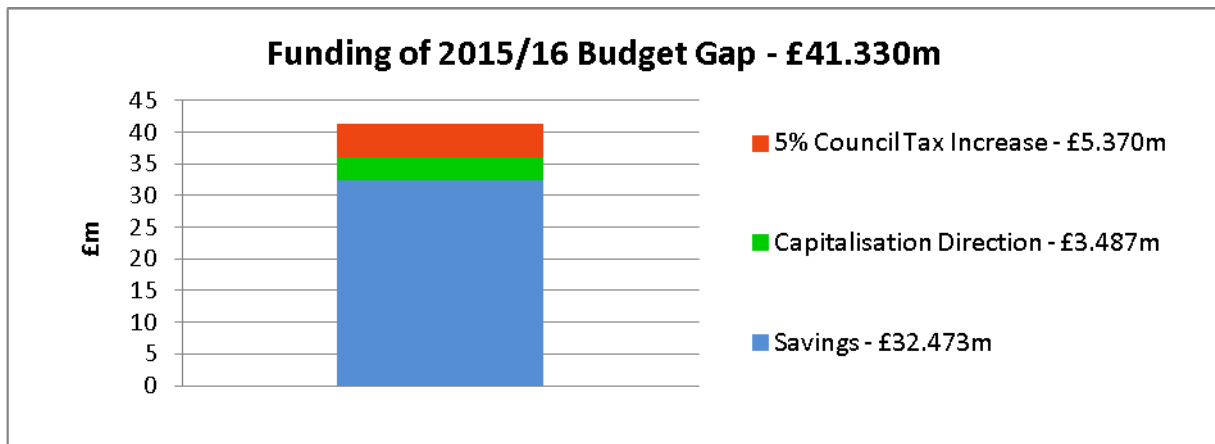


Has the 2015/16 Budget been finalised?

- Yes the 2015/16 budget was approved at Council on 26 February 2015
- The final budget gap was £41.330m, the gap was bridged through a combination of savings, a capitalisation direction and a 5% council tax increase as illustrated below.

**What is a capitalisation direction?**

- A capitalisation direction means that for one year, the Council has in principle permission to fund £3.5m of its revenue (day to day) running costs from capital receipts. Capital receipts are sums raised through the sale of Council assets which under regulations can only be used to fund capital expenditure (e.g. spend on constructing assets.) However, for 2015/16, the Council will be able to use them to fund certain types of day to day running costs, including statutory severance costs and costs of organisational change.

Why has the budget gap changed to £41.330m? In November when the savings went out to consultation I remember seeing a higher figure of £48.294m?

- Any type of forecasting requires updating as time moves on in order to ensure that figures reflect the most up to date information.
- The difference between the £48.294m from November 2014 and the £41.3m in February 2015 is the result of:-
 1. £1.123m additional funding. This is partly due to the fact that when Welsh Government confirmed the Council's final funding settlement in December 2014, it was fractionally better than that indicated in October 2014. It is also partly due to updates to the Council Tax Base. This is because the Council now anticipates generating some additional council tax income due to an increasing number of chargeable dwellings .
 2. £4.018m through the confirmed status of areas which had previously been assumptions including £2m from the impact of changes approved in relation to the Council's voluntary severance scheme, a cap of £1.018m on the amount of additional budget provided to schools and the identification of savings from reserves of £1 million.
 3. The remaining £1.823m is due to technical updates to figures to ensure they reflected the most up to date information including capital financing, insurance and pay awards.

Can I review further details of the Budget online? Where can I see all the savings?

- Yes you can view the Budget Report on line including a full list of savings, by going into the Council meetings sections of the website and reviewing the documents for the 27 February 2015 Council meeting.

- You should be aware when reviewing the Budget Report online that some amendments were made at the Council meeting. These are therefore not included in the body of Budget Report but are included in the meeting minutes

I heard that amendments were made to the Budget at Council – what were they?

- Three savings proposals were removed from the savings listing – these were in relation to day centres for older people, children’s play, and the Cardiff Alcohol and Drug Team
- These savings were removed on the basis that existing arrangements in these areas would continue to be funded until alternative arrangements have been put in place with those arrangements to be established at the earliest possible date.
- A further amendment was a reduction in the Youth Service saving from £1.1m to £0.85m. This was to allow for the further time for transition of the service and to ensure that current local facilities keep running as well as supporting street based and outreach working until new services are in place.
- The budget amendment also allowed for funding for each of the six Neighbourhood Partnership Areas to assist groups in the process of taking on services and also for three ‘Development Workers’ (to be funded by the Council but employed by a third party on 12 month contracts) to support community proposals in relation to Play Services.
- The above changes were funded by an increase to savings in respect of Central Enterprise Zone, discretionary overtime, capitalisation and a saving in relation to the reduction of standby payments.
- The budget amendment also proposed to continue funding branch library services until the end of the Council term, unless and until alternative delivery arrangements are operational and consequential amendments be made to the MTFP.

Did all directorates make a comparable level of saving?

