

# Cardiff Council

## Medium Term Financial Plan

2020/21 – 2023/24



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# Section 1. Introduction

## 1.1 Aims and Purpose of MTFP

The Medium Term Financial Plan (MTFP) forecasts the Council's future financial position. Preparation of an MTFP is part of good financial practice. It is especially important in periods of financial challenge. In particular:

- It helps ensure that the Council understands, and can prepare for, the challenges in setting a balanced budget.
- It encourages discussion about the allocation of scarce resources, helping to ensure they are directed towards delivering core responsibilities and policy objectives.
- It is an important part of understanding the Council's financial resilience, helping to protect the Council's long term financial health and viability.

## 1.2 Governance

The MTFP process is an integrated part of the Council's financial planning framework. It closely aligns with other key aspects of the financial planning process, including the Council's Capital Strategy.

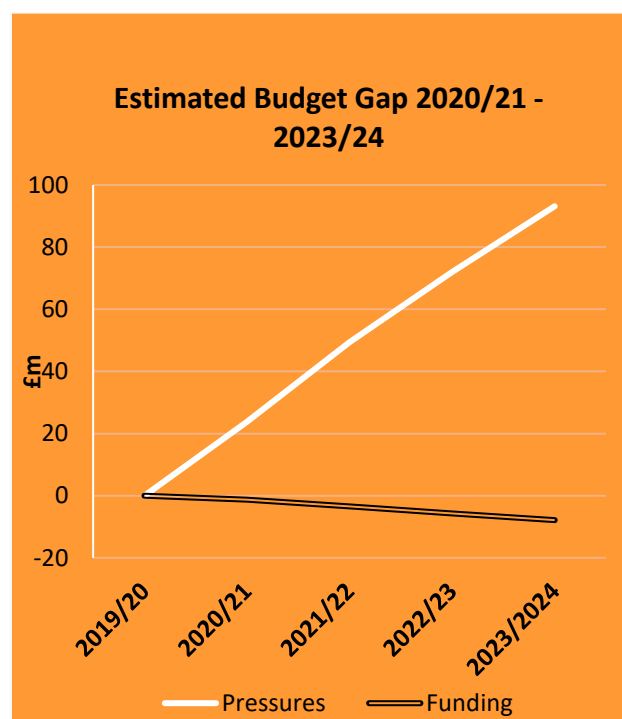
Development of the MTFP is an iterative process. Regular review is required to ensure it reflects most recent information and captures emerging issues. Elected Members and Senior Management are engaged in the process through a series of regular briefings, to scope, inform and scrutinise the plan.

The transition from high-level planning principles, to detailed budgets that align with the Council's priorities, is shaped by Elected Members with support and advice from senior management. As proposals develop, engagement is extended to a wider range of partners including citizens, Scrutiny, staff, School Budget Forum and Trade Unions. Consultation feedback is considered as part of the finalisation of annual budget proposals.

The MTFP is formally reported as part of the Council's Budget Report each February, and Budget Strategy Report each July.

## 1.3 MTFP Overview

The Council has faced an extended period of financial challenge. Unfortunately, this shows little sign of improving over the medium term. The current MTFP estimates a budget gap of £101 million over the period 2020/21 – 2023/24, of which £25 million relates to 2020/21.



“Budget Gap” is the term used to describe the difference between the funding the Council expects to receive, and the estimated cost of continuing to deliver services at the current level. Put simply, the budget gap is a result of funding failing to keep pace with demand, inflation and other financial pressures.

The 2019/20 Budget Report set out the detailed budget for the current year, which included addressing a £32.4 million budget gap.

## Section 2. Context and Outlook

### 2.1 Council Priorities

Challenging financial circumstances place even greater emphasis on the need to be clear about priorities. The Administration's key priorities for Cardiff are set out in Capital Ambition:



The Council's Corporate Plan and the Wellbeing Plan are key documents in delivering Capital Ambition. They translate the four key priorities into deliverable organisational objectives.

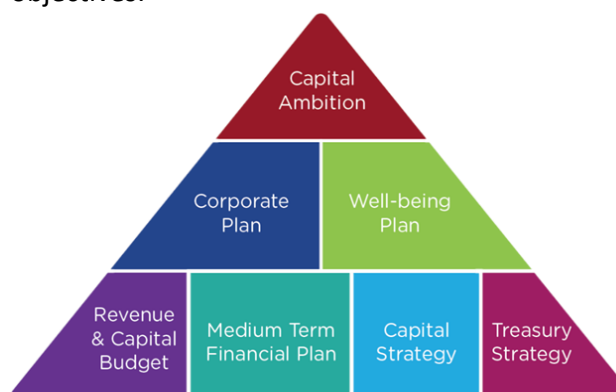
The Corporate Plan focusses on the issues and services that the Council has prioritised, while the Wellbeing Plan focusses on areas of collaborative advantage in the city.

There are seven well-being objectives in the Wellbeing Plan:



These objectives have been adopted by all Members of the Cardiff Public Services Board. They were developed in the context of the Wellbeing of Future Generations (Wales) Act 2015. As well as aiming to improve the social, economic, environmental and cultural wellbeing of Wales, the Act aims to make public bodies think about the long term, how they can work together and with communities to prevent problems and take a joined up approach (known as the five ways of working.)

The Council's financial strategy documents, including the Budget, MTFP, Capital and Treasury Strategies, are framed by the above priorities and objectives.



This ensures scarce resources are spent in line with priorities and that financial plans have regard for impact on future generations.

## Section 2. Context and Outlook

### 2.2 City Demographics

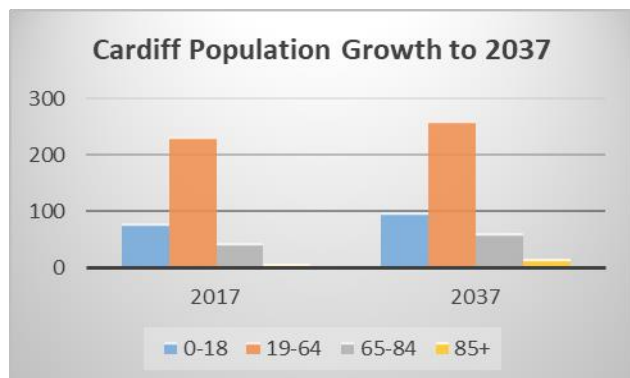
The demographic profile of the city and its potential financial impact need to be considered in forecasting financial pressures.

#### *Population*

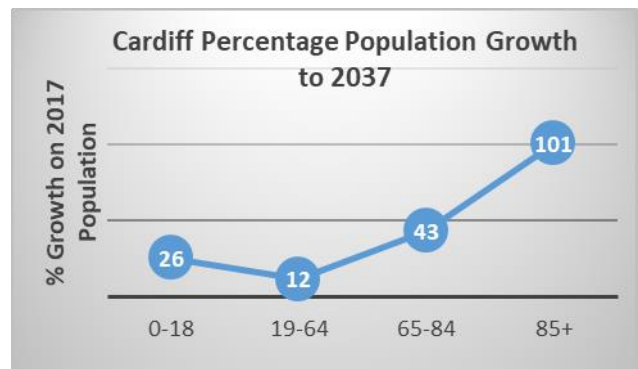
Cardiff has a population of 367,000. Between 2005 and 2015, its population grew by 11%. This trend is set to continue with projected growth of 20% between 2017 and 2037. This outstrips the combined estimated growth of every other authority in Wales.



This will mean an extra 73,000 people living in the city by 2037, with growth expected in all age groups.



Whilst growth is expected in all age groups, it is steeper within the under-18 and the over-65 age brackets. By 2037, the over-85 population is expected to double from its 2017 level.



A growing city places greater demand on Council services, including housing, education, environment and social care. The steeper growth in the under-18 and over-65 age brackets will mean continued demand on social services and education.

#### *Education*

In a city with a rapidly growing population, there will be increased demand for schools. With the existing system running at near full capacity, investment will be required to build new schools and to refurbish and improve existing accommodation.

This investment is being taken forward as part of the 21<sup>st</sup> Century Schools Band B Programme, along with programmed asset renewal works. New schools will also be developed in connection with the Local Development Plan (LDP). The cost of financing works and future operating costs will need to be reflected within forecast financial pressures.

#### *Housing*

Cardiff's LDP is a 20 year Plan from 2006 - 2026. It set a target for 41,000 additional homes by 2026. The Wellbeing Plan identifies that in Cardiff, housing remains relatively unaffordable compared to other major British cities with the average house costing around eight times the average salary. The LDP recognised that the need for affordable housing must be addressed, and set a

## Section 2. Context and Outlook

target for 6,646 additional affordable homes by 2026.

The planned growth in housing will mean that by 2026, entire new communities will exist. These will need the support of Council services, such as waste collection and schools. Demand for these services will require careful modelling, including the extent to which costs may be offset by additional Council Tax from more dwellings. There will be a need to gauge how demand for services in new communities, including school places, might affect demand in other parts of the city.

### *Employment*

The city economy is growing and jobs and businesses are being created. After several post-recession years, Cardiff's unemployment rate has generally fallen since 2012, and has returned to pre-downturn levels. However, there are large disparities in unemployment levels across the city.

There is in-work poverty within the city. In 2017, just over a fifth of people in employment earned less than the Real Living Wage. The Real Living Wage is an independently calculated hourly rate of pay, set to cover the basic cost of living. It is paid voluntarily by over 4,700 UK business and organisations. Cardiff Council is a Real Living Wage employer and an advocate of the Real Living Wage in the city. Financial forecasts will need to consider future Real Living Wage rates, both as an employer and procurer of services within the city.

### *Deprivation*

Almost a quarter of dependent children under 20 in Cardiff are living in low-income households. The 2016/17 National Survey for Wales indicates that 16% of people aged 16 or over in Cardiff live in households in material deprivation, which is slightly above the Welsh average of 15%. However, there is significant disparity across the city in terms of deprivation. The Wellbeing Plan notes that if the Southern Arc of Cardiff were a

local authority in its own right, it would be by far the most deprived in Wales.

Policies to tackle poverty will need consideration in financial planning. These include the provision of affordable housing, making Cardiff a Living Wage City together with a continued focus on education. The potential impact that welfare reform may have within the city, along with pressures on the homelessness service will be kept under review in terms of potential cost pressures.

