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**DRAFT BUDGET PROPOSALS 2019-20**

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**Purpose of Report**

1. To provide Members with the context and papers for scrutiny of the 2019-20 draft budget proposals.

**Context**

2. The Council's Constitution allows all Scrutiny Committees to consider the 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 21 February 2019, prior to their presentation to Full Council for approval on 28 February 2019.
3. In line with the 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 take an overview of revenue and capital 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 consider 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. To address the Committee's responsibilities outlined above this agenda item (5) will be structured in four parts:

**Part a** - Firstly, an **overview of Council wide budget proposals 2019-20** (75 minutes);

**Part b** - Secondly, **pre-decision scrutiny of the Capital Strategy 2019-24**, a framework to develop a consistent process for undertaking capital investment decisions to deliver strategic priorities. (45 minutes)

**Part c** - Thirdly, consideration of the implications of budget proposal lines for the **Resources Directorate** (30 minutes)

**Part d** - Finally, consideration of the implications of budget proposal lines for the **Governance & Legal Services** and **Economic Development** (*property matters*) Directorates. (30 minutes)

6. To consider the overall budget proposals (**part a**) the Cabinet Members and officers listed below have been invited. Members will receive a presentation by the Corporate Director Resources, giving a corporate overview of the 2019-20 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 2019-20*.

7. To consider the Capital Strategy 2019-24 **(part b)** Members will hear from

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

8. For the final two parts of the meeting (parts c & d), Members will hear from three Directorates to answer Members' questions regarding specific service budget proposals as follows:

**Resources Directorate (part c)**

- Councillor Chris Weaver, Cabinet Member Finance, Modernisation and Performance;
- Christine Salter, Corporate Director Resources;
- Ian Allwood, Head of Finance;
- Philip Lenz, Corporate Chief Officer, People Services

**Economic Development Directorate (part d)**

- Neil Hanratty, Director of Economic Development

**Governance & Legal Services, (part d)**

- Davina Fiore, Director of Governance & Legal

**Structure of the Papers**

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

**Appendix A – Budget Savings Proposals Summary 2019-20.**

**Appendix B** – Directorate Controllable Budgetary Analyses. These set out for each of the eight Council Directorates expenditure and income for the current 2018-19 financial year; and summarise 2019-20 savings proposals, allowing Members to see the overall budget context.

This includes: **B (i)** Corporate Management

**B (ii)** Economic Development

**B (iii)** Education

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

**B (v)** Housing & Communities

**B (vi)** Planning & Environment

**B (vii)** Resources.

**B (viii)** Social Services.

**Appendix C** – Financial Pressures Summary 2019-20.

**Appendix D** – Capital Programme 2019-20 – 2023-24.

**Appendix E** – Employee Implications of Budget Proposals 2019-20.

**Appendix F** – Fees and Charges 2019-20

**Appendix G** – Changes for Cardiff consultation report 2019-20.

10. In addition, attached to this report as **Annexe 1** is the **Capital Strategy 2019/20**. The Strategy will form an integral part of the Budget report to Cabinet and Council, therefore at the meeting there will be a separate presentation on this strategy, and an opportunity for closer scrutiny.

11. The Capital Strategy acknowledges that when long term investment decisions are undertaken it is crucial that decision makers can rely on clear and informed information. As such it will help support informed decision making in the Delivery of Capital Ambition. This would include:

- A long term view of capital expenditure plans and any financial risks to which the Council is exposed.
- Ensuring due regard to the long term financing, affordability implications and potential risks.

- A clear overview of the Council’s asset management planning arrangements and any maintenance requirements that have resource and business planning implications.

12. The Strategy is an integral part of the Council’s Strategic and Financial Planning Framework, and sets out the Councils approach to:

Working with partners	Funding the strategy
Asset management planning	Managing the borrowing requirement
Risk appetite	Affordability
Governance and decision making	

13. For clarity, Members should refer to the following papers for each part of the budget scrutiny.

	<b>Agenda Item</b>	<b>Supporting papers</b>
5a	Draft Budget Proposals 2019-20	All Appendices
5b	Capital Strategy 2019-24	Annexe 1 Appendix D
5c	Resources Directorate budget proposals 2019-20	Appendix A Appendix B (vii) Appendix D (i) Appendix E
5d	Governance & Legal Services Directorate budget proposals 2019-20	Appendix A Appendix B (iv) Appendix D (i) Appendix E
5d cont.	Economic Development Directorate budget proposals 2019-20	Appendix A Appendix B (ii) Appendix D (i) Appendix E

