

CABINET MEETING: 20 FEBRUARY 2020

BUDGET REPORT 2020/21

**FINANCE, MODERNISATION AND PERFORMANCE
(COUNCILLOR CHRIS WEAVER)**

AGENDA ITEM: 7

Appendix 4 (c) is exempt from publication because it contains information of the kind described in paragraphs 14 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972.

Reason for this Report

To enable the Cabinet to:

1. Recommend to Council their proposal for the estimates of expenditure and income in order to set the Council Tax in accordance with the Local Government Finance Act 1992, having considered and reflected on the responses to all aspects of the budget consultation.
2. Recommend to Council the strategy and plan for the control of the Authority's borrowing and investments for the year 2020/21 (the Annual Treasury Management Strategy.)
3. Recommend to Council the Capital Strategy for 2020/21 including the Council's Minimum Revenue Provision Policy for 2019/20 and 2020/21.
4. Recommend to Council the Prudential Code, capital expenditure and treasury indicators for 2020/21 – 2024/25.
5. Recognise the financial challenges facing the Council, as set out in the Medium Term Financial Plan and note the opportunities for savings.
6. Recognise the work undertaken to raise awareness of, and to ensure the financial resilience of the Council.
7. Set the rent levels for Housing Revenue Account properties, service charges and management fees for leaseholders for 2020/21.
8. Agree the rates of fees and charges for Council services for 2020/21.

Background

9. The Council's Budget Report must provide assurance that a balanced budget and affordable Capital Programme have been set and that due consideration has been given to financial standing.
10. Cabinet received a report on the Budget Strategy 2020/21 and the Medium Term Financial Plan (MTFP) in July 2019. The report identified the budget reduction requirement for the period 2020/21 - 2023/24 and set a framework for addressing the projected funding gap. Since July, the position has been updated to take account of more recent information, including the Provisional Local Government Settlement and the results of the public consultation. All updates are reflected in the Council's Revenue Budget for 2020/21, as set out later in this report.
11. The 2020/21 Budget Strategy Report also set the approach for the development of the Council's Capital Programme. The proposed Capital Programme 2020/21 – 2024/25 reflects existing commitments made in previous years as well as new schemes proposed for approval. Further detail is set out in this report.

Statutory Requirements

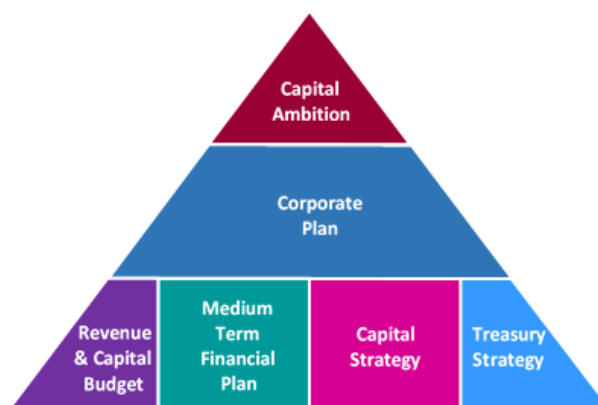
12. The Local Government Finance Act 1992 requires the Council to produce a balanced budget. In line with this duty, this report sets the Revenue Budget and associated Council Tax for 2020/21. The likely position over the medium term is set out in the Medium Term Financial Plan in Annex 1.
13. In setting the budget, the Local Government Act 2003 requires the Council to have regard to the Section 151 Officer's advice on the robustness of estimates and the adequacy of reserves. This report includes commentary on financial risk and resilience and the Section 151 Officer assessment is set out in the financial implications to this report.
14. The CIPFA Prudential and Treasury Management Codes of Practice, require the Council to approve the 2020/21 Capital Strategy and Treasury Management Strategy prior to the beginning of the financial year. These strategies are outlined in Annex 3 and Annex 4 respectively, Annex 3 also contains the Capital Programme for 2020/21 – 2024/25.
15. The Local Government and Housing Act 1989 places a statutory duty on local authorities to maintain a separate Housing Revenue Account (HRA) for the costs associated with the management and maintenance of Council dwellings. HRA rents must comply with the Welsh Government (WG) Policy for Social Housing Rents. The HRA revenue budget and associated rent levels for 2020/21 are contained in Annex 2, along with details of the HRA Capital Programme.

Strategic Context

16. The policy programme, Capital Ambition, sets out the Administration's priorities and principles for change. The programme was originally approved by Cabinet in July 2017. Since then, a number of major policy commitments have either been achieved or significantly progressed. There have also been significant developments in the external environment including managing the impact of the UK leaving the European Union, responding to the declaration of a Climate Emergency and addressing the potential implications of the Local Government and Elections (Wales) Bill. In light of this, the January 2020 Cabinet Report, Capital Ambition, set out a refresh of the Administration's key priorities for the remainder of the municipal term.
17. The Corporate Plan, "Delivering Capital Ambition", sets out how the Administration's priorities will be achieved. Key priorities and objectives are summarised in the table below.

Capital Ambition	Corporate Plan
Working for Cardiff	<ul style="list-style-type: none">• Cardiff is a great place to grow up• Cardiff is a great place to grow older• Supporting people out of poverty• Safe, empowered communities
Working for Wales	<ul style="list-style-type: none">• A Capital City that works for Wales
Working for the Future	<ul style="list-style-type: none">• Cardiff grows in a resilient way
Working for Public Services	<ul style="list-style-type: none">• Modernising and integrating our public services

18. The Corporate Plan is consistent with wider local and national goals that support long-term sustainability. It is fully aligned with the Cardiff Well-being Plan, which contains the shared well-being objectives of Cardiff Public Services Board. These complement Wales' National Well-being Goals, which focus on creating a more sustainable Wales.
19. The Council's key strategic financial documents are framed by Capital Ambition and the Corporate Plan. This ensures that resources are allocated in a way that supports corporate priorities. Given the link between the Corporate Plan and wider Well-being Goals, it also helps to ensure that financial strategy supports long-term sustainability, in line with the Council's duties under the Well-being of Future Generations (Wales) Act 2015.



20. Appendix 1 sets out how the Revenue Budget and Capital Programme are consistent with the Council's priorities, invest in the future of the city and support the five ways of working at the heart of the Well-being of Future Generations (Wales) Act 2015.

Local Government Financial Settlement

21. The Local Government Financial Settlement is a key factor in drafting the budget. The usual timescales for announcement of the Financial Settlement by Welsh Government have been delayed for 2020/21, due to the Autumn Spending Round and the December 2019 General Election. On 16th December 2019, the Minister for Housing and Local Government announced the Provisional Settlement for 2020/21. However, the Final Local Government Settlement will not be published until 25th February 2020. This means that the Revenue Budget set out in this report is based on Provisional Settlement Funding (as reported to Cabinet 19th December 2019).
22. It is not anticipated that there will be material changes between Provisional and Final Settlement. As such, in order to manage the timing of the Final Settlement, it is proposed that the recommendations to this report contain a contingent arrangement whereby the Council will either add to or draw down from reserves if Final Settlement funding allocations differ from the Provisional Settlement. To exemplify, if the Final Settlement is £20,000 less than the Provisional Settlement, the Council will increase its drawdown from reserves. Conversely, if the Final Settlement is £20,000 more than the Provisional Settlement, the Council would transfer a sum of £20,000 to reserves. The recommendations to this report authorise the Section 151 Officer to prepare an addendum to the 2020/21 Budget making the requisite changes.
23. The Provisional Settlement indicated that Cardiff will receive a 4.1% increase in Aggregate External Finance (AEF) in 2020/21 (£18.5 million in cash terms), plus grant transfers of £5.741 million. Cardiff's settlement is slightly below the Welsh average of 4.3%, primarily due to a reset of the population statistics used within the funding formula (from projections to most recent mid-year estimates). Settlement information is for one year only, which continues to make medium term planning extremely challenging.

24. The Provisional Settlement indicated that key specific grant streams that support core service provision will either transfer into Revenue Support Grant (RSG) for 2020/21, or will continue at existing (or increased) levels. Exceptions are the 'Costs Associated with Teachers' Pay' Grant, which will fall out in 2020/21 and the Sustainable Waste Revenue Grant, which will reduce by £1.8 million at an All Wales level. The Council's revenue budget addresses these funding reductions in order to mitigate their impact on services. A full list of specific grants at an All Wales level is set out in Appendix 2.
25. The level of revenue funding announced in the Provisional Settlement was significantly better than the planning assumptions that were reflected in the Council's MTFP that was published last summer. That iteration of the MTFP pre-dated the Spending Round and assumed a potential 0.5% funding reduction for 2020/21.
26. Whilst the improved funding position for 2020/21 is welcome, it should be noted that the position for 2021/22 and beyond is much less certain. The Ministerial statement accompanying the settlement indicated that the positive 2020/21 position "does not mean that austerity is over" and referenced the need to take the opportunity to "plan for the future." The UK Budget due on 11th March 2020 will be an important indication of potential future funding scenarios.
27. In the context of the uncertain funding outlook, in setting the Revenue Budget for 2020/21, the positive 2020/21 settlement must be used to consolidate financial resilience following an extended period of challenge. This includes ensuring that base budgets adequately reflect rising demand and inescapable pressure, and that savings proposed for 2020/21 are at a realistic and manageable level. This approach underpins the Revenue Budget set out below.