- All directorates with the exception of schools made significant savings.
- As noted above, £32.473m are included in the 2015/16 budget. This equates to an average reduction of 14% on directorate budgets. However, this varies across directorates (from 6% to over 30%)
- The percentage cut varies across directorates because the ability to make savings is affected by issues such as increasing demand (e.g. the council faces significant demographic pressures in social care) and statutory duty (i.e. there are some things the Council has a duty to provide.)
- With regard to Schools, Welsh Government protection requirements meant that Schools’ budgets have not been cut for 2015/16. However, whilst schools budgets have not been **cut**, schools did not receive their full growth requirements for 2015/16 which were capped by £1.018m as noted above.

What is the impact on jobs?

- As part of the 2015/16 budget, posts will be lost in all directorates (with the exception of schools although individual schools may need to review their own staff structures on receipt of their budget information).
- Council-wide, it is estimated that just under 500 full time equivalent posts will be cut in connection with the budget.

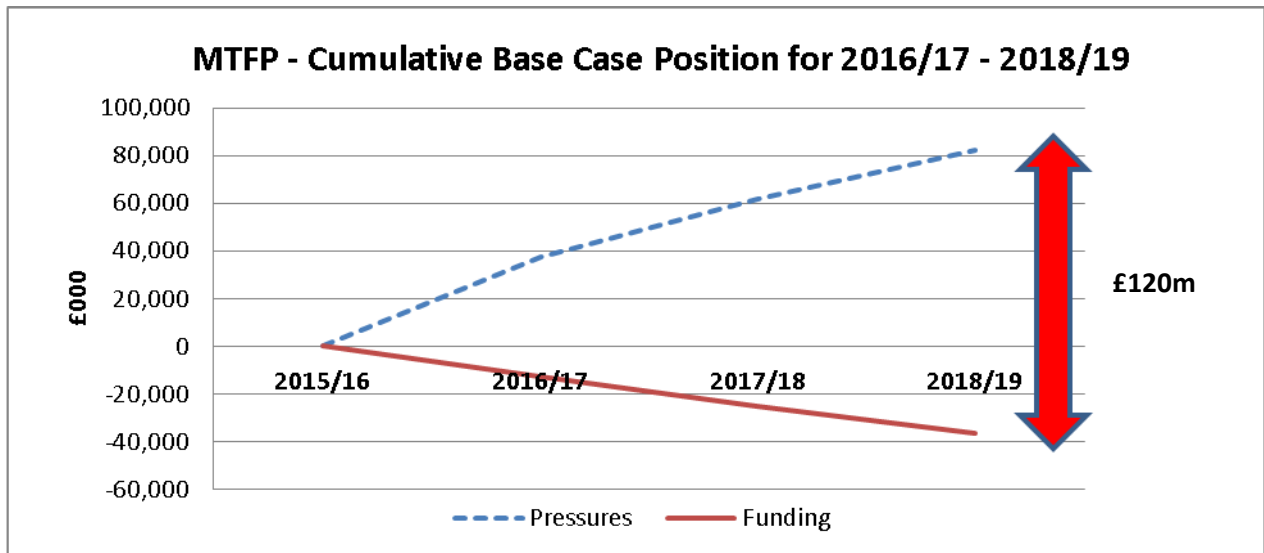
What about the future?

- The Council’s Medium Term Financial Plan identified a budget gap of £120m over the three year period 2016/17 – 2018/19
- The £120m is considered a base case scenario and is based on the Council receiving Welsh Government funding decreases of 3% each year
- Due to a number of uncertainties, including the forthcoming General Election, funding figures are not yet available for years beyond 2015/16 and so the 3% is an estimate

- If funding decreases are worse than this, the gap will widen. For example, if funding decreases are as much as 4.5% per annum (a figure that Welsh Government has mentioned in the past), the gap could increase to £149m

Why is the gap so big?

- The budget gap is made up of two main factors – significant reduction in funding and escalating pressures on services, put simply, the problem is one of less money and more demand as illustrated below



How will we balance the budget?

- Balancing the budget over the medium term will be extremely challenging, especially since the Council will have made cuts exceeding £200m over the ten year period from 2005/06 to 2015/16
- Given the scale of the gap, it is inevitable that in Cardiff, as across Wales, there will be both a reduction in service delivery and a requirement to consider alternative delivery models. The task is made more difficult because the Council is only able to direct cuts at approximately 40% of its overall budget (called its controllable savings budget.)
- The 60% that the Council is not able to cut includes the £200m Schools budget which is the subject of Welsh Government protection, the £17m levies budget which is externally determined, the £29m budget to pay council tax support to eligible recipients and the £35m budget to support capital financing obligations.
- Cuts are therefore even steeper because they are focussed on just 40% of the Council's overall budget, some areas of which are themselves subject to escalating demand (social care) or are statutory functions

What Next?

- The 2015/16 Budget Report included the identification of a number of savings opportunities in relation to later years. These opportunities will need to be progressed within stringent timescales however, they are significantly short of the full gap.
- Work will need to begin immediately on the Budget Strategy Report 2016/17 and the Medium Term which will be subject to approval in July 2015.
- The policies, budget assumptions and tools that underpin the Budget Strategy will be critical in moving the Council forward on a financially sustainable basis and ongoing monitoring of the Council's financial resilience will be key.
- Within these financially challenging conditions delivery of the savings identified in 2015/16 will be key and directorates should ensure that milestones for delivery are clearly mapped so that realisation of savings can be effectively reported into the budget monitoring process.