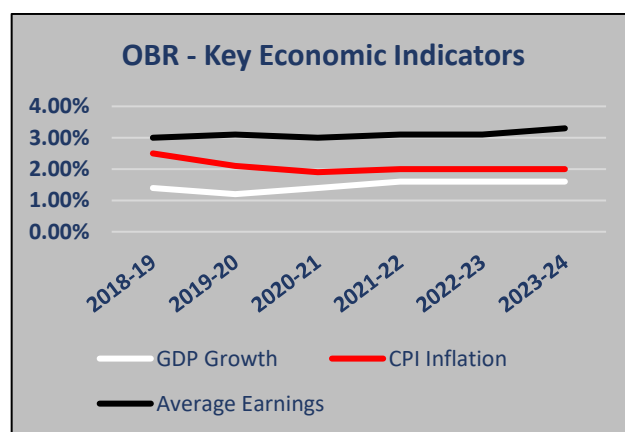
### 2.3 Economic and Financial Outlook

Local financial planning is linked to the wider economic and financial context.

#### *UK Context*

Alongside the Spring Statement in March 2019, the Officer for Budget Responsibility (OBR) released medium term forecasts for key economic indicators. Forecasts for 2019 – 2023 predicted that:

- Gross Domestic Product (GDP) will grow steadily at between 1.2% - 1.6% per annum
- Inflation (CPI) will decrease from 2.1% per annum in 2019 to between 1.9% - 2% per annum between 2020 and 2023
- A steady increase in Average Earnings.



At March 2019, inflation (CPI) stood at 2.1%, having fallen from a recent peak in November 2017. In theory, relatively stable forecasts of inflation between 2019/20 and 2023/24 provide a degree of planning certainty. However, the



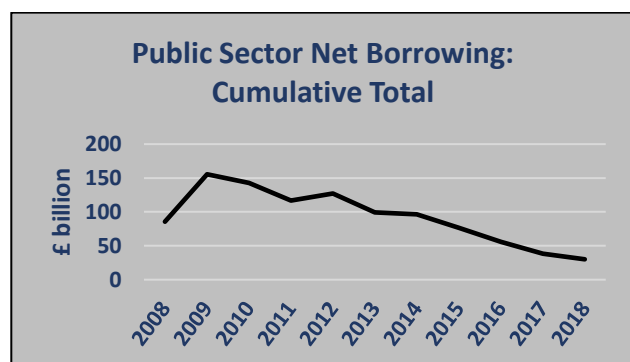
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economic implications of Brexit are still an unknown in these forecasts.

The UK economy has grown every year since 2010. There are over 3.5 million more people in work than in 2010, with a further 600,000 people forecast to be in work by 2023. Wages are anticipated to rise faster than prices over the next five years. General wage growth and the easing of restraints on Public Sector pay awards will mean additional financial pressure for the Council, both terms of its own workforce, and external spend, if suppliers seek to pass on additional costs.

Public finances have performed better than forecast in 2018, with Public Sector Net Borrowing (PSNB) £19.1 billion lower due to an in-year increase in tax receipts and lower public spending. This helped facilitate a UK Government commitment for additional funding for the NHS in England, equivalent to an average real term increase of 3.5% per annum over the next five years. Devolved Governments benefitted from this through the Barnett consequential.

National debt, currently at 83.3%, is expected to fall to 73% by 2023/24, with PSNB now back below its immediate pre-crisis level:



The Chancellor has stated that debt is still too high making the economy vulnerable to shocks. He has indicated that to improve financial sustainability in the long term, the Government will seek to reduce debt, while supporting vital public services. It would therefore seem imprudent at this stage to assume a significant improvement in Local Government Finance over the medium term.

### *Brexit*

Britain leaving the European Union (Brexit) is a major factor of uncertainty in medium to longer term planning. The impact on the economy is unknown, with negotiations and Parliamentary approval still ongoing at the time of writing. In its most recent report on Brexit, the OBR states the long-term impact on the UK economy and public finances will depend on the agreement that the UK reaches with the European Union, its effect on potential output and how much of that effect will occur within the OBR's five-year forecast horizon. The Chancellor was expected to undertake a full Spending Review (CSR) during 2019, to set the tone for Government spending post Brexit. However, with the Brexit timeframe extended until 31 October 2019 and a Conservative leadership election, the timing for the CSR is now uncertain. The Council continues to consider potential implications and any necessary actions, however at this stage it is not deemed appropriate to allocate additional resources to the issue.

### *Welsh Context*

The Welsh Budget for 2019/20 was 5% lower in real terms than in 2010/11. This was better than anticipated, due to the Barnett consequential of the July 2018 NHS funding announcement. The Welsh Budget for day to day spend will increase by over 2% in real terms, in 2019/20 (compared to 2018/19). Welsh Government budget allocations provide a real terms increase for the NHS, but a real terms decrease for other areas of the public sector including Local Government.

Due to the impending 2019 UK Spending Review and Brexit uncertainty, the WG Budget covers one year only which means the Council has no indicative funding figures beyond 2019. Estimating funding is extremely difficult; national economic uncertainty may affect public spending generally, and funding distribution decisions must be made by both the Westminster and Welsh Government (WG) before any funding reaches individual Welsh Authorities.

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Wales Fiscal Analysis (WFA) is a research body within Cardiff University's Governance Centre. It undertakes independent research into the public finances, tax and expenditure of Wales. WFA predicts WG's day to day spending will increase over the next five years. However, to put this into perspective, WFA do not expect day to day departmental spending to reach its 2010 levels (in real terms), until 2023. The Welsh population has grown during this period, and so even then, spend per head will still not be restored to 2010 levels.

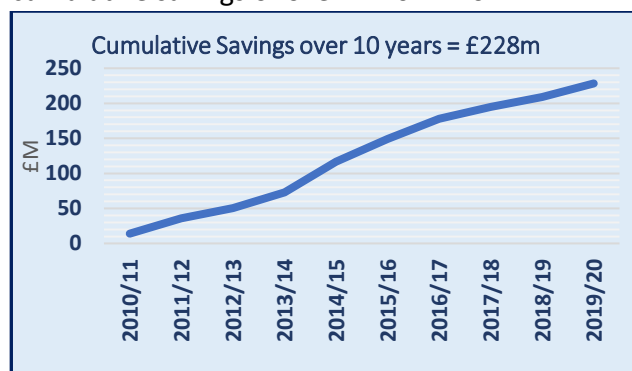
Although some improvement in funding is predicted at the Welsh level, from a Local Government perspective, it does not seem prudent to anticipate a material improvement in funding over the medium term. Predicted increases to the Welsh Block Grant are set in the context of significant political and economic uncertainty. If they do occur, future WG Budgets may continue to prioritise the NHS.

A number of taxes are devolved to WG control including landfill disposal tax, Non-Domestic Rates (NDR), land transaction tax and Welsh Income Tax. The WG Budget for 2019/20 is the first in which Welsh Income Tax is a direct part of the budget. Whilst WG has the power to vary taxes, the current administration have pledged not to change income tax rates prior to the 2021 election.

### 2.4 Council Financial Context

#### Historic Context

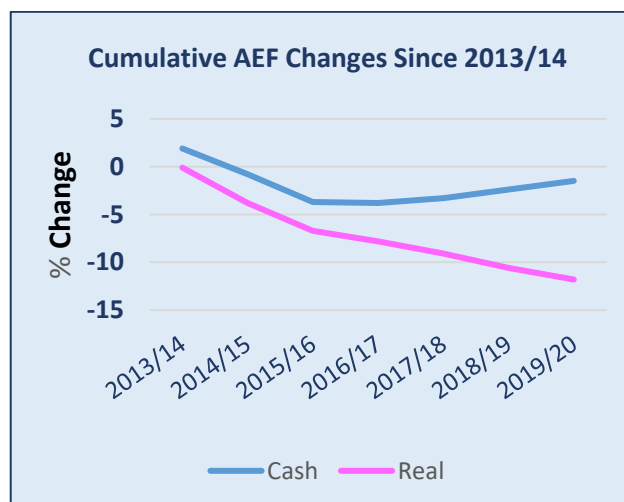
Over the past 10 years, the Council has identified cumulative savings of over £220 million.



Budget savings have resulted in a reduction of over 1,600 full time equivalent (FTE) posts since 2012/13, in services other than schools.

The sharp increase in savings from 2014/15 onwards coincides with a marked deterioration in general grant allocations. The general grant support that Local Authorities receive from Welsh Government includes a Revenue Support Grant and Re-distributed NDR. Collectively these are termed Aggregate External Finance (AEF). AEF represents 73% of the Council's general funding, with the other 27% raised through Council Tax.

Whilst Cardiff has not seen a **cash** reduction in AEF since 2015/16, there have been annual real term reductions. AEF has not kept pace with the level of inflationary and demand pressure that the Council has experienced. **On a like for like basis**, Cardiff's 2018/19 AEF was lower (in cash terms) than it was five years earlier in 2013/14.



This context is important. It will make it more difficult to deliver the material levels of savings required over the medium term and the Council's financial resilience will need to be kept under close review.

#### Resultant shape of the Council's Budget

The extended period of savings has had a significant impact on the *shape* of the Council's budget. Some directorate budgets have contracted significantly and others have grown.