Revenue Budget 2020/21

28. The following table summarises the build-up of the 2020/21 Revenue Budget. Directorate savings totalling £9.764 million have enabled resource requirements to be brought back into line with available resources. Further information on savings is set out later in the report.

		£000	£000
	Base Budget Brought Forward		623,589
Resources Required	Employee Costs (i)	273	
	Price Inflation (ii)	3,632	
	Financial Pressures (iii)	2,097	
	Policy Growth (iv)	1,775	
	Commitments, Realignments & Capital Financing (v)	15,969	
	Demographic Pressures (vi)	3,659	
	Schools Growth (vii)	13,524	
	Council Tax Reduction Scheme (viii)	1,432	
	Savings	(9,764)	
	Total Resources Required		656,186
Resources Available	Aggregate External Finance (i)	469,047	
	Council Tax (2020/21 Base @ 2019/20 Prices) (ii)	178,363	
	Council Tax (+4.5%, before CTRS impact above) (iii)	8,026	
	Use of Reserves (iv)	750	
	Total Resources Available		656,186

29. Further information on resource requirements is summarised below:

- i. **Employee Costs** - includes an estimated 2% pay award for staff in directorates other than schools, a Voluntary Living Wage (VLW) rate of £9.30 and a reduction in Employer's Superannuation Contributions to the Local Government Pension Scheme following a recent actuarial review of the scheme.
- ii. **Price Inflation** - the most significant element (£2.933 million) relates to commissioned services in Adult Social Care. Provision is also included in respect of energy, Non Domestic Rates (NDR) and Out of County education placements.
- iii. **Financial Pressures** - includes £0.445 million to support lost income streams in relation to retail parades and commuted sums, £0.462 million in respect of changes to specific grants including Sustainable Waste Grant and Funded Nursing Care. Also includes £0.400 million to reflect the part-year running costs of the proposed Children's Short Stay Accommodation Unit.
- iv. **Policy Growth** - £1.775 million investment in key policy areas. Further detail is set out in Appendix 3.

- v. **Commitments, Realignments & Capital Financing** – includes budget realignments totalling £13.180 million. These address structural deficits evident in the Month 9 monitoring position, which whilst balanced overall, includes some significant areas of directorate overspend. The most significant realignments for 2020/21 include £4.850 million for Children’s Social Services, £1.500 million for Adults Social Services, £2.922 million for Recycling and Neighbourhood Services and £0.750 million for children educated other than at Cardiff maintained schools. It also includes £1.324 million of additional commitments (including the Fire Service Levy at £0.500 million) and £1.465 million of Capital Financing Commitments.
 - vi. **Demographic Pressures** – includes £1.384 million for Adult Social Services, £2.175 million for Children’s Social Services and £0.100 million for Recycling and Neighbourhood Services.
 - vii. **Schools Growth** – reflects full employee costs for teaching and support staff, pupil number growth and growth in respect of pupil needs.
 - viii. **Council Tax Reduction Scheme** – reflects the impact on the CTRS of the proposed 4.5% increase in the rate of Council Tax.
30. Further information on resources available is summarised below:
- i **Aggregate External Finance** – reflects the Council’s AEF for 2020/21 as announced in the Provisional Local Government Settlement in December 2019.
 - ii **Council Tax** - this is the amount to be raised from Council Tax before any increase in the rate of the tax. It reflects the 2020/21 Council tax base approved by Cabinet in December 2019.
 - iii. **Council Tax Increase** - the Council has due regard for the level of the increase in Council Tax, but has to balance this against the need to fund key services. The proposed increase for 2020/21 is 4.5%. This will generate net additional income of £6.594 million, after allowing for the associated increase in the costs of the Council Tax Reduction Scheme (CTRS).
 - iv. **Use of Reserves** – this reflects a drawdown of £0.750 million from the Strategic Budget Reserve. Further information is set out in the Reserves section of the Report.

Revenue Budget Savings

31. As indicated in paragraph 28, the budget strategy is predicated on the delivery of £9.764 million of savings. The figure is lower than the £18.481 million indicative savings requirement included in the MTFP published last summer, due to the better than anticipated funding settlement for 2020/21. Savings have been reviewed to ensure they have minimal impact on service delivery, and that they are deliverable

and appropriate in the context of the Council's financial resilience, both next year and over the medium term. All proposals have been screened for their equalities impact. A breakdown of the £9.764 million is set out in the table below:

	Non-Schools £000	Schools £000	Total £000
Efficiency Savings (i)	3,841	1,207	5,048
Income Generation (ii)	2,541	0	2,541
Service Change (iii)	2,175	0	2,175
TOTAL	8,557	1,207	9,764

- (i) Efficiency savings - are defined as achieving the same output (or more) for less resource, with no significant impact on the resident / customer. In line with the Council's July 2019 Budget Strategy Report, in order to improve the deliverability of savings and maximise the chances of securing full year savings in 2020/21, efficiency proposals that do not require a policy decision are being implemented in the current financial year where possible. This approach means that of the £5.048 million efficiency savings required next year, £1.255 million have already been implemented (all savings implemented relate to non-schools services). The efficiency actions include (non-schools):

Nature of Saving	£000
Review of staffing arrangements	2,210
Reductions in premises costs	574
Reductions in external spend	807
Use of technology	250
TOTAL	3,841

- (ii) Income Generation - there has been a continued focus on exploring income opportunities, which will deliver £2.541 million for 2020/21. This sum includes price increases, as well as proposals to increase market share, and maximise available grant streams. Consultation feedback indicated support for this approach. Proposals totalling £0.277 million are in place in the current financial year.
- (iii) Service change - these are proposals that whilst not an efficiency saving as per the earlier definition, do not have an adverse impact on service users and will deliver savings by changing service delivery. They represent the implementation of agreed new commissioning strategies and operating models across Adults' and Children's Social Services as summarised in the table below.

Nature of Saving	£000
Ensuring appropriate levels and costs of care*	1,700
Use of technology and equipment in the provision of care	200
Review of joint funding arrangements	275
TOTAL	2,175

**Includes a range of initiatives to reduce reliance on high cost residential placements within Children's Services where appropriate, including additional use of foster care placements and the introduction of a short stay assessment unit. Also includes review of Adults' Residential Placements including Out of County, and increasing the number of people who benefit from re-ablement.*

32. The figures above include those savings which formed part of the Budget Consultation in respect of increased charges for Bereavement Services, Registration Services and Pest Control, and the continued expansion of the use of technology in the provision of care. A majority (over 53%) of respondents to the consultation supported the Council's proposal to increase Bereavement charges, whilst an even greater proportion (between 77% and 86%) supported the other proposals listed. Given this level of support, each of the four savings have been retained within the current position in order to contribute towards the savings requirement for 2020/21.

Employee Implications of the Budget

33. The posts deleted or created as part of the budget are set out in the table below. For deleted posts, the table identifies the anticipated method of release.

Employee Implications of Budget	FTE
Voluntary Redundancy	(32.82)
Vacant Posts	(11.40)
Retirement	(1.35)
TBC / Redeployment	(8.75)
Total FTE posts deleted	(54.32)
Total FTE posts created	35.09
Net FTE Reduction	(19.23)

34. The net decrease of 19.23 full time equivalent (FTE) posts in 2020/21, adds to significant FTE reductions in previous years. Since 2012/13, budget proposals have resulted in the reduction of over 1,600 FTE posts in services other than schools. This includes the deletion of vacant posts and posts that have transferred out of the Council's direct control, as well as post deleted through redeployment or redundancy.

Fees and Charges

35. The Budget does not include a blanket uplift to fees and charges. Appendix 4 sets out the detailed list of proposed fees and charges for 2020/21. In determining fees and charges, directors were advised that they should consider the particular circumstances in which they charge for services, including:
- Any applicable statutory frameworks
 - Whether existing income budgets are being met
 - Adequacy of charges relative to cost of provision
 - Any potential impact on demand for services.
36. It is important that the Council is able to react to changing events, both in terms of income opportunities and shortfalls. In order to enable this to happen, it is proposed that the Council continues to delegate to the appropriate officer, where necessary in consultation with the Cabinet Member, the ability to amend fees and charges during the financial year as and when required. These arrangements also apply where discounts are introduced for a particular time-period, or for a particular client group. Decisions will be taken in consultation with the Section 151 Officer and the Cabinet Member for Finance, Modernisation and Performance. Where appropriate, Cabinet will need to consider a report within a reasonable timescale of the decision.

Financial Resilience Mechanism

37. The Council has a £3.8 million budget called the Financial Resilience Mechanism (FRM) that was set up to help the Council deal with funding uncertainty. It is used to invest in priority areas, but investment is one-off and decided afresh each year. This means that the budget is used proactively, but could be deleted in future if required, without affecting day-to-day services.
38. In the context of the better than anticipated funding position, the FRM will not need to be released in 2020/21, and is available for one-off investment. The table below provides a summary of how it will be used and further information is included in Appendix 5.