Note that for parts c and d, pre-decision scrutiny of the budget proposal lines for the three Directorates, 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 four other 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. Governance & Legal Services – **Pink**
- c. Economic Development Directorate – **Yellow**

### Summary and Overview of Budgetary Position 2019/20

14. As at 11 February 2019, the Council finds itself with a budgetary gap of approximately £32 million for 2019/20, before savings have been accounted for. The shortfall comprises of:

<b>BUDGETARY GAP</b>	<b>£000</b>
Resources Available	612,608
Resources Required	645,046
<b>Shortfall before savings</b>	<b>32,438</b>

15. 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 WG	444,629
Council Tax (at nil increase)	167,979
<b>Total Resources Available</b>	<b>612,608</b>

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

<b>Resources Required</b>	<b>£000</b>
2018/19 adjusted base (after transfers)	610,400
New Responsibilities (per settlement)	637
New Specific Grant funding for Social Services (per settlement)	(3,000)
Employee Costs	4,412
Demographic Pressures	3,500
Commitments	2,997
Directorate Expenditure Realignments	5,599
Exceptional Inflation	3,186
Schools pressures	12,520
New directorate pressures	4,795
<b>Total Resources Required</b>	<b>645,046</b>

17. The table below identifies how the funding shortfall will be addressed:

<b>Funding Gap</b>	<b>£000</b>
Directorate Savings	(19,157)
Partial deletion of Financial Resilience Mechanism	(200)
Schools' contribution to meeting pressures	(3,586)
Net Council Tax increase at 4.9%	(6,745)
Use of Reserves	(2,750)
<b>TOTAL</b>	<b>(32,438)</b>

18. Directors have been asked to put forward savings proposals in relation to their controllable budgets. In respect of savings proposals of **£19.157** million, shown in **Appendix A:**

- **£4.878 million** are savings from **employee costs**;
- **£15.976 million** are savings from **other spend**; and
- **£1.697 million** net reduction in **income budgets**.

These overall figures include the write-out of budgets linked to the proposal to secure a private tenant for the New Theatre within Economic Development. This includes a

reduction in income budgets, which offsets other savings in respect of the generation of additional income, which otherwise total £3.855 million overall.

19. To enable the Committee to understand the prioritisation of proposed savings across directorates, the table below sets out the level of savings proposals for each directorate, as a percentage of overall savings.

<b>Total Savings</b>	<b>Employee Costs £000</b>	<b>Other Spend £000</b>	<b>Income £000</b>	<b>Total £000</b>	<b>% of overall saving</b>
Corporate Management	40	126	0	<b>166</b>	<b>1%</b>
Economic Development	1,876	6,679	(5,402)	<b>3,153</b>	<b>16%</b>
Education and Lifelong Learning	270	1,032	140	<b>1,442</b>	<b>8%</b>
People & Communities Housing and Communities	423	95	350	<b>868</b>	<b>5%</b>
People & Communities Social Services	0	5,750	250	<b>6,000</b>	<b>31%</b>
Planning, Transport & Environment	477	1,810	1,982	<b>4,269</b>	<b>22%</b>
Resources – Governance & Legal	119	42	211	<b>372</b>	<b>2%</b>
Resources - Resources	1,673	442	772	<b>2,887</b>	<b>15%</b>
<b>Total</b>	<b>4,878</b>	<b>15,976</b>	<b>(1,697)</b>	<b>19,157</b>	<b>100%</b>

20. The detailed Directorate Budget Proposals at **Appendix A** 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.

21. 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.

22. 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.

23. Where a screening identifies a red or red/amber risk a full Equality Impact Assessment is undertaken. Members can view these by clicking on the following link:

[Equality Impact Assessments - budget 2019-20](#)

### **Cabinet Budget Proposals 2019-20**

24. Detailed savings proposals are set out for each Directorate (**Appendix A**). The spreadsheet 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; (*Business Processes, Collaboration, Income Generation, Review of External Spend, Strength Based Practice and Preventing Escalation of Need*)
- Savings proposed and an explanation of the proposal;
- X-Ref - 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 (i-viii)**);

- 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 15 above);
- The Cabinet Portfolio in relation to the proposed saving.

## **Directorate Controllable Budgetary Analysis 2017-18**

25. The eight Directorate Controllable Budgetary Analysis sheets attached at **Appendix B** provide current year (2018/19) information and savings proposals by service divisions within the Directorates.