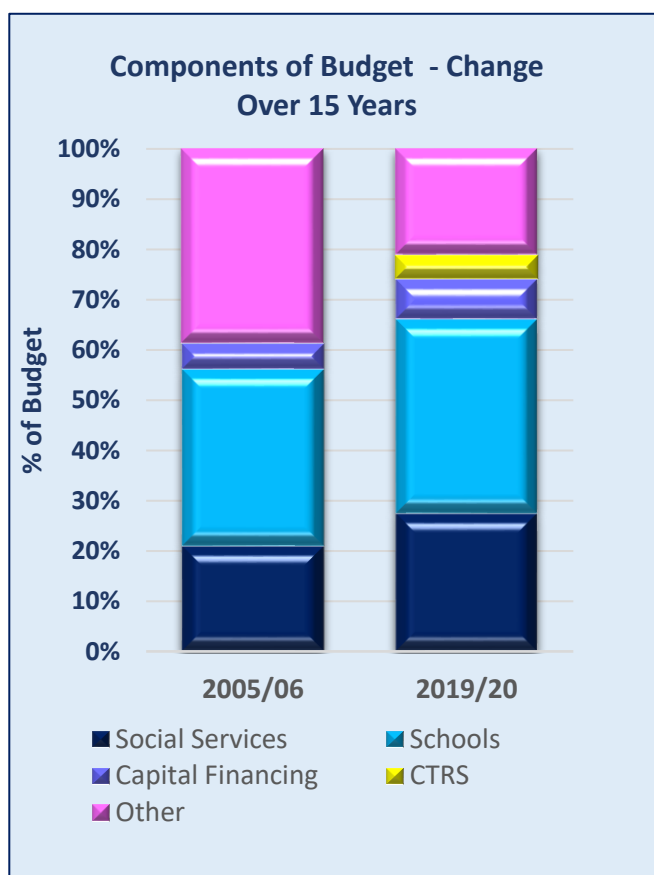


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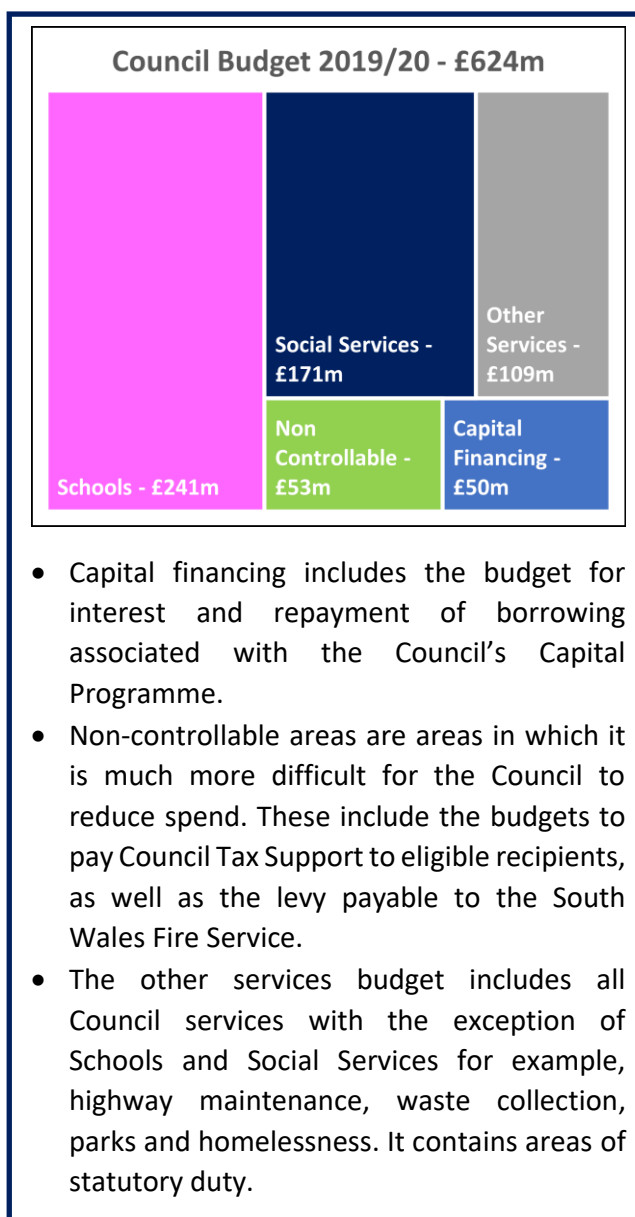
Demand and price pressure has been acute in the areas of Social Services and Schools. Over the period 2015/16 – 2019/20 budgets in these areas have increased by £73 million.

Year	Schools £m	Social Services £m	Total £m
2015/16	6.6	3.2	9.8
2016/17	11.2	4.1	15.3
2017/18	7.2	9.2	16.4
2018/19	7.4	8.4	15.8
2019/20	10.4	5.3	15.7
<b>TOTAL</b>	<b>42.8</b>	<b>30.2</b>	<b>73.0</b>

With no real term AEF increases to help meet this demand, it has primarily been financed from savings in other directorates. Over time, budgets for “other services” have contracted significantly.



In 2019/20, two thirds of the Council’s Budget is attributable to Schools and Social Services.



The financial forecasts and resultant savings requirements that are outlined in the next sections highlight that it is becoming increasingly untenable for “other services” to continue to absorb the highest proportion of savings through targeted directorate savings.

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### 3.1 Forecast Financial Position

The Council's forecast financial pressures, funding and resultant £101 million budget gap are set out below.

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
	<b>Base Budget Brought Forward</b>	<b>623,589</b>	<b>622,338</b>	<b>620,126</b>	<b>617,925</b>
<b>Schools</b>	Pay Costs	5,322	5,307	5,294	5,282
	Price Inflation	79	74	75	76
	Pupil Numbers (Primary and Secondary)	998	1,448	879	881
	Special School Places / Resource Bases	1,007	955	955	955
	Complex Needs Enhancement	750	750	750	750
	Local Development Plan – Starter Schools	0	716	797	859
	Contribution to Band B & Asset Renewal	(1,090)	(1,090)	(1,090)	(1,090)
	<b>Total Schools Pressures</b>	<b>7,066</b>	<b>8,160</b>	<b>7,660</b>	<b>7,713</b>
<b>Social Services</b>	Pay Costs	853	870	888	906
	Price Inflation	2,338	2,237	2,184	2,204
	Demographic - Adult Social Services	1,384	1,405	1,427	1,449
	Demographic - Children's Social Services	2,175	2,175	2,175	2,175
	<b>Total Social Services Pressures</b>	<b>6,750</b>	<b>6,687</b>	<b>6,674</b>	<b>6,734</b>
<b>Other Services</b>	Pay Costs	2,481	2,248	2,243	2,286
	Price Inflation	680	869	621	622
	Commitments	1,334	782	1,383	615
	Demographic Growth	100	100	100	100
	<b>Total Other Services Pressures</b>	<b>4,595</b>	<b>3,999</b>	<b>4,347</b>	<b>3,623</b>
	<b>Capital Financing</b>	<b>2,317</b>	<b>3,865</b>	<b>814</b>	<b>152</b>
	<b>Emerging Financial Pressures</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
	<b>Resources Required</b>	<b>647,317</b>	<b>648,049</b>	<b>642,621</b>	<b>639,147</b>
	<b>Resources Available:</b>				
	Aggregate External Finance	(445,378)	(443,166)	(440,965)	(438,775)
	Council Tax at 2018/19 level	(176,210)	(176,210)	(176,210)	(176,210)
	Earmarked Reserves	(750)	(750)	(750)	(750)
	<b>Total Resources Available</b>	<b>(622,338)</b>	<b>(620,126)</b>	<b>(617,925)</b>	<b>(615,735)</b>
	<b>BUDGET REDUCTION REQUIREMENT</b>	<b>24,979</b>	<b>27,923</b>	<b>24,696</b>	<b>23,412</b>

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### 3.2 Pressures Key Assumptions

#### *Pay Pressures*

Potential pressures that should be considered when forecasting future employee costs include:

- Pay Awards
- Voluntary Living Wage
- Employers' National Insurance Contributions
- Employers' Superannuation Contributions
- Incremental pay progression
- Apprenticeship Levy
- Redundancy Costs

There are no agreed pay awards beyond the academic year 2018/19 for teaching staff, or beyond the financial year 2019/20 for non-teaching staff. In the absence of agreed awards, annual uplifts of 2% are assumed for all staff. This is broadly in line with forecast CPI inflation over the same timeframe.

The Council is a Voluntary Living Wage (VLW) Employer. Previously, lower points on the NJC pay spine fell below the VLW rate, and so a VLW supplement was paid to eligible staff. Following the introduction of a new pay spine from April 2019, all pay scales are at or above the VLW rate. It is assumed this will continue to be the case over the medium term. However, this assumption will need to be reviewed if annual VLW increases are consistently higher than the general pay award.

No significant changes to National Insurance rates or thresholds set by HM Treasury are anticipated, but this will be kept under review. Forecast pay pressures allow for Employers' National Insurance budgets to increase in line with assumed pay awards.

Actuarial review of the Local Government Pension Scheme (LGPS) will take place during 2019/20, with an "as at date" of 31 March 2019. It is considered reasonable to assume that there will be no change to the existing contribution rate following this review. This is in light of recent

contribution increases and positive interim reports from the Actuary. Consequently, forecast pay pressures assume that additional costs associated with Employers contributions to the LGPS will be limited to ensuring contributions increase in line with assumed pay awards.

The Teachers' Pension Scheme (TPS) is an unfunded public service pension scheme. The TPS underwent actuarial review in 2016 and the results were published in 2018. These, coupled with a change in the discount rate used to set scheme contributions, mean there will be a significant increase in Employers' contributions from September 2019. It was originally assumed that this cost would need to be borne by the Council, and this was reflected in the 2019/20 Budget and previous iterations of the MTFP. However, following the announcement of grant funding to cover this pressure in 2019/20, this position has been advised to reflect the assumptions that:

- The 2019/20 funding will be ongoing and;
- The full year impact of the change, due to take effect in 2020/21, will also be fully funded

Forecast pay pressures include an allowance for teachers' pay progression. Estimates are reduced year on year, in recognition that over time, consistent annual budgetary provision should result in an employee budget sufficient to cover the top of each pay grade. No pressures are anticipated in respect of pay progression of non-teaching staff for this reason.

Forecast pay pressures also allow the Council's Apprenticeship Levy to increase in line with general pay uplifts. The Apprenticeship Levy is a Government levy payable by larger employers at 0.5% of annual pay bill.

In times of financial challenge, savings requirements and associated reductions in headcount mean that redundancy costs are an important consideration in financial planning. The Council has a base budget and earmarked reserve

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set aside to meet these costs. Financial forecasts include potential redundancy costs over and above existing provision.

### *Price Inflation*

The Council's budgetary policy is that directorates manage price inflation within existing resources, except in exceptional circumstances. These may relate to the scale of the increase, or the quantum of the budget to which the increase applies.

Areas deemed exceptional and included as forecast price pressures include out of county placement costs, NDR, Social Services commissioned care costs and energy. In the majority of cases, forecast increases are in line with the OBR's estimate for CPI:

2019/20	2020/21	2021/22	2022/23	2023/24
2.1%	1.9%	2.0%	2.0%	2.0%

### *Commitments*

Forecast financial commitments include:

- Capital financing costs associated with the Capital Programme
- Estimated increases to levies or contributions that the Council is committed to paying other bodies
- Operating costs resulting from previous Cabinet or Council decisions

Forecast capital financing costs reflect the 2019/20 – 2023/24 Capital Programme and the cost of commitments made in previous years. The annual cost of the programme as a percentage of the Council's revenue budget is expected to increase over five years. Costs reflect the Council's current MRP policy, which will be tested and reviewed during 2019/20.