FRM – One-off use for 2020/21	
Category	£000
Visible Street Scene	1,451
Transport Initiatives	215
Parks and Sport	478
Education	550
Other	1,106
TOTAL	3,800

Consultation and Engagement

39. As well as supporting organisational priorities, budget preparation has regard for the views of key stakeholders. In addition to public consultation, engagement on the 2020/21 Budget took place with the following stakeholder groups.

Consultee Group	Nature of Consultation / Engagement
Scrutiny Committees	Budget briefings took place during February 2020. Responses received from Scrutiny Committees will be tabled and considered as part of the Cabinet meeting.
Trade Unions	Consultation has taken place with Trade Union Partnership Board with comments considered in advance of the Cabinet meeting.
Employees	Consultation has taken place both generally through staff meetings, and particularly with employees affected by budget proposals.
School Budget Forum	Following a number of briefings over the budget formulation period, the Forum met on 15 th January 2020 to consider Cabinet's budget proposals as they affect their remit. Appendix 6 includes their responses.
Audit Committee	At its meeting on 21 st January 2020, the Audit Committee considered the Treasury Management Strategy as part of their oversight function. The relevant parts of the report reflect their views.

40. Citywide public consultation on the Budget took place between 19th December 2019 and 31st January 2020. The consultation used a variety of online and face-to-face engagement methods and was accompanied by a communications package to maximise exposure. The consultation received 2,051 responses. Further detail on the approach to consultation and the responses received is set out in Appendix 6.
41. As part of the consultation, citizens were given the opportunity to prioritise different areas of service delivery. The next table summarises their top five priorities and indicates how the 2020/21 Revenue Budget and Capital Programme 2020/21-2024/25 support these areas.

Priority	Features of Budget & Capital Programme
Investing in sustainable transport to reduce congestion and improve air quality	<ul style="list-style-type: none"> • £78.4m capital investment - to develop strategic cycle routes, improve transportation infrastructure and encourage active travel • £0.2m one off revenue support to improve cycle parking and to supplement the existing social subsidy to bus routes
Building more affordable houses and tackling homelessness	<ul style="list-style-type: none"> • £332.9m - investment in social housing, including new Council Homes
Tackling climate change	<ul style="list-style-type: none"> • £14.6m - Energy sustainability and generation • Sustainable transport initiatives referred to above • £6.3m - To address flooding and coastal erosion • £0.2m one off revenue support to develop an integrated water management strategy including flood risk assessment and sustainable drainage
Support our children's education	<ul style="list-style-type: none"> • £10.4m – net additional revenue support for Schools (4.3%) • £43.4m – capital investment in the existing schools estate • £248.4m - 21st Century Schools Band B investment programme • £0.5m additional support for Cardiff Commitment
Intervening early to support vulnerable children	<ul style="list-style-type: none"> • £7.1m – net additional revenue support for Children's Services (11.5%) • £0.2m additional revenue funding to provide mentor support and tuition to Children Looked After • £0.2m annual revenue fund funding to extend Open Access Youth provision • £0.5m – capital investment in a short stay accommodation centre for Children Looked After

Council Tax and Precepts

42. As indicated at paragraph 28 above, the proposed Council Tax increase to support delivery of the 2020/21 Revenue Budget Strategy is 4.5%. This is in line with the MTFP funding assumptions set out in July 2019 and is felt to balance the impact on services and the ability of the public to pay, recognising those eligible would receive support through the Council Tax Reduction Scheme (CTRS). The detail of the Council Tax resolution, including information on Community Council and Police and Crime Commissioner precepts is set out for approval within the recommendations at 2.0 to 2.7.

Council Tax Reduction Scheme

43. It is proposed that the approach to the CTRS should remain unchanged for 2020/21. The scheme will continue to comply with the relevant WG regulations. In addition, the scheme will continue to provide additional

help for war pensioners by disregarding the income from war pensions including War Widows' Pensions, War Disablement Pensions and income from the Armed Forces and Reserve Compensation Scheme. This is in line with the Council's commitment to support veterans and their families. The budget provides for the impact on the CTRS of the proposed 2020/21 Council Tax increase.

Directorate Implications of the Budget

44. The information detailed in previous sections outlines the Council-wide position in respect of the 2020/21 Revenue Budget. Appendix 7 sets out the resultant changes to individual directorate budgets between 2019/20 and 2020/21, whilst Appendix 8 shows the same information on a Cabinet Member portfolio basis. The two areas with the most significant budgetary increases in cash terms for 2020/21 are Schools and Social Services.
45. On a like for like basis (i.e. after adjusting for transfers), delegated schools' budgets will increase by £10.423 million (4.3%) in 2020/21. This increase includes provision for the pay and superannuation costs of both teaching and support staff. It also provides for growth in pupil numbers and additional learning needs. The £10.423 million is a net figure, which is **after** allowing for schools' contributing a 0.5% efficiency saving (£1.207 million) and £1.090 million towards the costs of the 21st Century Band B Programme and schools' asset renewal.
46. After contributing savings of £2.630 million, the budget for Social Services (including contingency allocations) will increase by a total of £10.575 million (6.1%) in 2020/21. This can be broken down into:
 - **A net increase of £4.168 million (3.7%) for Adult Services** – this includes a £1.500 million realignment in respect of the 2019/20 budgetary position, as well as provision for additional demand in 2020/21 and an inflationary allowance in respect of commissioned social care costs.
 - **A net increase of £4.232 million (6.9%) for Children's Services** – this includes a realignment in respect of the 2019/20 budgetary position, which reflects in-year increases in the number of looked after children, pressure on external placement budgets and workforce cost pressures. This is supplemented by an allocation of £2.175 million to contingency to cover increases in the number and complexity of Children Looked After Placements in 2020/21. There is also a one-off allocation of £0.644 million to enable the payment of a market supplement to Children's Social Workers to improve the recruitment and retention of staff and reduce the reliance on agency.

Financial Resilience

47. When setting the budget, Members must have regard to the Council's financial standing, risks and resilience. Financial Resilience Snapshots are regularly prepared to support discussions regarding the Council's financial health, and the current snapshot is set out in Appendix 9 (a).

The first column considers historic trends, the second column summarises the current financial year and the final column covers the future financial outlook. Key headlines are that:

- There has not been a significant fluctuation in the level of earmarked reserves over recent years, and any downward movement reflects the use of reserves in line with their intended purpose. In order to improve financial resilience, the Council will continue to review opportunities to increase its earmarked reserves where appropriate, and the next section on Reserves contains a specific example of this in relation to Treasury Management where a change in the Council's Minimum Revenue Provision (MRP) policy has allowed the creation of a Treasury Management Reserve. This reserve has a number of benefits to resilience. It will assist with the management of risk in relation to major projects, helping to smooth costs and meet costs of a one off nature such as feasibility requirements. It will also offer some protection to the wider capital programme, helping to manage the timing of capital receipts and invest to save schemes, as well as helping to mitigate any future changes to interest rates and providing an element of flexibility with regard to the timing of borrowing.
- The Council has identified almost £225 million in savings since 2010/11. This is a challenging position from which to continue to identify savings.
- The level of specific grant income that the Council receives has increased over time. Whilst any increase in funding is welcome, there is a risk with this pattern. In recent years, funding for core activities has been channelled through specific grants. This has included, for example, support for teachers' pay and social services pressures. These costs are integral to the operation of core services, and their funding by specific grant leaves the Council particularly exposed to potential future grant fall out.
- The illustrated financial ratios are consistent over time, and present no cause for concern.
- The projected outturn for the current financial year is balanced overall, but there are significant projected overspends in some directorates. As outlined in paragraph 29, the Revenue Budget for 2020/21 includes budgetary realignments to address areas of significant over-spend.
- There are a number of unachieved savings in 2019/20. The risk these present to the 2020/21 position has largely been addressed as part of the budgetary realignments referred to above. With regard to new savings proposed for 2020/21, the Council has improved its approach to identifying and implementing savings. As such, £1.5 million of the savings required for 2020/21 are already in place and all are considered deliverable as planned. It should also be noted that the level of savings required in 2020/21 is significantly lower than in many previous years.
- There is significant slippage on the Capital Programme in the current year. The level of slippage has been reflected in the starting position for the Capital Programme for 2020/21. As part of the Capital Strategy, directorates are reminded of the need to ensure access to sufficient skills and capacity both within the Council and externally in

order to deliver the investment programme. Such capacity may be project management skills, technical and design skills, availability of contractors and their capacity as well as wider market factors.

- The MTFP section of the snapshot shows that the financial outlook remains challenging, with significant additional savings requirements over the medium term. The approach to managing these is set out in the MTFP at Annex 1.
- Based on the proposed capital programme, the projections of the capital-financing requirement show a significant increase over the medium term. This reflects commitments in previous budgets such as 21st Century Schools and the new house-build programme, as well as new commitments approved in 2020/21. This results in a borrowing requirement and the costs of servicing this will need to be managed as part of the Council's MTFP and over the longer-term.
- The local affordability indicator shows capital financing costs as a ratio of controllable budget. The gross indicator reflects total capital financing requirement, whilst the net indicator recognises that some of these costs will be met either from Invest to Save (ITS) income, or specific directorate budgets. The indicator is showing a decrease from previous years. This is primarily a result of revised capital financing budget assumptions, a positive 2020/21 Revenue Funding Settlement, and more optimistic assumptions regarding future Aggregate External Financing and rent policy. The latter are clearly assumptions, any adverse change in which may have a significant impact on the outlook for this indicator.