## **Financial Pressures 2018-19**

26. **Appendix C** is a summary of Financial Pressures the Council faces in 2019-20. Members may wish to refer to all pressures listed when considering the budget overview. Total pressures council wide are £4.795 million. Three of the pressures are specific to the services under the Committees terms of reference:

FP18 Legal Services – Increase in demand for Children’s Safeguarding Work

FP19 Council Tax Premiums and Growth – two additional staff.

FP20 Deployment of Virtual Assistant Technologies (Supporting the Digital Agenda)

## **Council Capital Programme 2019-20 to 2023-24**

27. **Appendix D** is the Council’s Capital Programme for 2019-20 to 2023-24. It proposes total capital expenditure of £843.240 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:

- d. **Annual Sums** - for example line 20 - Non Schools Property Asset Renewal — *To address the condition of the non-schools property stock within the Council in accordance with directorate Asset Management Plans and priority works. £2.355m in 2019/20, and £7.920m indicative over the following 4 years.*

- e. **Ongoing Schemes** – for example line 52 - Modernising ICT to Improve Business Processes - *Investment in corporate technology projects allowing the Council to make business process improvements and improve service delivery* - £1.05m in 2019/20 and an indicative £1.525m over the following two years.
- f. **New Capital Schemes** - for example line 58 – Electric Vehicle Charging Points – *To support electric vehicle charge points around the city to be approved in line with an agreed governance process from Parking Enforcement income.* - £310,000 in 2019/20 and an indicative £210,000 the following four years.
- g. **Schemes funded by Grants and Contributions** – for example line 67 - Enable Grant (WG) – *Support for independent living* - £430,000 in 2019-20.
- h. **Existing Invest to Save Schemes** – for example line 82 - 21st Century Schools - Band B. *Strategic investment programme for priority schools including land acquisition, funded by additional borrowing.* - £4.210m in 2019/20 and an indicative £66.183m over the following four years.
- i. **New Invest to Save Bids**- for example line 92 - Residential Street lighting– *Roll out of a wider LED residential street lighting project resulting in reduction in carbon emissions and improved lighting, following the successful pilot in Radyr* - £2m in 2019/20, and £4.55m next year.

28. Part two of the Capital Programme is the **Public Housing Capital Programme (HRA)**, for which all funding is ring fenced. For example line 98 - New Build and Acquisitions – *Develop or acquire new housing and land in order to increase the level of affordable housing* - £27.685m proposed in 2019/20, followed by an indicative £43.360m in 2020/21, £63.500m in 2021/22, £52.550m in 2022/23, and £38.400m in 2023/24.

## Employee Implications

29. 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 54.86 FTE posts. The net position for each Directorate is as follows:

Directorate	FTE Employee loss/gain
Economic Development	(19)
Education	2
Housing & Communities	(8.9)
Social Services	13
Planning, Transport & Environment	4.74
Governance & Legal Services	1
Resources	(47.70)
Total	(54.86)

Of particular interest, within the Committee's remit, will be a decrease of 12 FTE posts in Economic Development (Ref lines 9,10 and 13), a decrease of 47.70 FTE posts in the Resources Directorate (Ref lines 86-102, FP 19 &20), and growth of 1 FTE post in Governance & Legal Services (Ref lines 76, FP18).

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

30. **Appendices F (i) and (ii)** 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. Most price increases apply from April 2019.

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

31. As mentioned above, for parts c and d 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 2019-20 (lines 81 -110)
- Employee Implications: (lines 86 – 102, FP19, FP20)  
*(note a fuller explanation of Financial Pressure (FP) capital lines can be found in Appendix C)*
- Capital Programme : (lines 23, 52, 89)

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

- Budget Savings Proposals 2019-20 (lines 9 -11,13)
- Employee Implications: (lines 4,9,10,13)
- Capital Programme : (lines 5, 20, 49)

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

- Budget Savings Proposals 2019-20 (lines 75 - 80)
- Employee Implications: (lines 76, FP18).  
*(note a fuller explanation of Financial Pressure (FP) capital lines can be found in Appendix C)*

**Budget consultation on Savings Proposals**

32. The Council's budget consultation survey was launched on the 16 November 2018 and ran until 2 January 2019. A range of mechanisms were used as part of the process, including:

**Email** - the survey was promoted via email to, The Citizens' Panel (approximately 6,000 residents), Councillors, Council Staff and Cardiff Public Services Board members, Community Councils, 100 third sector organisations working with target groups including Minority Ethnic, younger people and those with a disability. Internal Teams across the Council were encouraged to promote the survey (where GDPR1 rules allowed) by emailing customers through existing email lists, particularly where budget proposals may affect specific groups. Promotion to Council supported networks, including, Cardiff 50+ Forum, Cardiff Access Forum, Employee Black Minority Ethnic Network, Cardiff Youth Council.