Forecast capital financing figures reflect the following key assumptions:

- There will be no new commitments funded by additional borrowing unless they are funded on an invest to save basis
- The timing and delivery of expenditure will be as profiled in the capital programme
- The assumed interest rate for new borrowing is 3.25%
- Capital receipt targets will be met
- The timing and method of managing borrowing repayments will be as set out in the Treasury Management Strategy
- There will be one pool of debt for the General Fund and HRA

There are a number of key strategic priorities, which the Cabinet is currently considering in line with Capital Ambition. These include the development of an Indoor Arena in Cardiff Bay, the development of Core office Accommodation and the International Sports Village. The full extent of potential costs in relation to these schemes is not yet reflected in capital financing forecasts. However, there is an expectation that the core office accommodation and the ISV will be self-financing.

The 2019/20 Budget Report refers to a financial affordability envelope, which sets out potential additional exposure in relation to the Indoor Arena. This does not currently form part of the 2019/20 – 2023/24 Capital Programme, as it requires further definition and due diligence prior to approval. The intention is that updates, including in relation to financial implications will be reported to Cabinet during the 2019/20 financial year. This scheme will be subject to specific Cabinet approval if within the designated financial affordability envelope.

The maximum additional capital financing exposure in future years, as defined by the affordability envelope, is an additional base budget commitment of £1.4 million in 2020/21 and £0.7 million in 2021/22. It is anticipated that this will be recovered through new income streams over the life of the project. However, at

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present, such recovery is outside the timeframe covered by this MTFP.

Other forecast commitments associated with the Capital Programme include the future operating costs of a new Household Waste Recycling Centre. The timing of this is currently uncertain, but revenue costs are reflected from 2022/23 onwards, which is consistent with the Capital Programme.

Forecast financial commitments include estimated increases to levies and contributions. The most significant of these is the South Wales Fire Services (SWFS), with a current Council contribution level of over £17 million. The budget for the SWFS is levied across constituent local authorities on a population basis. Estimates therefore reflect the Council's future levy increasing because of its growing population, as well because of potential increases to the SWFS' overall budget. WG are currently consulting on the SWFS, including future funding arrangements. Potential changes to the manner in which the SWFS is funded will need to be kept under review.

Forecast commitments for 2020/21 reflect additional base budget funding for the Council's Corporate Apprentice Scheme. This will ensure there is adequate budgetary provision for the scheme to continue, once associated earmarked reserve funding is exhausted.

### **Demographic Pressures**

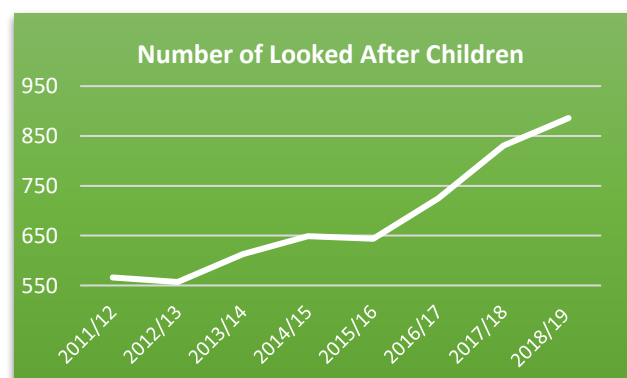
Over recent years, Cardiff has had one of the fastest growing populations of any of the UK core cities. As outlined in the section on City Demographics, significant population growth is expected to continue, with faster growth in the under-18 and over 65 age brackets.

The key areas of forecast demographic growth, and the associated financial impact over the period 2020/21 – 2023/24 are summarised in the next table.

Demographic Increases	£m
Adults Social Services	5.7
Children's Social Services	8.7
Pupil Numbers	6.3
Additional Needs of Pupils	4.7
Local Development Plan - Schools	2.4
Other	0.4
<b>TOTAL</b>	<b>28.2</b>

Estimated growth in Adult Social Services takes into account, projected growth in relevant areas of the population. It estimates the impact on commissioning budgets if demand (as a percentage of the overall population) were to remain consistent. In practice, directorates have preventative strategies and early intervention work in place that should help manage this demand over the medium term, and this will be reflected as part of the Council's strategy to address the budget gap.

Estimated growth in Children's Services is more difficult to predict. The number and complexity of care packages for looked after children can vary significantly year on year. The graph below sets out annual increases in looked after children since 2011/12.



Financial forecasts currently include £2.2 million per annum to reflect potential growth in Children's Services. This assumes some flattening of the recent trend line as preventative measures currently being implemented by the directorate



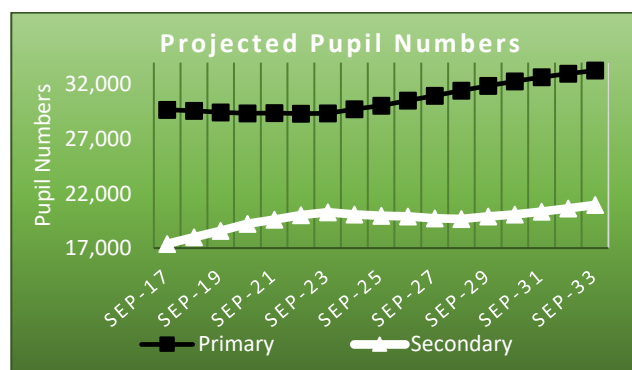
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take effect. Figures are based on an average of 54 additional looked after children per annum and average placement costs.

Demand in this area is difficult to predict and numbers of children, the complexity of their need and the nature of their care packages, can all have a significant impact on costs. In recognition that a small number of unanticipated high cost care packages can have serious implications for the annual budget, the Council has a contingency budget of £2 million to help cope with this unpredictability. As with Adult Social Services, the medium term strategy will reflect preventative work in this area.

Pupil number projections reflect the existing pupil population moving up a year group each year. They are adjusted to take account of historic retention rates. New pupils starting nursery each year are modelled using published birth rate data.

Up until September 2023, projections show a reduction in primary pupil numbers and an increase in secondary pupils. Following this, the recent fall off in primary numbers begins to feed through into secondary schools, before pupil numbers in both sectors begin to increase again.



Costs associated with the Associated Learning Needs (ALN) of pupils are more difficult to model. As well as estimating future predicted demand, there is also a need to consider complexity of need as different types of support have different costs. ALN forecasts are based on estimates by the Education directorate and take into account historic and projected pupil population

information. They will be regularly reviewed to take account of most recent information.

Future operating cost of schools in LDP areas are difficult to predict and subject to change. At present, forecast figures assume that starter schools will begin to open in LDP areas in a few years' time. Starter schools refer to schools that begin with reception and year one groups only and then grow year on year. Assumptions are high level and will need refinement as development within the city progresses and demand for school places becomes clearer. There will also be a need to gauge whether the take up of school places in LDP areas affects demand in other areas of the city. There will also be a need to begin to reflect impact on other services, including waste collection.

### *Emerging Financial Pressures*

Forecast financial pressures include £3 million per annum to address emerging financial pressures, which equates to approximately 0.5% of the Council's net budget. This reflects the fact that it is impossible to foresee all issues and that in reality, additional burdens may arise over the next five years, through changes such as new legislation, unforeseen demand, policy change, and specific grant fall out.

The inclusion of a figure against emerging issues provides a margin of headroom within the medium term strategy, avoiding the need to identify additional savings proposals at short notice. Sums included for emerging pressures are kept under regular review and would be removed from plans in the event they are no longer considered necessary.

### **3.3 Funding Key Assumptions**

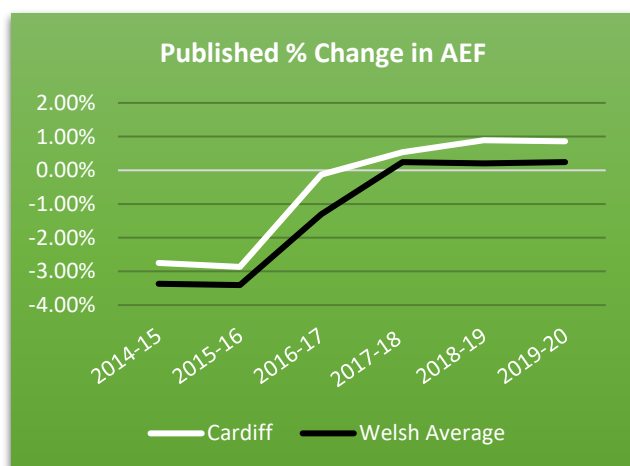
#### *Aggregate External Finance (AEF)*

The 2019/20 Local Government Finance Settlement was for one year only. Whilst there is potential for the Welsh Block Grant to increase

## Section 3. Medium Term Financial Plan

over the medium term, it would be imprudent for Local Government to assume a significant improvement to recent funding settlements.

The graph below sets out annual AEF changes (in cash terms) since 2014/15, for both Cardiff, and the Welsh average position. It shows that there have been significant fluctuations over the period. Cardiff's position has been consistently above average and this is largely reflective of its growing population and associated demand on services.



Whilst settlements in recent years have seen marginal increases in cash terms, often the benefit is eroded by the inclusion of new responsibilities within the overall funding envelope. This means at least part of the additional cash, comes with additional responsibilities.

In the absence of any indicative funding figures, the MTFP assumes annual AEF reductions of 0.5%, (compared to assumptions of 1% in previous years). This takes into account a range of factors, including recent more favourable (albeit still extremely challenging) settlements, the potential for future increases to the Welsh Block Grant and Cardiff's consistent placement above the Welsh average. However, this is balanced with significant economic and political uncertainty, and the potential for additional responsibilities to be included within the overall funding envelope.

If indicative funding is worse than these planning assumptions, there may be a need to identify

significant additional savings at short notice. This could pose a material risk to the Council's financial resilience, as the achievability risk associated with such savings is likely to be high. In order to address this risk, the Council has a £3.8 million base budget called a Financial Resilience Mechanism (FRM) to help the Council deal with uncertainty of funding. It is used to invest in priority areas, but that investment must be one-off and decided afresh each year. This means that the budget is used proactively, but could be deleted without affecting day-to-day services if required.