48. In order to ensure there is a resilience cover against areas that can be unpredictable or volatile, the 2020/21 budget proposals will include specific contingencies. These reflect:

- The difficulty in modelling potential increases in the number and complexity of Looked After Children Placements.
- Market volatility in respect of recycling materials.
- A CTRS contingency to reflect potential changes in the volume of claimants. This also includes an additional £1.432 million to reflect the proposed increase in the rate of Council Tax.
- A contingency to reflect the fact that during the year there will be an outcome to a review of the pricing model in respect of building services.

49. The Council will also maintain its General Contingency of £3 million in 2020/21. In the past, this was specifically held to protect the Council against late or under-delivered savings. The savings requirement for 2020/21 is lower than in previous years, and the revised approach to identifying and implementing savings should offer greater assurance with regard to their successful and timely delivery. However, it is not proposed to reduce the general contingency for 2020/21 for the following reasons:

- The position over the medium term is uncertain, and the lower savings requirement for 2020/21 cannot be assumed to become the norm.
- The exposure to additional cost in relation to demand-led services, where that demand is difficult to predict.

- The comparatively low level of the Council's reserves.
50. The level of the contingency will be reviewed over the medium term, based on ongoing monitoring of the delivery of savings and directorate expenditure, and once funding (and therefore savings requirements) over the medium term are more certain. As outlined above, the Council plans to take opportunities to increase its earmarked reserves where appropriate, and this would provide an additional level of assurance in potentially reducing this contingency in future. If the contingency is not required in full or part next year, it will itself assist in providing such an increase to reserves.
51. Appendix 9 (b) contains a summary of the financial resilience challenges facing the Council, along with mitigating actions. These challenges are regularly reviewed as part of financial resilience updates, the budget monitoring process and through the maintenance of the Corporate Risk Register, both of which are regularly reported to the Council's Senior Management Team (SMT), Cabinet and Audit Committee. The Section 151 Officer will continue to highlight the financial standing of the Council on a regular basis as part of Members' overall awareness of financial matters.
52. A key factor in relation to the Council's financial resilience is its General and Earmarked Reserves. These are considered in the next section of the report.

Reserves

53. The Council's strategy for holding and using reserves is set out in its Financial Procedure Rules. CIPFA recommended accounting practice requires the Section 151 Officer to create a protocol for reserves and balances that covers their purpose, the ongoing validity of that purpose and the approval process for transferring funds to and from reserves. The Council's Audit Committee considered and noted the Council's protocol in November 2017.
54. Members, following advice provided by the Section 151 Officer, will consider the level of reserves held and whether any should be used to support the budget setting process. There is no statutory minimum regarding the level of reserves that should be held. Instead, decisions should reflect the individual position of each council. Members are made aware that over-reliance on reserves to fund the budget should be avoided for a number of reasons. Firstly, reserves are a finite resource and so their use to fund ongoing commitments creates a gap in the finances of future years. Secondly, benchmarking shows that Cardiff's reserves are comparably low for an authority of its size. Thirdly, earmarked reserves are set aside for a specific purpose, which would be compromised if they were used in support of the budget.
55. After considering the above, Cabinet propose to release a sum of £0.750 million from reserves in support of the budget. This amount can be accommodated from the Strategic Budget Reserve, which was set up

specifically to support financial resilience and the budget requirements of the Council over the medium term. This sum is considered to strike an appropriate balance between supporting services next financial year, and the continued ability to set balanced budgets in the longer term. The use of this sum is reflected in Appendix 10, which outlines the level and anticipated movements on each of the Council's General Fund earmarked reserves, in accordance with their purpose.

56. Appendix 10 also sets out the anticipated position on the Council's General Reserve. The General Reserve is maintained to help cushion the impact of unexpected events or emergencies. The balance on the Council's General Reserve as at the end of 2018/19 was £14.255 million, and it is anticipated that this balance will remain unchanged in the current financial year. In the context of the need to maintain financial stability and flexibility moving forward, on the advice of the Section 151 Officer, it is Cabinet's intention not to make any use of the General Reserve to fund the 2020/21 Budget.
57. The Council holds other reserves, which are ring-fenced for specific use and cannot be used in connection with the Council's overall budget. These include HRA earmarked reserves, which are set aside to fund specific HRA projects and the General Housing Reserve, which is the HRA equivalent of the Council's General Reserve. Details on the projected levels of HRA reserves are set out in Appendix 10.
58. The Council's balance sheet also includes school balances. These represent the accumulated surpluses or deficits generated by individual schools. Schools' balances are not available to support the Council's Budget Strategy however they still form a part of overall financial resilience. Whilst deficit balances present a risk to financial resilience, and the Council should take steps to ensure that these are managed over time, schools should also not hold excessively large balances. The Council is able to intervene to address both issues should it feel there is cause to do so.
59. As at 31 March 2019, net school balances stood at a total surplus of £5.7 million, representing a reduction of £1.7 million on the previous year's figure. Within this net figure, 12 schools held deficit balances. All schools holding deficit balances have recovery plans in place, which demonstrate that the deficits can be eradicated within agreed timescales, and are specific to each school's situation.
60. The Section 151 Officer has considered the 2019/20 budget monitoring forecast and the 2020/21 Budget, including contingency budgets, and is satisfied that the projected level of reserves at 31 March 2020 is sufficient to allow the £0.750 million contribution to the 2020/21 Budget, and that the projected level of reserves remains adequate to 31 March 2021.

Medium Term Financial Plan and Strategy

61. The Council's MTFP for the period 2021/22 – 2024/25 is contained in Annex 1 to this Report. It should be noted that there are a number of inherent uncertainties. In particular, no indicative AEF figures are available beyond 2020/21 and these are a key variable in the MTFP.
62. In light of the better than anticipated 2020/21 Local Government Settlement, funding assumptions within the MTFP are more positive than in previous years. However, for prudence they do not assume funding increases at the level received in 2020/21 particularly as the Ministerial statement that accompanied the settlement indicated that the positive 2020/21 position "does not mean that austerity is over." Funding assumptions will need to be kept under close review as additional information becomes available, including the potential impact of the UK Budget on 11th March 2020.
63. Notwithstanding the more favourable funding assumptions, the MTFP still identifies a significant budget gap over the medium term. This is because inflationary pressure and demand for services are anticipated to be greater than funding increases. The table below summarises the anticipated budget gap over the medium term.

Financial Year	£000
2021/22	19,208
2022/23	17,100
2023/24	21,432
2024/25	15,689
TOTAL	73,429

64. The MTFP notes that, in order to continue to protect the Council's ongoing financial resilience, the approach to identifying the savings requirements outlined above will need to:
- continue to review and challenge all directorate budgets, and to require baseline efficiencies from all services
 - embed a proactive and ongoing approach to identifying and implementing savings, which moves beyond an annual process and takes opportunities as they arise
 - continue to accelerate detailed planning and preparatory work to improve the deliverability of savings
 - identify opportunities to work across directorates and in partnership with other organisations
 - continue to maximise income streams and explore the potential for new income streams, particularly where services are not universal
 - target productivity savings to ensure that optimum value for money is achieved within scarce resources, including making best use of digital technology
 - consider the level at which it is affordable to continue to subsidise services of a more discretionary nature.

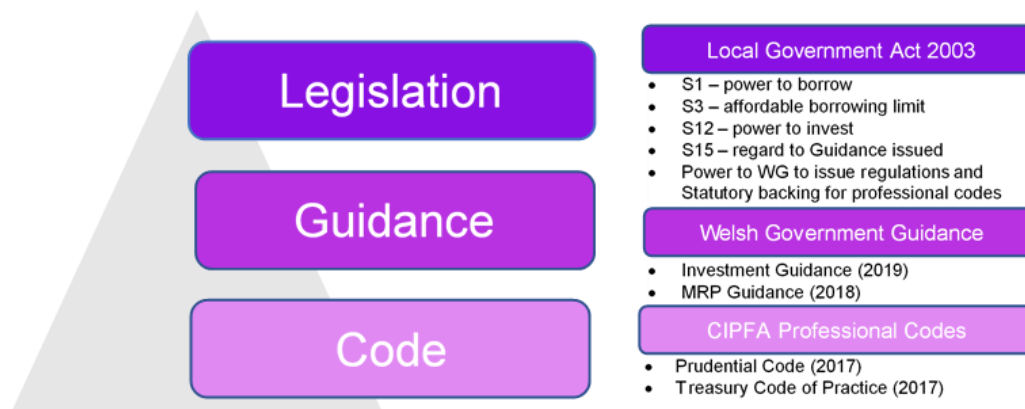
65. Further work on developing a fully defined set of proposals for 2021/22 in particular, will take place during the spring in order to inform the 2021/22 Budget Strategy Report which will be considered by Cabinet in July 2020.