A separate shorter survey of 5 key questions from the main survey and 3 demographic questions was distributed to secondary schools across Cardiff, offering entrance into a Prize Draw to win a £20 shopping voucher.

Any enquiries from the public were directed to [consultation@cardiff.gov.uk](mailto:consultation@cardiff.gov.uk), where they were picked up by Cardiff Research Centre staff and directed to relevant officers across the Council.

**Internet/Intranet** - The consultation was given dedicated pages on the Council's website and promoted to Council employees via DigiGov, the Staff App and the Council's computer screen saver.

**Social Media** - The survey was promoted to almost 90,000 followers via Facebook and Twitter by the Corporate Communications Team throughout the consultation period. Targeted promotion was facilitated via stakeholders' social media accounts and Facebook boosts aimed at those less frequently heard i.e. under 25's, Minority Ethnic groups and those living in the 'Southern Arc' of the city. A series of online polls were hosted on Facebook/Twitter to boost responses to key questions within the consultation.

**Face-to-Face and Hard Copies** - Posters and 2,500 hard copies of the consultation document (plus 500 Welsh) were distributed to libraries, hubs, core council buildings and community settings (Thornhill Church Centre, Dusty Forge and Chapter Arts). Drop boxes were provided in hubs and libraries for the public to deposit their returns. Council officers were on hand at Central Library and Grangetown Hub to answer questions. Hard copies, with freepost return envelopes, were also delivered to selected streets in St Mellons, Llanrumney, Ely and Caerau (areas that typically have a poor response rate). A facilitated focus group session was held with Diverse Cymru members.

33. A combined total of 2,078 validated responses were received; this compares to 2,937 in 2018/19.

34. In December 2018 the Committee considered an overview of the budget consultation process and commented in its follow up letter that that the budget consultation this year was not straightforward to complete. Specific observations were that:

- Some questions exploring issues, such as foster care and funding for city events, require the respondent to make a judgement without providing the figures that would enable an informed judgement.
- Questions could in future be concentrated in a removable section.
- Some questions were leading.
- Some language used in the survey, such as referring to foster caring as a career, could be improved upon.
- Members had concerns about an apparent lack of pre-launch testing, considering that the survey could have been improved had it been tested with Councillors, minority groups, and particularly with the Youth Council.
- Scrutiny of the draft survey would benefit all and Members urged that engagement with scrutiny is factored into planning timelines for the 2020/21 budget consultation.

35. The Committee endorsed the importance of focus group work to inform the survey, and particularly the targeted community work with ethnically diverse minority groups, using sensitive and appropriate facilitators.

36. The *Changes for Cardiff* budget consultation results have now been analysed and a full copy of the report is attached at **Appendix G**. The results are set out by the Capital Ambition well-being objectives and are broken down by age, gender, ethnic background, Welsh Speakers, those with a disability and those living in the least or most deprived areas of the city. In addition, the analysis includes the responses from those living in the 'Southern Arc' of Cardiff, which comprises the following electoral divisions: Adamsdown, Butetown, Caerau, Canton, Ely, Grangetown, Llanrumney, Riverside, Rumney, Splott and Trowbridge. The most frequently made comments, including those made during face-to-face engagement are included alongside the core data, with all survey comments contained in Appendix C to Appendix G.

### **Scope of the Scrutiny**

37. The scope of this pre-decision scrutiny is to consider:

- The overall budget proposals in terms of their relationship to the Corporate Plan 2019-20, 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 draft Capital Strategy 2019-20 in terms of the framework it creates for capital investment decision making.
- The budget proposals 2019-20 for the three Directorates within PRAP's Terms of Reference 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**

38. Cabinet Members and officers will be attending the meeting as set out in the 'structure of the meeting' section above. Members are invited to question those in attendance, and agree the comments, concerns and observations that should go forward to the Cabinet during discussion at the Way Forward, item 6 on the agenda.

## **Legal Implications**

39. 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**

40. 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 21 February 2019.

**DAVINA FIORE**

**Director of Governance and Legal Services**

**14 February 2019**