### Reserves

In the interests of financial resilience, reserves should not be heavily relied upon to fund the budget. This is because:

- Reserves are cash sums – once they are used, there will be an immediate gap in the finances of the following year.
- Earmarked reserves are set aside for a particular purpose. Using reserves for budget funding would compromise their original purpose, unless circumstances have changed.
- Reserves are an important part of financial resilience. They provide a cash buffer in times of uncertainty.
- Cash in reserves is not idle; it generates investment income in line with the Treasury Management Strategy. It also avoids the need for short-term borrowing and its associated costs.
- The level of reserves held by Cardiff Council may be considered to be just at an adequate level for an Authority of this size. As a percentage of gross revenue expenditure (i.e. budgeted running costs before any income), Cardiff has one of the lowest levels of reserves compared to other Welsh Authorities.

Funding forecasts assume that £0.75 million will be used from reserves to support the budget each year between 2020/21 and 2023/24. Together with the 2019/20 sum of £2.75 million, this means

## Section 3. Medium Term Financial Plan

a total of £5.75 million will be used from reserves to support the budget over five years.

In 2019/20, the £2.75 million will be funded from the Council's Strategic Budget Reserve, which had a 2018/19 year-end balance of £5.6 million. Any opportunities to increase that reserve at year-end will be taken. For future years, in the event that the Strategic Budget Reserve has not been replenished, sums will be identified as part of the annual review of reserves, and amounts released where they are no longer required for the purpose originally intended.

The proposed use of reserves is considered to strike an appropriate balance between the points set out at the start of this section, with the need to support services in times of financial pressure. These assumptions will be kept under review in line with the Council's protocol for reserves and balances.

### ***Specific Grant Funding***

Specific grants must be used for a particular purpose, which is defined by the grant provider. The funding may only be used for that purpose, and the Council is audited to ensure compliance. The Council receives a significant amount of specific grant funding, notably from WG.

Over an extended period, Welsh Local Government have pressed WG for "funding flexibility." This means that wherever possible, funding should be directed through AEF. As well as providing more flexibility for Local Authorities, this would also reduce administrative burdens.

There has been a tendency in recent years, for WG to direct additional funding for Local Government through specific grants. Examples of this, and the sums involved (at a Welsh level), include Teachers' Pay (£7.5m), and support for Social Services pressures (£30m). These grants support day-to day operational pressures, as opposed to WG policy initiatives.

From a financial planning perspective, there is a risk that specific grants may reduce significantly, or be discontinued altogether. This is particularly problematic where specific grants support day-to-day pressures. Whilst still a challenge where grants support specific initiatives, there is at least an opportunity to review whether those initiatives should continue.

The Council has a budget of £250,000 to deal with in-year specific grant funding issues. In addition, the MTFP reflects anticipated reductions to specific grant streams, where failure to do so could ultimately result in a larger cost, such as a fine. Beyond this, the MTFP is based on the assumption that any future specific grant reductions would be dealt with by:-

- Reviewing the grant funded activity
- Providing transitional funding through the FRM, (if it is still available)
- Providing funding through the sum included within the MTFP to meet emerging financial pressures.

The Council will need to keep WG's intention regarding the Teachers' Pay, Teachers Pensions and Social Services grants under review.

## Section 4. Risk and Uncertainty

### 4.1 Sensitivity Analysis

Current assumptions within the MTFP are prudent and based on best available information. However, there is always a risk of change. If certain areas within the MTFP fluctuate, they could significantly affect the financial forecast. The table below sets out areas of sensitivity and their potential annual impact.

Assumption	£m
AEF 1% worse than anticipated	4.4
Teachers Pay Award 1% higher	1.4
NJC Award 1% higher	2.1
CPI 1% higher (on permitted heads)	1.4
<b>Total Annual Impact</b>	<b>9.3</b>

If **all** these variables changed unfavourably, they could have a £9.3m adverse impact in any individual year. The cumulative impact across the MTFP would be £37 million. Whilst it is unlikely that **all** variables would shift unfavourably, the scale of the potential impact if they did highlights the importance of regularly reviewing assumptions.

### 4.2 Horizon Scanning & Known Unknowns

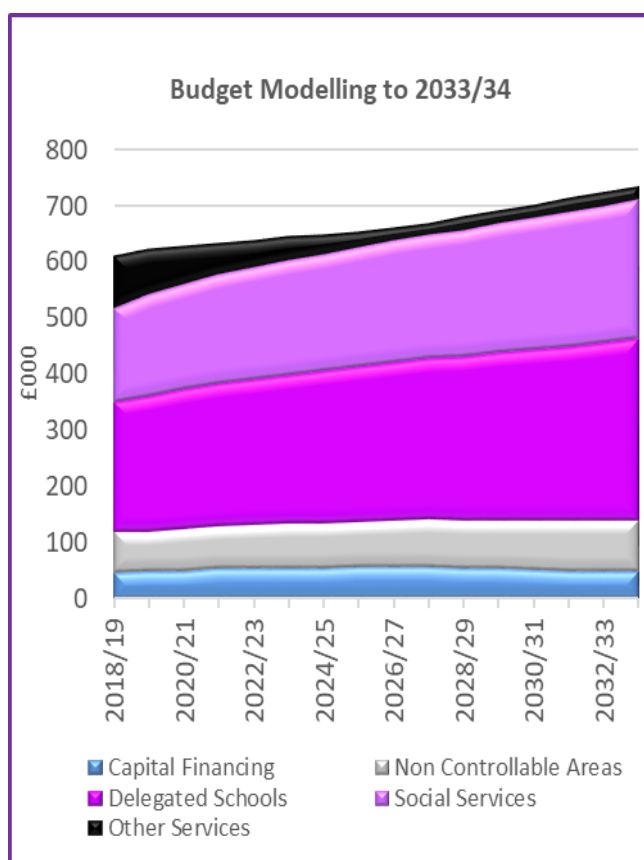
As well as key assumptions, a number of other factors must be closely monitored. These are currently too uncertain to quantify at present, but have the potential to be significant in terms of quantum. These include:

- Brexit, and its resultant impact on the economy
- The expectation that the Spending Review, when it comes, will be another lean one for public services other than the NHS. It is also currently undecided whether the Review will cover one year or three, due to the uncertainty of Brexit.

- The impact of WG's devolved tax powers and potential changes in tax policy
- The impact of WG's devolved powers to set teachers' pay from September 2019
- Local Government Reform in Wales
- WG's intention to review the Local Government Finance system in Wales
- Future pressures on demand led budgets
- The impact of welfare reform within the city

### 4.3 Longer Term Outlook

The graph below models the potential long-term outlook for the Council's budget. It shows "other services" reducing to an extremely small proportion of the Council's budget. This is not feasible as these services contain statutory functions. The strategy to address the gap will need to try to reshape this profile as far as possible.



It should be noted that it is extremely difficult to model beyond the timeframe covered by the

## Section 4. Risk and Uncertainty

MTFP given the number of unknown factors. The above outlook can only be taken as a high-level indication of how things may look in the future if historic trends are extrapolated. Some of the key assumptions underpinning the graph include:

- No further capital financing commitments beyond those required to fund the existing Capital Programme. This means that any new schemes that are dependent on additional borrowing will increase the capital financing section of the graph at the expense of other areas.
- The growth assumed for Social Services and Schools is more modest than in recent years.
- The challenging funding position has been extrapolated over the medium term, moving to a more optimistic view of modest funding increases in later years.

The longer-term outlook emphasises that when funding levels are static or reducing, growth in one area is usually at the expense of others. Policies to address the budget gap, must therefore take into account the future shape of the budget. Otherwise, there is a risk that over a number of years, decisions that are appropriate in the short term, could have a significant and irrevocable impact on the Council's longer term financial resilience. Robust annual challenge on this point will be a key part of financial planning.

### 4.4 Key Risks

The key risks associated with the MTFP are recapped below:

Funding	<ul style="list-style-type: none"> <li>• Worse than predicted LG financial settlements.</li> <li>• The potential fall out of specific grants – especially where these are supporting ongoing pressures.</li> <li>• Challenges in relation to capital funding and the associated implications for revenue budgets. These include the impact of additional borrowing beyond that reflected in the current programme, or invest to save schemes that fail to deliver projected income.</li> </ul>
Demand	<ul style="list-style-type: none"> <li>• A demographic profile that suggests ongoing demand in Social Services and Education.</li> <li>• The difficulty of modelling complexity of demand, including in Children's Services and Additional Learning Needs.</li> <li>• The potential impact of Welfare Reform within the city.</li> <li>• The difficulty in modelling increased demand for services resulting from the LDP.</li> </ul>
Uncertainty	<ul style="list-style-type: none"> <li>• Brexit and its unknown socio-economic impact.</li> <li>• The Spending Review and subsequent outlook for public spending.</li> <li>• The potential for key assumptions in the MTFP to fluctuate.</li> </ul>
Financial Resilience	<ul style="list-style-type: none"> <li>• The significant medium term budget gap, particularly when viewed in the context of historic savings levels.</li> <li>• The shape of the Council's budget – with over 70% now accounted for by capital financing, Social Services and Schools.</li> <li>• The potential impact that delays to savings included in the MTFP may have on the budget monitoring position.</li> <li>• Planned use of reserves to support the budget, which will need to be kept under review</li> <li>• The difficulties associated with predicting the cash impact of preventative strategies.</li> </ul>



## Section 5. Addressing the Gap

### 5.1 Budget Gap

The estimated budget gap for the period 2020/21 – 2023/24 is set out below:

2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
25.0	27.9	24.7	23.4	101.0

This will need to be addressed through a combination of savings, increases to fees and charges and Council Tax increases.

### 5.2 Council Tax

Council Tax accounts for 27% of the Council's general funding. This means that in order to generate a 1% increase in overall funding, Council Tax would have to increase by almost 4%. This is called the gearing of the tax. It means the Council has little control over the majority of its funding, which is through Government Grant.

Technical variables that must be considered when setting the Council Tax include:

- The Council Tax Base of the Authority
- Council Tax Support Budgets
- The level of the Council Tax

#### Council Tax Base

The Council Tax Base is the number of Band D equivalent properties in the city. In simple terms, it reflects the number and type of dwellings in the city, and takes into account if they may be eligible for Council Tax discounts or exemptions. Local Authorities use the Council Tax Base to calculate how much Council Tax they can expect to generate.