Ring-fenced Accounts

66. The Local Government and Housing Act 1989 places a statutory duty on local authorities to maintain a separate Housing Revenue Account (HRA) for the costs associated with the management and maintenance of Council dwellings. The account is ring-fenced, which means that local authorities must not subsidise costs relating to Council Housing from the General Fund, and vice versa.
67. Annex 2 contains key budgetary information in respect of the HRA including:
- The proposed HRA budget for 2020/21
 - The Medium Term HRA Financial Plan
 - The HRA Capital Programme
 - The Council's Rent Policy for 2020/21, including details of tenant consultation
 - The Annual Assessment of Affordability of rents as required under the terms of WG's Rent Policy
 - Key Assumptions, Risks and Uncertainties
68. This report contains recommendations with regards HRA Rents for 2020/21. As noted above, the proposals are set out in Annex 2, which also includes details of the tenant consultation that was undertaken. An Equality Impact Assessment has been carried out and did not identify any issues.
69. Other ring-fenced areas of the Council's accounts include the Civil Parking Enforcement Account and the Activities Transferred from Cardiff Bay Development Corporation including Cardiff Harbour Authority. Budgetary information in respect of these areas is set out in Appendices 11 and 12 respectively.

Capital Strategy and Treasury Management Strategy 2020/21

70. The Capital and Treasury Management strategies are an integral part of the Council's Strategic and Financial Planning Framework. They are developed and in line with the CIPFA Prudential Management and Treasury Management Codes as well as statutory guidance issued both nationally and in Wales.



71. The CIPFA Prudential Codes have statutory backing and require the Council to determine a suite of indicators highlighting the longer term impact of capital investment decisions on the revenue budget, affordability, prudence and sustainability. Many of the indicators are 'required' indicators, but the Council also produces its own locally determined indicators to support decision making in line with best practice. The detailed indicators are highlighted in the respective strategies and Appendix 13 provides a guide to the indicators and their meaning.
72. The Section 151 Officer is required to report explicitly on the affordability and risk associated with the Capital Strategy and where appropriate have access to specialised advice to enable them to reach their conclusions. This statement is incorporated within the financial implications to this Report.

Capital Strategy 2020/21

73. The Council's Capital Strategy along with the detailed capital investment programme for 2020/21 and indicative allocations for future years, is set out in Annex 3 to this Report. Successfully delivering the commitments set out in Capital Ambition will require capital investment and having a capital strategy in place will support Members making capital investment decisions to deliver their priorities in an informed way. The Capital Strategy will provide a framework, which will:
 - provide a longer term view of capital expenditure plans whilst setting out all the financial risks to which the authority is exposed
 - ensure decisions can demonstrate sufficient regard to the long term financing, affordability implications and potential risks to the authority
 - provide an overview of the Council's asset management planning arrangements, which includes any maintenance requirements that have resource and business planning implications.
74. The Capital Strategy sets out the approach to various factors, as identified below, and covers the Council's approach to:

- **Working with partners** - recognising the enabling role played by the Council in delivering investment and the need for alignment with WG on a longer term and sustained approach to capital investment.
- **Asset Management Planning** - how the Council demonstrates stewardship of assets used in service delivery and the need to understand condition and alternative options as a basis for understanding investment requirements.
- **Risk Appetite** - the main areas where capital investment paid for by borrowing would be considered and how such decisions are informed by robust business cases.
- **Governance and decision-making** - identifying priorities for investment, securing value for money, and monitoring and reporting of the approved capital programme.
- **Capital Investment Programme** - the detailed five year capital investment programme proposed for 2020/21 to 2024/25.
- **Funding the strategy and investment programme** - the Capital Resources assumed to be used to fund the 2020/21 to 2024/25 investment programme.
- **Managing the borrowing requirement** - identifying the Capital Financing Requirement and setting out the strategy to manage Treasury activities including the borrowing requirement and treasury investments.
- **Prudent Minimum Revenue Provision (MRP) Policy Statement** - setting out the approach to provision for repayment of capital investment paid for by borrowing. As indicated in the budget report in February 2019, this has been reviewed, with a revised approach recommended for implementation for the financial year 2019/20 onwards. The reduction in revenue resources required in 2019/20 and 2020/21 will be made available to strengthen the Local Authority's financial resilience in respect of capital and treasury, through the development of a Treasury Management Reserve. The change in approach was considered by Audit Committee in January 2020 and is available as a background paper.
- **Affordability** - understanding the impact of capital investment decisions on the Council's revenue budget and MTFP via the calculation of various prudential indicators.
- **Future years' strategy development** - highlighting areas of improvement in future years.

Capital Investment Programme 2020/21

75. The detailed programme includes:

- Annual sums such as disabled adaptations and expenditure to improve existing assets such as infrastructure and property.
- Allocations for specific projects approved in previous years.
- New capital investment proposed in the 2020/21 Budget.
- Assumptions for known external grants and contributions, which in most cases are subject to a bid process.
- Projects proposed to proceed on the basis of revenue savings, revenue income or other sources of retained income to repay initial

investment over time, including new schemes approved in 2020/21, subject to business case.

- The HRA programme, with a focus on maintaining investment to support the Welsh Housing Quality Standards, regeneration and new Council homes to meet the demand for good quality, affordable social housing.

76. New Capital investment projects proposed as part of the budget include:

- Additional support for disabled adaptations so allow people to live independently in their own home.
- Additional investment in highway and carriageway footway resurfacing in the medium term.
- Smart transport corridors.
- Subject to generating capital receipts, implementing the development strategy for the International sports village and a new bridge and link road as part of the Cardiff East Industrial Strategy.
- Subject to a further report to and decision of full Council, due diligence and other matters; a package of support for Cardiff City Transport Services Limited.

77. Capital investment proposed on the basis that existing budgets or income is to be generated to meet the capital financing costs over a prudent period include:

- Expansion of moving traffic enforcement activity, through the provision of additional cameras.
- The balance of consideration for the Red Dragon Centre site, subject to registering a planning application for the arena as well as contribution to the development of an arena.
- Smarter working, digital infrastructure and minor building adaptations to allow the consolidation into alternative Council buildings, including County Hall. A further report to Cabinet on core office proposals is planned during 2020/21.
- Setting an overall limit to be able to undertake effective lease versus buy option appraisal for the acquisition of vehicles

Major Development Projects

78. The Capital Programme proposed for 2020/21 is based on known commitments, and is in line with the Council's Capital Ambition and priorities. There are however, significant major projects covering schools, transport, housing and economic development initiatives that may have short, medium and long-term financial implications as well as consideration of alternative funding approaches. As options, business cases, risks and financial implications are determined these will need to be considered as part of annual updates to the Capital Strategy, the detailed Capital Programme and the Medium Term Financial Plan in future years. Implementation of capital schemes approved as part of the budget framework will need to be subject to the governance, financial, procurement and contract procedure rules set out in the constitution as

well as required Cabinet or Officer decision approval of business cases as relevant.

Treasury Management Strategy 2020/21

79. The Treasury Management Strategy is included at Annex 4 and covers the following areas:
- Borrowing to finance the cash requirements arising from the Council's Capital Programme.
 - Treasury investments and determining how short term cash flows will be safely managed to meet the Council's financial commitments and objectives.
 - The approach to Non-Treasury Management Investments, were these to be undertaken.
80. The strategy is an integrated strategy for the Council, which covers the HRA. It includes:
- The current treasury position.
 - Economic background and prospects for interest rates.
 - Borrowing, including:
 - policy
 - council borrowing requirement based on its capital expenditure plans and choice between internal and external borrowing and
 - borrowing strategy
 - Treasury management indicators and limits for 2020/21 to 2024/25 based on the proposed Capital Programme.
 - Investment policy and strategy, including security and investments approved for use.
 - Non-treasury investments and
 - Training.
81. The Council receives reports on the approach to treasury management at the start of the financial year, at mid-year and at outturn. Audit Committee Terms of Reference set out their responsibility to seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks. The Audit Committee considered a draft of the strategy at its meeting in January 2020.

Budgetary Framework

82. Under the Budget and Policy Framework Procedure Rules, the Council is able to specify the extent of virement within the budget and the degree of in-year changes. The Council's Financial Procedure Rules also allow virements within directorate budgets.
83. In addition to the virements shown above, the Section 151 Officer will also undertake all necessary technical adjustments to budgets and accounts during the year and reflect any changes to the accounting

structure as result of management and organisational changes within the Council.

84. As set out in the Council's Constitution, the Section 151 Officer will also undertake all necessary financial and accounting adjustments required in order to prepare the Council's Statement of Accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Reason for Recommendations

85. To enable Cabinet to recommend to Council approval of:
- The Revenue and Capital Budget and to set the Council Tax for 2020/21
 - The Budget for the Housing Revenue Account
 - The Capital Strategy
 - The Treasury Management Strategy
 - The Prudential Code of Borrowing Indicators for 2020/21 – 2022/23
 - The Capital Programme for 2020/21 and the indicative programme to 2024/25, delegating to the Section 151 Officer authority to bring forward or delay schemes within the programme to match resources where necessary
 - The Minimum Revenue Provision Policy for 2019/20 and 2020/21
86. To enable Cabinet to:
- Approve the level of fees and charges for Council goods and services for 2020/21
 - Approve the level of rent and charges for 2020/21 in respect of council houses, garages and other services charges
 - Note the financial challenges facing the Council as set out in the Medium Term Financial Plan
 - Note the opportunities for savings over the medium term and that officers will continue to develop them to inform the Budget Strategy Report in July 2020.

Financial Implications

87. Whilst the financial assumptions, basis and implications of the proposed Revenue and Capital Budget Strategy are set out within the detail of this report and appendices, this section provides an opportunity to summarise key aspects and to comment on the robustness of those details as the Council's Section 151 Officer.
88. The Revenue Budget Strategy for 2020/21 has been constructed in the context of a 4.1% increase in WG funding and a proposed 4.5% increase in Council Tax. The funding available through the WG grant is higher than anticipated and this has allowed for targeted investment and an opportunity to address base budget structural issues. It hasn't though avoided the need to make savings and the Council is still seeking to deliver savings across all areas, with the priority continuing to be the

need to maximise the delivery of efficiency savings and support transformation of our services for residents and visitors to the City.

89. Fees and Charges proposals have been built into the Revenue Budget Strategy for 2020/21 that reflect all applicable statutory requirements, adequately cover the cost of service provision and can help manage the demand for services.
90. The Medium Term Financial Planning position for the Council remains uncertain, primarily given the absence of WG grant information beyond 2020/21. The report and the MTFP (Annex 1) has set out the challenge clearly and based on a prudent assessment of funding, work will need to continue on identifying savings and opportunities for transformation beyond the traditional one-year budget cycle. Budget consideration and delivery is not an 'annual event' and for the 2020/21 Budget Strategy, more work has been done in-year to ensure the robustness of savings plans prior to this reporting stage and to begin to deliver savings on an ongoing basis.
91. The position reported last year in respect of purportedly under-declared landfill tax and work with HMRC remains ongoing. The position will be kept under review and a further update included in both the Council's Out-turn Report and the 2019/20 Statement of Accounts.
92. In terms of financial resilience, regular reporting to Members on budgetary and service performance is critical and the 'Financial Resilience Snapshot' provides a key summary analysis. Within this, the level of available reserves is a key strategy consideration and positive action has been taken in-year to increase some areas within earmarked reserves. Taking these opportunities to strengthen resilience are critical given the medium term financial challenges the Council is facing. In addition to earmarked reserves, the Council has maintained its General Contingency budget at the previous years' level and will prudently seek to review future year requirements based on ongoing monitoring of the delivery of savings and directorate expenditure, and once funding (and therefore savings requirements) over the medium term are more certain. The better than anticipated settlement has also meant that the Financial Resilience Mechanism is available to fund one off investment in-year but again this represents an important mitigation for any settlement volatility into the medium term.
93. The Capital Strategy contained within this report set out the current investment plans across council assets and also the funding arrangements that are in place. The Capital Programme at Cardiff continues to grow as new schemes are developed and delivered. Any additional schemes are though subject to robust business cases and are set in the context of overall affordability with regard to our Prudential Indicators. Regular reporting of performance against these indicators for Members confirms that the current and planned programme continues to

operate within the limits set. Clearly this position will be kept under constant review, in particular where the later years of the programme are refined as further information becomes available.

94. The Council has a statutory duty to ensure that the HRA achieves a balanced budget and this has been evidenced as part of this budget report.
95. The budget proposals have been set in response to the feedback from public consultation both in terms of the priorities set and savings that required specific consultation. The impact and link through to wider strategic priorities have also been highlighted and in particular how the budget is contributing to requirements in respect of the Future Generations Act.
96. Given the continuing challenges facing the Council, financial control continues to be of fundamental importance. It is vital that responsible officers take ownership of their budgets and that expenditure remains within approved levels. Compliance with financial rules and governance requirements is expected and this will continue to be monitored and reported on regularly as part of the Council's performance management arrangements.
97. In conclusion, as the Council's Section 151 Officer, the following comments are made in respect of the adequacy of the budget proposals in terms of their robustness and affordability:
 - I am satisfied that the Budget estimates are based on accurate and robust data modelling.
 - I believe the Revenue Budget Strategy for 2020/21 and the Medium Term Financial Plan set out a prudent and appropriate allocation of resources that balances the delivery of services whilst ensuring the continued financial resilience of the Council.
 - I am satisfied that the Capital Strategy sets out an investment programme that is deliverable, affordable and mitigates risk appropriately.
 - I am satisfied that the Council maintains a minimum level of General Fund balances at £14.255 million and this is appropriate in the context of all other available reserves, the challenges facing the Council in the medium term and the focus on maintaining and strengthening financial resilience.
 - I am satisfied that the level of available earmarked reserves is appropriate after allowing for planned use in 2020/21. The contribution to the Revenue budget gap of £0.750 million is also significantly less than that provided in 2019/20 (£2.750 million).
98. I believe the proposals set out in this report will allow the Cabinet to recommend to Council a Revenue and Capital Strategy that is balanced and robust.

Legal Implications

99. The body of the Budget Report sets out certain legal duties and constraints in relation to setting a balanced budget and Council Tax. They form part of the legal implications to which the decision maker must address its mind notwithstanding that they are not repeated in this section of the Report.

Budget Duties

100. The Local Government Finance Act 1992, as amended, ('LGFA 1992') requires the Council to set a balanced budget, including the level of the Council Tax. This means the income from all sources must meet the proposed expenditure. Best estimates must be employed to identify all anticipated expenditure and resources. The approval of the Council's budget and Council Tax, and the adoption of a final strategy for the control of the Council's borrowing or capital expenditure are matters reserved, by law, to full Council. However, the Cabinet has responsibility for preparing, revising and submitting to Council estimates of the various amounts which must be aggregated in making the calculations required in order to set the budget and the Council Tax; and may make recommendations on the borrowing and capital expenditure strategy, (pursuant to the Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007)).
101. Local authorities must decide every year how much income they are going to raise from Council Tax. This decision must be based on a budget that sets out estimates of what the Council plans to spend on services. As the Council Tax must be set at the start of the financial year and cannot be increased during the year, consideration must be given to risks and uncertainties and allowances made in funds for contingencies and reserves. The budget and the Council Tax must be set by 11th March in the preceding financial year. A failure to comply with the time limit may leave the Council open to challenge by way of judicial review. When the Council is considering its budget, it must have regard to the Section 151 Officer's report on the robustness of the estimates and the adequacy of the reserves in the budget proposals (section 25 of the Local Government Act 2003). This ensures that Members make their decision on the basis of authoritative advice. Members should provide clear reasons if they disagree with the professional advice of the Section 151 Officer. Members should note that, after the Council has approved its budget and Council Tax, it is possible for the Council to make substitute calculations during the year (although the basic amount of Council Tax cannot be increased), subject to certain provisos (s.37 LGFA 1992).
102. The Local Government Act 2003 establishes a system to regulate the capital expenditure and borrowing of authorities. The heart of the prudential borrowing system is the duty imposed upon authorities to determine and keep under review how much money they can afford to borrow. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) specify the Prudential Code for Capital Finance to which local authorities in Wales must have regard in setting

and reviewing their affordable borrowing limits (sections 3 and 5 of the 2003 Act). Regard must also be had to [the CIPFA Prudential and Treasury Management Code of Practice](#), as well as WG guidance in respect of Investments and the Minimum Revenue Provision.

103. The Local Government & Housing Act 1989 Part VI sets a statutory regime for housing finance. The Council has a general duty to review the rents of its houses from time to time and in fixing rents the Council must have regard, in particular, to the principle that the rents of dwellings of any class or description should bear broadly the same proportion to private sector market rents as the rents of dwellings of any other class or description. The review of the rents is a Cabinet function, and is undertaken with regard to the provisions of legislation, which governs housing finance. Rents for council houses are a credit to the HRA and outgoings a debit. The Council is under a duty to prevent a debit balance on the HRA which is ring- fenced. There are restrictions in the way in which the account can be operated and the proposals in this report must comply with these accounting requirements to ensure that the rent should be set so as to ensure that the Council is able to comply with its duty to prevent a debit balance arising on the HRA.

Cardiff Bus

104. The body of the report (paragraph 76) notes new capital investment projects proposed as part of the budget. One of the projects proposed, subject to a further report and decision of full Council, is a package of support for Cardiff City Transport Services Limited. Detailed legal advice will be provided on this matter when reported to Full Council for decision.

Civil Enforcement

105. Appendix 11 to the report notes that the income generated from car-parking fees, residents' permits, penalty charge notices and moving traffic offences (MTOs) will be used to fund the associated operational costs including the cost of the enforcement service. Further, that any surplus or deficit will be transferred to a separate account and can only be used for specific purposes in accordance with Section 55 of the Road Traffic Regulations Act 1984 ('1984 Act '). The report anticipates a significant surplus. It is apparent from the statutory provision that there is no requirement of revenue neutrality. That said, it is important to note that in making orders under the Road Traffic Regulation Act 1984 (as regards parking and other matters), the 1984 Act is not a fiscal measure and does not authorise a local authority to use its powers to charge purely in order to raise surplus revenue for other transport purposes. The approach to car-parking fees, residents' permits, penalty charge notices and moving traffic offences must be based on legitimate considerations that can be taken into account in accordance with the provision of the relevant legislation.