Whilst there are other factors that affect the Council Tax Base, broadly speaking, property development within an area usually means that the Council Tax Base will increase, generating more Council Tax income. Whilst there is the potential for the Council Tax Base to increase over the medium term given anticipated development

in the city, budget strategy is not to pre-empt such increases within funding forecasts. This is because the funding formula that WG uses to distribute AEF across individual Authorities means that an increase in Council Tax Base will often result in a reduction in AEF. For example, the Council's 2019/20 AEF increase was £1.6 million lower than originally indicated, due to tax base adjustments within the funding formula.

#### Council Tax Support Budgets

The Council pays Council Tax support to eligible recipients under the Council Tax Reduction Scheme. Budgetary responsibility for this passed to the Council in 2013/14, and the current annual budget is over £30 million.

The Council Tax Support Budget must be considered when projecting future Council Tax income. Assuming that eligibility for Council Tax Support remains consistent; an increase in the rate of the Council Tax will place additional pressure on the Council Tax Budget. This is because support must be paid at the new, higher rate. Figures quoted in the next section are net, in that they take into account the associated impact on the Council Tax Support Budget.

#### The level of the Council Tax

In addressing the budget gap, it is assumed that Council Tax will increase by 4.5% per annum. As already explained, increases at this level, contribute around 1% to the Council's overall funding.

An annual 4.5% increase would contribute the following amounts to addressing the budget gap:

2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
6.5	6.8	7.1	7.4	27.8

The assumption of annual 4.5% increases is not fixed, and will be kept under review over the medium term.

## Section 5. Addressing the Gap

### 5.3 Savings Requirement

The residual budget gap after taking into account assumed Council Tax increases is:

2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
18.5	21.1	17.6	16.0	73.2

Given the longer-term budgetary outlook previously considered, the approach to addressing the residual gap must move beyond the traditional approach of targeted directorate savings and limiting schools' growth.

There will be a need to:

- Capture the full financial benefit of the significant amount of early intervention and preventative work ongoing across the Authority, in order to manage the pattern of future demand for Council services.
- Consider the level at which it is affordable to continue to subsidise services of a more discretionary nature.
- Continue to maximise income streams and explore the potential for new income streams, particularly where services are not universal.
- Continue to target efficiencies, including baseline efficiencies for *all* services including schools.
- Continue to undertake service reviews and to identify cross-directorate savings in areas such as corporate landlord functions and transport.
- Identify opportunities to work across directorates and in partnership with other organisations.
- Target productivity savings to ensure that optimum value for money is achieved within scarce resources, including making best use of digital technology.
- Consider how targeted capital investment may deliver revenue savings.

In developing detailed savings proposal for the medium term, there will be a need to work across directorate boundaries to review all elements of expenditure that the Council is able to influence. This will include working with delegated schools to identify efficiency opportunities in relation to the £241 million Schools' budget.

There will be a three-pronged approach to targeting savings over the medium term. This will include identification across directorates of:

- Efficiency savings
- Income opportunities
- Service change / transformation opportunities

Efficiency targets will emphasise the need to achieve the same for less, with no significant impact on services. There will be an expectation that all directorate contribute base-line efficiency savings, but targets will vary across directorates. Efficiency targets for 2020/21 are higher for back office services but lower in front line services. In Schools, efficiency targets have been limited to a 1% target.

In order to improve the deliverability of savings, where feasible, efficiency savings that do not require a policy decision may be actioned in advance of the year to which they relate.

Directorates are exploring income opportunities and services change / transformation opportunities and progress in this regards, along with any further clarity on the funding position, will be reported later in the year, in order to inform consultation.

# Budget Strategy Report 2020/21 - Question and Answers

## What is this about?

- This is a brief overview of the Council's 2020/21 Budget Strategy Report, which you can view in full online.
- It's split into two sections – the first outlines the strategy for setting the 2020/21 Revenue Budget, the second outlines the approach to rolling forward the Capital Programme for 2020/21 – 2024/25.

## The Revenue Budget

### What are things looking like?

- Challenging, with some significant uncertainties.

### What are the uncertainties?

There are many, but here is a flavour:-

- **General Grant Funding** - the general grant we receive from Welsh Government (WG) accounts for 71% of how we fund our budget. We have no formal indication of what this will be next year. Individual Councils do not usually receive funding figures (Local Government Settlement) until October and these are not finalised until December. Circumstances in the current year mean that these already challenging time-scales are somewhat uncertain (see CSR).
- **BREXIT** - we don't yet know the terms of the UK's departure from the European Union and how these will affect the economy.
- **Comprehensive Spending Review (CSR)** – a CSR was expected this year to set the tone for post-Brexit Spending. As the date for the UK's departure from the EU has been extended to 31 October 2019, and there has been a Conservative Leadership Election in order to determine the new Prime Minister, it is now unlikely that the CSR will take place this autumn, as previously anticipated. However, it's still unclear whether it will be delayed a few months (which could mean a delayed Local Government Settlement), *or*, if it is now unlikely to take place at all prior to the 2020/21 Budget.
- **Specific Grant Streams** - specific grants are usually used to fund particular policy initiatives. However, in recent years, support for a number of core operational pressures has been directed through specific grants. These include Social Services' pressures, Teachers' pay pressures and Teachers' Pensions pressures. This adds to the overall position on funding uncertainty, as there is a risk that these grants could reduce or fall out.

### What are the challenges?

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

- **Cost Pressures and Funding Reductions** - the Council is still facing significant cost pressures over the next few years. These pressures are partly inflation related, e.g. pay awards and external providers increasing their prices. They are also demand related, for example, increasing pupil numbers and the well-publicised pressures on social services that are being experienced UK wide. We believe that funding may continue to reduce but

don't yet know by how much. The combination of funding reductions and financial pressures creates a "budget gap." In other words, our expected need to spend exceeds the level of funding we believe we will have, and so we need to bring the two back into balance.

- **The extended period of financial challenge** - every year, balancing the books becomes harder because so much of the budget has already been reduced - £136 million savings have been identified over the past five years with another £19 million in the current year.
- **The shape of our budget** - two areas of the budget that are under demand pressure, Schools and Social Services, now account for 66% of the Council's budget. This makes the squeeze on other areas even harder.
- **Capital Financing** – a further 8% of the budget is accounted for by capital financing. The challenges associated with funding the Capital Programme and the implications this has for the revenue budget are described in the Capital Q&A below.

#### How much is the Budget Gap?

- The budget gap is estimated £101 million over the next four years, of which £25 million relates to 2020/21.

2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
25.0	27.9	24.7	23.4	101.0

#### So how will the Council bridge this gap?

- The Council's plan to address the gap is set out in its Budget Strategy.
- The Budget Strategy aims 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:-

To be kept  
under  
review

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Council Tax at +4.5%	6.5	6.8	7.1	7.4	27.8
Savings	18.5	21.1	17.6	16.0	73.2
<b>Total</b>	<b>25.0</b>	<b>27.9</b>	<b>24.7</b>	<b>23.4</b>	<b>101.0</b>

#### Savings

- Savings form the largest component of the strategy at £73 million over the four-year period – this will be a big challenge in view of the significant levels of savings already found.
- For 2020/21, £10.3 million will be targeted from efficiency and income proposals and £8.2 million from more transformational change.
- All areas will be required to contribute efficiency proposals but targets will be higher for back office functions, and lower for others, such as schools. (Although schools are being asked to contribute an efficiency saving, the strategy would still provide them with additional cash of £4.6 million in 2020/21).

- Where possible, efficiency proposals will be implemented in the current year to improve the chances of securing full years savings in 2020/21.
- Although the immediate focus must be on delivering savings for 2020/21, directorates will also be considering in broader terms how to address savings requirements for later years.

#### How can I have my say?

- In the autumn, there will be a more detailed consultation, which will focus on income and transformational proposals.

#### What if funding reductions turn out to be worse than expected?

- We have assumed that funding will reduce by 0.5% and that is reflected in our budget gap.
- The Council could withstand a further 0.9% reduction by using a budget we would otherwise use for one-off investment.

#### What next?

- We will continue to keep the budget gap under review – things can change quickly and regular review is an important part of being prepared.
- Directorates will refine their work on the 2020/21 efficiency and income proposals during the summer.
- There will be early implementation of efficiency proposals where possible, and where appropriate.
- There will be further focus on framing proposals to meet the £8.2 million to be delivered through more transformational change.
- Progress, along with any further clarity on funding issues, will be reported in the autumn in order to inform consultation.

## The Capital Programme

#### What is capital?

- Capital expenditure refers to acquiring or improving assets for the long term.
- Similar to the revenue budget, councils receive some general and specific grant funding to support capital expenditure. However, other than that, there are some significant differences to how capital expenditure is funded.
- One of these is that Council are permitted to borrow to fund capital expenditure **as long as that borrowing is affordable**. Councils can also fund capital expenditure from proceeds we get from selling other assets (called capital receipts.)
- The capital programme sets out our expenditure plans and how we will pay for them over a five-year period.
- The current five-year capital programme was approved by Council in February 2019. This set the programme for 2019/20 and the indicative programme until 2023/24.
- The 2020/21 Budget Strategy must set the approach to updating the indicative programme and rolling it forward one year to cover 2024/25.



### **What is the picture on Capital?**

- There are two overarching considerations – investment pressures and affordability.

### **What are the investment pressures on the Programme?**

- Broadly speaking, these relate to investment in existing assets, or to investment in development projects to meet the Council's strategic aims. Some examples include:
  - Maintaining our Highways infrastructure
  - Property maintenance
  - Demand for affordable housing
  - 21<sup>st</sup> Century Schools Programme – Band A&B
  - Economic development and regeneration aspirations
  - Sustainable transport initiatives
  - Mandatory investment – e.g. disabled adaptations

### **What are the key considerations in terms of affordability?**

- General Capital Funding provided by WG has reduced by 35% over the past decade
- This places pressure on the Council to fund necessary investment. It effectively means that in order to fund new capital spend, we must either borrow or sell existing assets (to generate a capital receipt.)
- There are important considerations around both – see more below.

### **What is the position on capital receipts?**

- In times of financial pressure, reducing the assets we hold can have a dual benefit in terms of financial planning. Firstly, it provides funds to support the capital programme. Secondly, it reduces the financial pressures associated with maintaining assets.
- The current capital programme already includes challenging targets in respect of capital receipts, with over £35 million to be found between 2019/20 and 2023/24.
- There is a risk associated with including capital receipts in the capital programme. Unsurprisingly, as they involve the sale of assets, the realisation and timing of receipts can be relatively unpredictable.
- It is therefore important to ensure there is a clear, approved strategy to realise them and that progress is kept under close review.