Equality Duty

106. The Council has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties) – the Public Sector Equality Duties (PSED). These duties require the Council to have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of ‘protected characteristics’. The ‘Protected characteristics’ are:
- Age
 - Gender reassignment
 - Sex
 - Race – including ethnic or national origin, colour or nationality
 - Disability
 - Pregnancy and maternity
 - Marriage and civil partnership
 - Sexual orientation
 - Religion or belief – including lack of belief.
107. As noted in the report, consideration has been given to the requirements to carry out Equality Impact Assessments in relation to the various saving proposals and EIAs have been carried out in respect of certain of the saving proposals, so that the decision maker may understand the potential impacts of the proposals in terms of equality. This assists the decision maker to ensure that it is making proportionate and rational decisions having due regard to the public sector equality duty. Where a decision is likely to result in a detrimental impact on any group sharing a Protected Characteristic, consideration must be given to possible ways to mitigate the harm. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of the legitimate public need to pursue the service remodelling to deliver savings. The decision maker must be satisfied that having regard to all the relevant circumstances and the PSED, the proposals can be justified, and that all reasonable efforts have been made to mitigate the harm. It is noted that Equality Impact Assessments (which include consideration of views and information obtained through consultation) are background papers to this report. The decision maker must consider and have due regard to the Equality Impact Assessments prior to making the decisions recommended in the report.

The Well-Being of Future Generations (Wales) Act 2015 ('The 2015 Act')

108. The 2015 Act places a ‘well-being duty’ on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible. In discharging its duties under the Act, the Council has set and published well being objectives designed to maximise its contribution to achieving the national well being goals. The well being objectives are set out in Cardiff’s Corporate Plan. When exercising its functions, the Council is required to take all reasonable steps to meet its well being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well being objectives and

must be satisfied that all reasonable steps have been taken to meet those objectives.

109. The well being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:
- Look to the long term
 - Focus on prevention by understanding the root causes of problems
 - Deliver an integrated approach to achieving the 7 national well-being goals
 - Work in collaboration with others to find shared sustainable solutions
 - Involve people from all sections of the community in the decisions which affect them
110. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <https://gov.wales/topics/people-and-communities/people/futuregenerations-act/statutory-guidance/?lang=en>

Employee and Trade Union Consultation

111. The report recognises that notwithstanding efforts to reduce impacts on staff resulting from the level of funding cuts imposed, there will be some staff reductions during the financial year 2020/21. Legal Services are instructed that: (i) engagement has been ongoing between Directors and Trade Unions to discuss budget saving implications and (ii) the Council has formally consulted with Trade Unions about the 2020/21 budget proposals and the likely impact on staff, particularly where posts are at risk of redundancy. Under the general law relating to unfair dismissal all proposals to make redundancies must involve reasonable consultation with the affected employees and their trade unions. In relation to any potential redundancies it is important that all required statutory notices are served. Due to the fact that the potential number of redundancies could exceed 20 posts Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 requires consultation to be undertaken with the Unions to include ways of avoiding the dismissals, of reducing numbers of employees being dismissed and or mitigating the consequences of dismissals. To this end Legal Services are instructed that consideration is being given to redeployment opportunities, VR and that consultations are ongoing. It is noted that the budget proposals also provide for the creation of posts.

Charging

112. Each proposal to make or increase charges must comply with the statutory framework (including primary and secondary legislation and any statutory guidance issued) relating to the activity in respect of which

charges are being levied, including any limitations on levels of charges. Where reliance is placed on the power to charge for discretionary services (Section 93 of the Local Government Act 2003), any charges must be set so that when the charges are taken as a whole no surpluses are made (i.e. the power is limited to cost recovery). Where activities are being undertaken for which charges are being made with the intention of producing surplus income, it is necessary to consider whether that activity is material and would amount to “commercial trading”. For commercial trading, the Council must develop a business case and establish an arms’ length company to undertake that activity (in accordance with the general trading power under Section 95 Local Government Act 2003), or identify another statutory power for a particular trading activity.

Consultation

113. Duties to consult certain stakeholders in respect of proposals may arise from a number of different sources. Members will note that the Council has engaged in consultations as part of the budget process as set out earlier in the report under the heading “Consultation and Engagement”. In considering this matter, Members must genuinely and conscientiously consider the feedback from each consultation and have proper regard to it when making any decision in relation to the subject matter of that consultation. Members should carefully consider the results of the consultation as set out in the Appendices to the report.

General

114. All decisions taken by or on behalf of the Council must:
- Be within the legal powers of the Council and of the body or person exercising powers on behalf of the Council.
 - Comply with any procedural requirement imposed by law.
 - Be undertaken in accordance with procedural requirements imposed by the Council e.g. procedure rules.
 - Be fully and properly informed.
 - Be properly motivated (i.e. for an appropriate, good and relevant reason).
 - Be taken having regard to the Council’s fiduciary duty to its tax payers as elected members are trustees of the public interest and of its statutory purposes for which public powers are conferred on them. This general duty requires the Council to act prudently and in good faith in the interests of those to whom the duty is owed.
 - Otherwise be reasonable and proper in all the circumstances

HR Implications

115. The Final Settlement, although a welcome improved funding position, has left significant challenges in the overall budgetary position. The final proposals are based on the outcome of the consultation exercise and the priorities set out in the Corporate Plan. The budgetary position as outlined in this report represents a necessary response to the identified budget shortfall.

116. Paragraph 33 and 34 of the Report sets out information regarding net decrease of 19.23 FTE Council posts overall made up of the deletion of 54.32 FTEs including the deletion of 11.4 FTE vacant posts, 34.17 FTE where voluntary redundancy or retirement applications have been approved, and 8.75 FTE posts to be determined. This has been offset, somewhat, by the creation of 35.09 FTEs.
117. Whilst the numbers of staff impacted by this budget proposal may not be as significant as in previous years, the Council retains a range of mechanisms designed to support the people implications of the Council's budget proposals. Through the continued use of such mechanisms, the Council will consistently work hard to reduce the number of compulsory redundancies wherever possible. In addition to redeployment, other mechanisms include use of flexible working policies plus access to skills support through the Cardiff Academy allowing employees to either refresh their existing skills or develop new skills in order to enhance their opportunities to find another role in the Council or externally.
118. The Trade Unions and employees have been consulted throughout the budget planning process and their comments have been considered. As part of the Council's commitment to partnership working, the Trade Unions and employees will continue to be consulted in all the proposals that impact on staff.

Property Implications

119. Property implications where known arising from the delivery of the proposed Capital and Revenue Budget Strategy actions have been set out within the detail of this report.
120. In particular, the proposed Capital Strategy for 2020/21 has set out a 5-year investment programme that aligns with the Council's asset management planning framework and balances the need to maintain the current asset base and deliver new investment opportunities. As well as project delivery, this strategy also notes the property implications with respect to funding availability, including the delivery of the capital receipts target.
121. The Strategic Estates department will continue to work with Service Areas to ensure that any adverse property impact through budgetary decisions is mitigated, but any unforeseen implications will be considered on a case by case basis and reported to Members if appropriate.

RECOMMENDATIONS

CABINET PROPOSAL

(a) Recommendations to Council

The Cabinet, having taken account of the comments of the Section 151 Officer in respect of the robustness of the budget and the adequacy of the reserves as required under Section 25 of the Local Government Act 2003, and having considered the responses to the Budget Consultation recommend that Council:

1.0 Approve the Revenue, Capital and Housing Revenue Account budgets including all proposals and increasing the Council Tax by 4.5% as set out in this report and that the Council resolve the following terms.

2.0 Note that at its meeting on 19 December 2019 the Cabinet calculated the following amounts for the year 2020/21 in accordance with the regulations made under Section 33(5) of the Local Government Finance Act 1992:-

a) 147,277 being the amount calculated in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995, as amended, as its Council Tax base for the year.

b)	Lisvane	2,499
	Pentyrch	3,316
	Radyr	3,841
	St. Fagans	1,592
	Old St. Mellons	2,047
	Tongwynlais	820

being the amounts calculated in accordance with Regulation 6 of the Regulations as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which special items relate.

2.1 Agree that the following amounts be now calculated by the County Council of the City and County of Cardiff for the year 2020/21 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

a) Aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (d) (including Community Council precepts totalling £445,570). £1,069,798,570

b) Aggregate of the amounts which the Council estimates for items set out in Section 32(3)(a) and (c). £414,317,000

c) Amount by which the aggregate at 2.1(a) above exceeds the aggregate at 2.1(b) above calculated in accordance with Section 32(4) as the budget requirement for the year. £655,481,570

- d) Aggregate of the sums which the Council estimates will be payable for the year into its Council Fund in respect of Revenue Support Grant, its council tax reduction scheme, redistributed Non-Domestic Rates.

£469,047,025

- e) The amount at 2.1(c) above less the amount at 2.1(d) (net of the amount for discretionary relief of £400,000), all divided by the amount at 2.0(a) above, calculated in accordance with Section 33(1) as the basic amount of Council Tax for the year.

£1,268.59

- f) Aggregate amount of all special items referred to in Section 34(1).

£445,570

- g) Amount at 2.1(e) above less the result given by dividing the amount at 2.1(f) above by the amount at 2.0(a) above, in accordance with Section 34(2) of the Act, as the basic amount of Council Tax for the year for dwellings in those parts of the area to which no special items relate.

£1,265.57

- h) The amounts given by adding to the amount at 2.1(g) above the amounts of special items relating to dwellings in those parts of the Council's area mentioned below, divided in each case by the amount at 2.0(b) above, calculated in accordance with Section 34(3) as the basic amounts of Council Tax for the year for dwellings in those parts of the area to which special items relate.

	£
Lisvane	1,283.58
Pentyrch	1,318.34
Radyr	1,298.44
St. Fagans	1,284.89
Old St. Mellons	1,287.83
Tongwynlais	1,293.62

- i) The amounts given by multiplying the amounts at 2.1(g) and 2.1(h) above by the number which in the proportion set out in the Council Tax (Valuation Bands) (Wales) Order 2003 is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D calculated in accordance with Section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

	A	B	C	D	E	F	G	H	I
	£	£	£	£	£	£	£	£	£
Area									
Lisvane	855.72	998.34	1,140.96	1,283.58	1,568.82	1,854.06	2,139.30	2,567.16	2,995.02
Pentyrch	878.89	1,025.37	1,171.86	1,318.34	1,611.31	1,904.27	2,197.23	2,636.68	3,076.13
Radyr	865.62	1,009.90	1,154.17	1,298.44	1,586.98	1,875.53	2,164.06	2,596.88	3,029.70
St. Fagans	856.59	999.36	1,142.12	1,284.89	1,570.42	1,855.96	2,141.48	2,569.78	2,998.08
Old St. Mellons	858.55	1,001.64	1,144.74	1,287.83	1,574.02	1,860.20	2,146.38	2,575.66	3,004.94
Tongwynlais	862.41	1,006.15	1,149.88	1,293.62	1,581.09	1,868.57	2,156.03	2,587.24	3,018.45
All other parts of the Council's Area	843.71	984.33	1,124.95	1,265.57	1,546.81	1,828.05	2,109.28	2,531.14	2,953.00

- 2.2 Note that for the year 2020/21, the Police and Crime Commissioner for South Wales has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwelling shown below:-

VALUATION BANDS

A	B	C	D	E	F	G	H	I
£	£	£	£	£	£	£	£	£
181.81	212.11	242.41	272.72	333.32	393.92	454.53	545.43	636.34

- 2.3 Having calculated the aggregate in each case of the amounts at 2.1(i) and 2.2 above, the County Council of the City and County of Cardiff in accordance with Section 30(2) of the Local Government Finance Act 1992 hereby sets the following amounts as the amounts of Council Tax for the year 2020/21 for each of the categories of dwellings shown below:-

Part of Council's Area

VALUATION BANDS

	A	B	C	D	E	F	G	H	I
	£	£	£	£	£	£	£	£	£
Area									
Lisvane	1,037.53	1,210.45	1,383.37	1,556.30	1,902.14	2,247.98	2,593.83	3,112.59	3,631.36
Pentyrch	1,060.70	1,237.48	1,414.27	1,591.06	1,944.63	2,298.19	2,651.76	3,182.11	3,712.47
Radyr	1,047.43	1,222.01	1,396.58	1,571.16	1,920.30	2,269.45	2,618.59	3,142.31	3,666.04
St. Fagans	1,038.40	1,211.47	1,384.53	1,557.61	1,903.74	2,249.88	2,596.01	3,115.21	3,634.42
Old St. Mellons	1,040.36	1,213.75	1,387.15	1,560.55	1,907.34	2,254.12	2,600.91	3,121.09	3,641.28
Tongwynlais	1,044.22	1,218.26	1,392.29	1,566.34	1,914.41	2,262.49	2,610.56	3,132.67	3,654.79
All other parts of the Council's Area	1,025.52	1,196.44	1,367.36	1,538.29	1,880.13	2,221.97	2,563.81	3,076.57	3,589.34

- 2.4 Authorise the Corporate Director Resources to make payments under Section 38 of the Local Government (Wales) Act 1994 from the Council Fund by equal instalments on the last working day of each month from April 2020 to March 2021 in respect of the precept levied by the Police and Crime Commissioner for South Wales in the sum of £40,164,662.
- 2.5 Agree that the Common Seal be affixed to the said Council Tax.
- 2.6 Agree that the Common Seal be affixed to precepts for Port Health Expenses for the period 1 April 2020 to 31 March 2021 namely

	£
County Council of the City and County of Cardiff	113,783
Vale of Glamorgan County Borough Council	12,817

- 2.7 Agree that notices of the making of the said Council Taxes signed by the Chief Executive be given by advertisement in the local press under Section 38(2) of the Local Government Finance Act 1992.
- 3.0 In accordance with the Local Government Act 2003, the Local Authority (Capital Finance and Accounting) (Wales) Regulations 2003 and subsequent amendments and the CIPFA Prudential Code and Treasury Management Codes of Practice:
- (a) Approve the Capital Strategy 2020/21.
 - (b) Approve the Treasury Management Strategy 2020/21 and authorise the Section 151 Officer to raise such funds as may be required to finance capital expenditure by temporary or long-term borrowing.
 - (c) Approve the Prudential Indicators for 2020/21 – 2024/25 including the affordable borrowing limit.
 - (d) Delegate to the Section 151 Officer the ability to effect movement between the limits for borrowing and long-term liabilities, within the limit for any year, and to bring forward or delay schemes in the Capital Programme.
 - (e) Approve the Minimum Revenue Provision Policy for 2019/20 and 2020/21
- 4.0 To approve the Budgetary Framework outlined in this report.
- 5.0 To maintain the current Council Tax Reduction Scheme as set out in this report.

(b) Matters for Cabinet Decision

The Cabinet, having taken account of the comments of the Section 151 Officer in respect of the robustness of the budget and the adequacy of the reserves as required under Section 25 of the Local Government, Act and having considered the responses to the Budget Consultation is recommended to:

- 6.0 Approve the changes to fees and charges as set out in Appendix 4 (a) and 4 (c) to this report.
- 7.0 Delegate authority to the appropriate Director in consultation with the appropriate Cabinet Member, the Section 151 Officer and the Cabinet Member for Finance, Modernisation & Performance, to amend or introduce new fees and charges during the year, subject, if necessary (having regard to the proposed change) to an Equality Impact Assessment and public consultation being undertaken and the results thereof being duly considered before the delegated authority is exercised.
- 8.0 Agree that the rents of all Housing Revenue Account dwellings (including hostels and garages) be increased by 2.7% having taking into account WG guidance.
- 9.0 Approve all service charges and the management fee for leaseholders as set out in Appendix 4 (b).
- 10.0 Agree that all Housing Revenue Account rent increases take effect from 6 April 2020.
- 11.0 Recognise the financial challenges facing the Council as set out in the Medium Term Financial Plan, and to note the opportunities for savings over the medium term.
- 12.0 Agree that in the event that final settlement differs from Provisional Settlement (as set out in paragraph 22 of the report), there will be a proportionate adjustment to or from earmarked reserves, and that the Section 151 Officer be authorised to prepare an addendum to the 2020/21 Budget to reflect the requisite changes.

SENIOR RESPONSIBLE OFFICER	Christopher Lee Corporate Director Resources
	14 February 2020

The following Annexes are attached:

Annex 1	Medium Term Financial Plan
Annex 2	Housing Revenue Account 2020/21 Budget and MTFP
Annex 3	Capital Strategy 2020/21 (including Capital Programme)
Annex 4	Treasury Management Strategy

The following Appendices are attached:

Appendix 1	Support for Strategic Priorities and Future Generations
Appendix 2	List of Specific Grants from Welsh Government (All Wales)
Appendix 3	Policy Growth Areas
Appendix 4	Summary of Fees and Charges (a) General Fund (b) Housing Revenue Account (c) Fees and Charges Appendix 4 (c) is exempt from publication because it contains information of the kind described in paragraphs 14 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972.
Appendix 5	Use of Financial Resilience Mechanism
Appendix 6	Changes for Cardiff Consultation
Appendix 7	Directorate Revenue Budgets
Appendix 8	Cabinet Portfolio Revenue Budgets
Appendix 9	(a) Financial Resilience Snapshot (b) Financial Risk and Mitigations
Appendix 10	Earmarked Reserves
Appendix 11	Civil Parking and Enforcement Account
Appendix 12	Cardiff Harbour Authority
Appendix 13	Guide to Prudential Indicators

The following background papers have been taken into account

- Budget Strategy Report & The Medium Term (July 2019)
- 2020/21 Budget Proposals - for Consultation (December 2019)
- The WG Provisional Local Government Settlement (December 2019)
- Equality Impact Assessment of Cardiff Council's 2020/21 Budget Proposals
- Details of Fees and Charges
- Revised Annual Minimum Revenue Provision (MRP) Policy For Repayment of Capital Expenditure (Appendix 2, Audit Committee Report, January 2020)