### **What is the position in terms of borrowing?**

- Borrowing places pressures on the revenue budget because debt must be repaid with interest.
- Broadly speaking, each £1 million of capital expenditure places additional pressure of £65,000 on the revenue budget in early years – and this assumes a long asset life of 25 years, the impact on revenue is higher when asset lives are shorter.
- The Revenue Q&A (above) explained that the capital-financing budget already accounts for a significant proportion of the revenue budget. Even with no further borrowing, this budget will increase over the medium term.
- Given the challenges on the revenue budget, the MTFP assumes there will be no further borrowing beyond that which is already included in the current capital programme.

**Is there opportunity for some investment pay for itself through savings or new income streams?**

- Yes, these are called invest to save (ITS) or invest to earn (ITE) schemes.
- Usually, the capital investment results in savings or income, that help meet the borrowing costs without having net impact on the revenue budget.
- The key in these situations is to have a robust business case at the outset, to be sure that the income / savings will actually materialise and that they will be sufficient to meet the borrowing costs. If they don't there's a risk that the revenue budget will end up picking up those costs.

**In light of the above, what will be the approach to updating the capital programme?**

- Firstly, directorates will be asked to confirm if commitments in the current programme remain essential, or whether there is any scope to reduce or defer them. This should include a realistic appraisal of capacity to deliver these schemes.
- Secondly, it will be important to keep progress towards capital receipts under review. This is an important factor in overall programme affordability.
- After that, the overarching approach, in line with the Capital Strategy approved in February, will be to focus on looking after our existing assets. Even then, there must be evidence of need to spend, and this should be prioritised by risk.
- New capital expenditure pressures that do not relate to existing assets should only be considered if they can be funded externally, or if there is clear evidence of a sound invest to save business case.
- For 2024/25, which will be the "new" year in the 2020 Programme, additional borrowing will only be considered where it relates to existing assets.
- All proposed investment should be in line with the Capital Ambition delivery programme, and all alternative solutions for funding and achieving the same outcome should be explored before additional Council funding is considered.

**What next?**

- Directorates will be asked to commence with the approach outlined above, starting with a robust review of the current programme.

## Appendix 2

### PROPOSED REVENUE BUDGET TIMETABLE FRAMEWORK 2020/21

Date	Budget Strategy
Jul 2019	<ul style="list-style-type: none"> <li>Budget Strategy Report considered at Cabinet</li> <li>Budget Strategy Report considered at Council</li> </ul>
Jul - Oct 2019	<ul style="list-style-type: none"> <li>Directorates further develop detail 2020/21 efficiency &amp; income proposals</li> <li>Senior Officer Meetings / Cabinet Member meetings to scrutinise the detail of 2020/21 efficiency &amp; income budget proposals</li> <li>Consider early implementation of 2020/21 efficiency proposals <b>where possible and appropriate</b></li> <li>Ongoing review of the in-year monitoring position and the key risk areas identified in the body of the report</li> <li>Directorates review scope for transformational proposals</li> <li>Following consultation with Cabinet Members, business cases to be developed in targeted areas</li> </ul>
Oct 2019	<ul style="list-style-type: none"> <li>Provisional 2020/21 Settlement received</li> <li>Some visibility of Specific Grants at All Wales level</li> </ul> <p><b><i>This is in line with usual timescales - there is a risk that these may slip as described in the Report</i></b></p>
Oct / Nov 2019	<ul style="list-style-type: none"> <li>Consideration of 2021/22 and later years' proposals</li> </ul>
Nov / Dec 2019	<ul style="list-style-type: none"> <li>Consultation on 2020/21 draft budget savings proposals (income and transformational proposals)</li> </ul>
Dec 2019	<ul style="list-style-type: none"> <li>Cabinet approval of Council Tax Base</li> <li>Final Budget Settlement received (usual timescale, potential to slip)</li> </ul>
Jan 2020	<ul style="list-style-type: none"> <li>Fine-tuning of budget proposals and consideration of medium term financial plans</li> <li>Review responses to consultation</li> </ul>
Feb 2020	<ul style="list-style-type: none"> <li>Approval of Corporate Plan and Budget</li> </ul>

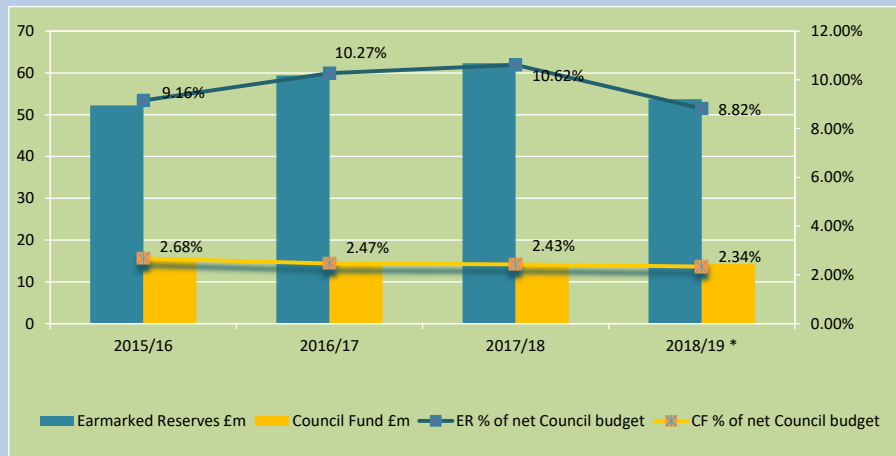
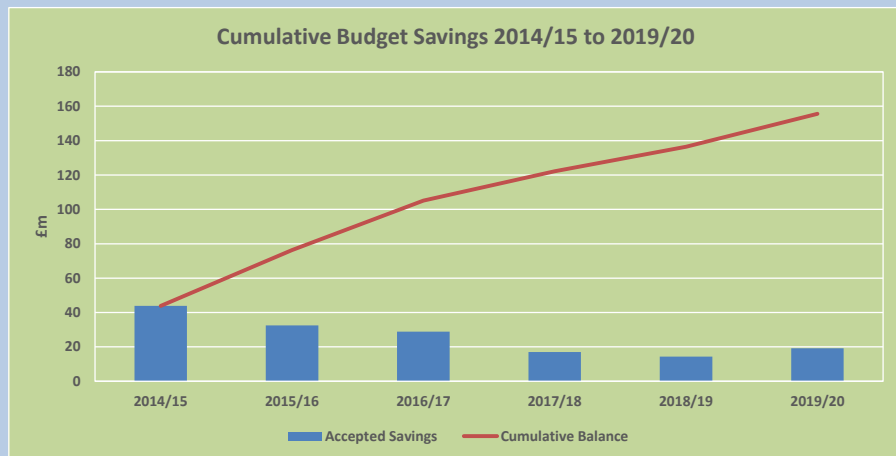
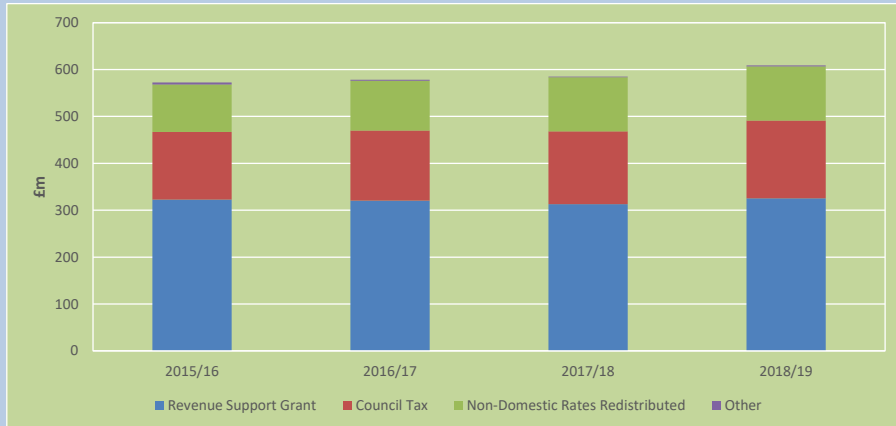
In addition, throughout this period there will be continued involvement and consultation with council tax payers, the grants sector, Scrutiny Committees, Trade Unions, employees and statutory consultation with schools

## Key Schemes within the 2019/20 to 2023/24 Capital Programme

Theme	Types of expenditure
Annual Sums	<ul style="list-style-type: none"> <li>Disabled adaptations to allow people to remain independent in their homes</li> <li>Highway infrastructure</li> <li>Property asset renewal</li> <li>Neighbourhood regeneration</li> <li>Parks asset renewal</li> <li>Road safety; cycle and public transport network improvements</li> </ul>
Previously Agreed / Ongoing Schemes	<ul style="list-style-type: none"> <li>Facility to support victims and those at risk of domestic abuse</li> <li>Whitchurch High School accessibility for disabled pupils</li> <li>Bereavement Strategy</li> <li>Western Transport Interchange</li> <li>21<sup>st</sup> Century Schools Band B programme</li> <li>Completion of Central Square public realm</li> <li>Modernising ICT to improve business process</li> <li>City Centre youth hub and Butetown pavilion</li> <li>Strategic cycle routes</li> <li>Council contribution to support WG grant bids for coastal erosion, transport links and a targeted regeneration investment programme</li> <li>Development of a new household waste recycling centre</li> <li>Council agreed contribution to CCRCD expenditure in accordance with profile approved by Regional Cabinet in January 2018</li> </ul>
New Capital allocations including invest to save proposed in 2019/20 Budget	<ul style="list-style-type: none"> <li>Additional support for disabled adaptations grant</li> <li>Roll out of glass recycling collection service</li> <li>Works to structures at Millennium Walkway and Roath Park dam</li> <li>Enabling works, if required to implement economic development schemes</li> <li>Economic Development schemes at the Chapter Arts Centre and the former Virgin Active site</li> <li>Contribution towards the cost of the Indoor Arena subject to the level of capital receipts and approved affordability envelope</li> <li>Road safety and other improvements proposed from parking enforcement income</li> <li>Lamby Way solar farm and contribution to District Heat Network</li> <li>LED street lighting in residential areas</li> </ul>
External Grant and Contribution assumptions	<ul style="list-style-type: none"> <li>Targeted regeneration investment programme</li> <li>21<sup>st</sup> Century schools Band B programme</li> <li>Public highways refurbishment</li> <li>Local Transport Fund, active travel, road safety and safe routes in communities</li> <li>Coastal and flood risk management programme design</li> <li>Planning gain and other contributions received towards a range of schemes</li> </ul>
Invest to Save	<ul style="list-style-type: none"> <li>21<sup>st</sup> Century schools Band B programme</li> <li>Council leisure centre investment as part of alternative service delivery</li> <li>Loan to Cardiff City Transport Services Limited</li> <li>New cemetery to increase burial space in the city</li> <li>Building energy efficiency schemes</li> </ul>
Public Housing (HRA)	<ul style="list-style-type: none"> <li>Improvements to garages, gullies and open spaces</li> <li>Investment in existing stock to sustain Welsh Housing Quality Standards (WHQS)</li> <li>Significant increase in new affordable housing proposals including land acquisition following removal of debt cap</li> <li>Disabled adaptations</li> </ul>

**FINANCIAL SNAPSHOT REPORT - BUDGET STRATEGY VERSION - JULY 2019**

The following tables, charts and figures give an indication of the financial resilience of the Council as per the Statement of Accounts.

**Level of Council Fund (CF) and Earmarked Reserves (ER)****Cardiff Council Historic Cumulative Budget Savings****Actual Revenue Funding Split****Other Financial Indicators**

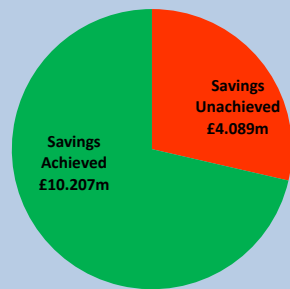
Indicator	2015/16	2016/17	2017/18	2018/19*
Working Capital as a percentage of Gross Revenue Expenditure (%)	6.02%	6.99%	8.69%	7.35%
Usable Reserves as a percentage of Gross Revenue Expenditure (%)	10.31%	11.46%	13.28%	10.34%
Earmarked Reserves as a percentage of Gross Revenue Expenditure (%)	6.63%	7.79%	7.90%	6.52%
Unallocated/General Reserves to Gross Revenue Expenditure (days)	7	6	6	6
Long-term Borrowing to Long-term Assets (ratio)	0.35:1	0.35:1	0.36:1	0.36:1
Long-term Borrowing to Taxation & Aggregate External Finance	1.05:1	1.03:1	1.03:1	1.04:1
Council Tax as a % of Taxation & Non-Specific Grants (%)	27.68%	27.85%	28.30%	29.02%

\* 2018/19 figures are estimates, subject to Audit.

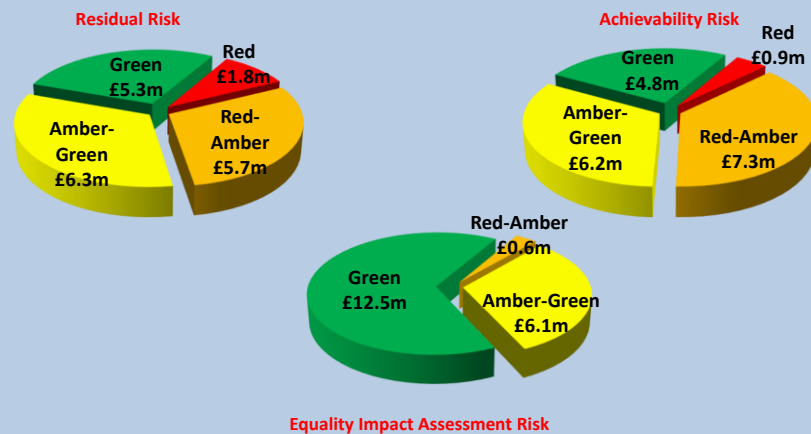
The tables below show the Outturn position for the 2018/19 financial year for both revenue and capital.

**Revenue Outturn Position**

Directorate	Net Expenditure Budget £000	Outturn £000	Variance £000	Variance %
Corporate Management	23,191	23,638	447	1.9%
Economic Development	6,648	7,141	493	7.4%
Education & Lifelong Learning	255,376	256,308	932	0.4%
People and Communities				
Housing and Communities	44,394	43,860	(534)	(1.2%)
Social Services	168,232	171,110	2,878	1.7%
Planning, Transport and Environment	44,995	46,260	1,265	2.8%
Resources				
Governance & Legal Services	5,367	5,612	245	4.6%
Resources	20,374	20,001	(373)	(1.8%)
<b>Total Directorates</b>	<b>568,577</b>	<b>573,930</b>	<b>5,353</b>	<b>0.94%</b>
Capital Financing	35,236	34,844	(392)	(1.1%)
General Contingency	3,000	0	(3,000)	(100.0%)
Summary Revenue Account etc.	1,750	1,402	(348)	(19.9%)
Discretionary Rate Relief	350	392	42	12.0%
<b>Total</b>	<b>608,913</b>	<b>610,568</b>	<b>1,655</b>	<b>0.3%</b>
Funded by:				
Revenue Support Grant	325,564	325,564	0	0.0%
Non-Domestic Rates (NDR)	115,383	115,383	0	0.0%
Reserves and Balances	2,350	2,350	0	0.0%
Council Tax	165,616	166,417	(801)	(0.5%)
NDR Refunds on Council Properties		854	(854)	
<b>Total Funding</b>	<b>608,913</b>	<b>610,568</b>	<b>-1,655</b>	<b>0.0%</b>
<b>Net (Surplus) /Deficit for Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**2018/19 Revenue Savings Achieved and Unachieved****Capital Outturn Position - 18/19**

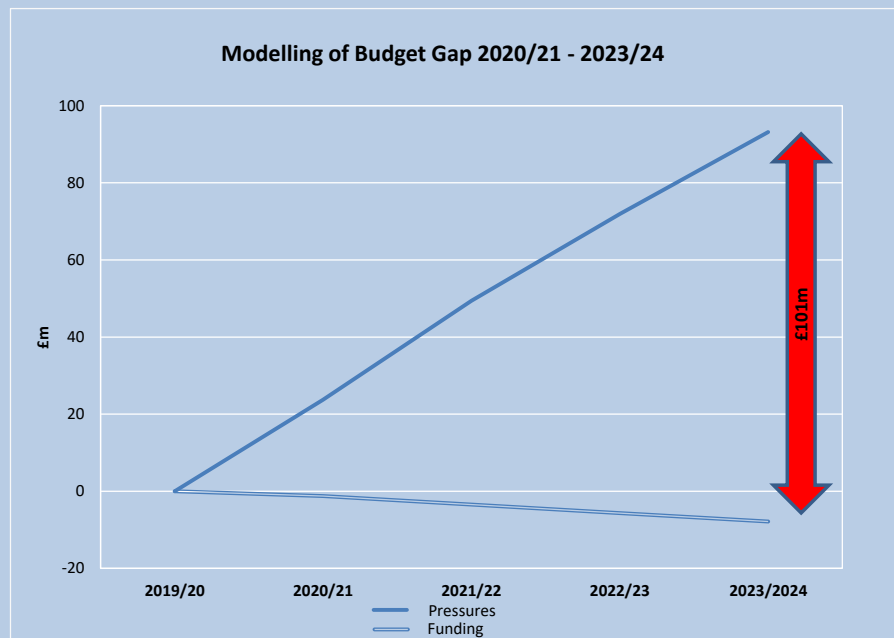
Directorate	Budget £000	Outturn £000	Variance £000	Variance %	(Under)/ Overspend £000	Slippage £000
Economic Development	26,274	22,157	(4,117)	(15.7%)	0	(4,117)
Education & Lifelong Learning	48,724	46,635	(2,089)	(4.3%)	3,941	(6,030)
People and Communities						
Housing and Communities	12,167	8,372	(3,795)	(31.2%)	0	(3,795)
Social Services	2,001	1,596	(405)	(20.2%)	0	(405)
Planning Transport and Environment	28,990	20,923	(8,067)	(27.8%)	0	(8,067)
Resources	7,518	3,911	(3,607)	(48.0%)	0	(3,607)
<b>Total</b>	<b>125,674</b>	<b>103,594</b>	<b>(22,080)</b>	<b>(17.57%)</b>	<b>3,941</b>	<b>(26,021)</b>

**Final Budget Proposals 2019/20 Risk Analysis - TOTAL SAVINGS £m**

The tables below show the Medium Term Financial Plan (MTFP), the risks and affordability indicators facing the Council.

**MTFP Scenario**

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	TOTAL £000
Financial Pressures	23,728	25,711	22,495	21,222	93,156
Funding Reductions	1,251	2,212	2,201	2,190	7,854
<b>Budget Requirement Reduction</b>	<b>24,979</b>	<b>27,923</b>	<b>24,696</b>	<b>23,412</b>	<b>101,010</b>
Budget Strategy Assumptions	6,498	6,790	7,095	7,415	27,798
Total Savings Required	18,481	21,133	17,601	15,997	73,212
<b>Total Strategy</b>	<b>24,979</b>	<b>27,923</b>	<b>24,696</b>	<b>23,412</b>	<b>101,010</b>

**Capital Expenditure & Capital Financing Requirement (CFR)**

	31 Mar 18 £000	31 Mar 19 £000	31 Mar 20 £000	31 Mar 21 £000	31 Mar 22 £000	31 Mar 23 £000
<b>Capital Expenditure</b>	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Council Fund (General Fund)	113,441	103,594	112,137	171,801	119,726	25,660
Housing Revenue Account	24,824	38,870	64,510	79,750	68,750	54,350
<b>Total Capital Expenditure</b>	<b>138,265</b>	<b>142,464</b>	<b>176,647</b>	<b>251,551</b>	<b>188,476</b>	<b>80,010</b>
<b>Capital Financing Requirement excl. Landfill</b>						
Council Fund CFR	484,044	486,902	491,763	509,515	537,625	542,826
Housing Revenue Account CFR	266,711	279,248	308,740	341,577	387,096	426,251
<b>Total CFR</b>	<b>750,755</b>	<b>766,150</b>	<b>800,503</b>	<b>851,092</b>	<b>924,721</b>	<b>969,077</b>

**Affordability Indicator - Capital Financing Costs as a % of Controllable Budget**

	2011/12	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Difference 11/12-23/24
	Actual	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	
	%	%	%	%	%	%	%	%
Net	13.47	13.72	13.75	14.59	15.95	15.90	15.56	15.52
Gross	15.17	18.18	18.38	19.88	22.08	22.83	22.81	50.36