

## Management Commentary, Findings and Recommendations

### 1. Financial Resilience

Findings: Cardiff Council	Management Response:
<ul style="list-style-type: none"><li>• Currently, there are no major concerns about the Council’s financial resilience. However, the Council continues to face significant financial challenges over the medium term given the level of savings required, and the Council needs to have more of a focus on how it will narrow the gap over the medium term, including improving its savings planning</li> <li>• The Council has a medium-term financial plan based on reasonable assumptions but needs to consider how it is going to meet its longer-term funding gap, including strengthening the links between its transformation programme and its medium-term financial plan</li> <li>• Overall, the Council has managed its spend within budget but there is a pattern of overspending in some service areas</li></ul>	<ul style="list-style-type: none"><li>• Agreed</li><li>• More robust savings methodology introduced in advance of the 2020/21 budget with a focus on:<ul style="list-style-type: none"><li>○ Efficiency</li><li>○ Transformation / Service Change</li></ul></li><li>• Business case development strengthened, and no savings included in the budget strategy 2020/21 ‘at planning stage’</li><li>• Focus on identification and delivery of savings in year, not just as part of an annual budget setting process</li> <li>• Agreed – closer working underway between Performance, Finance, Risk and Service Planning ... both in terms of strategy planning and reporting</li><li>• Critical issue remains the annual nature of funding settlements inhibiting the ability to provide robust enough longer-term planning</li> <li>• Agreed</li><li>• Budget monitoring processes robust and identify / report over and under spends appropriately</li><li>• For the Budget Strategy 2020/21 realignments of budgets in some areas addressed some historic budget overspend areas e.g. waste, but volatility still exists in some areas e.g. Social</li></ul>

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<ul style="list-style-type: none"><li>• The Council has a track record of achieving the majority of its overall savings, but it will become increasingly challenging to deliver them in the future and the Council needs to strengthen its savings planning process</li><li>• The Council has not made any unplanned use of reserves to fund its revenue budget and its level of useable reserves has generally increased over time</li><li>• Council tax collection rates have generally improved over the past few years</li></ul>	<p>Services ... but more effective demand modelling is being developed</p> <ul style="list-style-type: none"><li>• Agreed that the delivery of savings is becoming more challenging which is in part a consequence of many service areas now at core levels following delivery of successive year reductions (cumulatively over £200m of savings in the last 10 years)</li><li>• As noted, for the 2020/21 budget strategy, no savings were included if only 'at planning stage' and new business case methodology was developed</li><li>• Agreed</li><li>• Noted that use of reserves is appropriate where planned e.g. to support the phasing of part year savings delivery</li><li>• Reserves are a key part of the Financial Resilience Snapshot reported regularly to Members (<i>example included at Appendix D extracted from the Medium Term Financial Plan reported to Council September 24<sup>th</sup> 2020</i>)</li><li>• Agreed but under constant review and an assessment is currently underway to assess whether the COVID-19 pandemic is having a significant detrimental impact on collection rates</li></ul>
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<ul style="list-style-type: none"> <li>The Council’s capital city status and major capital programme mean that it has a relatively high level of borrowing</li> </ul>	<ul style="list-style-type: none"> <li>Agreed but noted that it is ‘relatively high’ in comparison to others given the size of the Council’s Capital Programme requirements and number of major project developments</li> <li>The delivery of Major projects has the potential for a positive impact not only within the city, but also regionally and nationally</li> <li>All borrowing is undertaken in accordance with Prudential Code requirements and is supported only where it is affordable and sustainable</li> <li>Key Prudential Indicators are reported regularly to all Members and Audit Committee plays a key challenge and oversight role</li> <li>Key Prudential Indicators are included in the Financial Resilience Snapshot (<i>See Appendix D</i>)</li> </ul>
<p><b>Findings:</b> Financial Sustainability – Local Government</p> <ul style="list-style-type: none"> <li>Councils and the Welsh Government have worked well together to mitigate the impact of the pandemic to date but the future sustainability of the sector is an ongoing challenge Against a backdrop of existing funding pressures, the financial costs of the pandemic are unprecedented in modern times</li> <li>Some councils were better placed financially than others to respond to the challenges of the pandemic</li> </ul>	<p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>Agreed</li> <li>Positive engagement between councils and Welsh Government (along with other key stakeholders e.g. Health) has been critical in steering the sector through the crisis</li> <li>Welsh Government have supported all councils through a claims based process for the vast majority of additional expenditure and lost income as a result of the pandemic</li> </ul>

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<ul style="list-style-type: none"><li>• The cost of the pandemic to councils is significant, although a large proportion of the short-term impact has been mitigated through the provision of extra funding</li><li>• The financial challenges arising from the pandemic are numerous and go well beyond the more immediate and obvious costs of responding to the crisis</li></ul>	<ul style="list-style-type: none"><li>• Agreed</li><li>• Agreed</li><li>• Risk analysis for the 2021/22 Budget Strategy includes potential ongoing pressures and wider concerns that will continue to be monitored, for example:<ul style="list-style-type: none"><li>○ Failure of businesses / unemployment</li><li>○ Public Health Issues</li><li>○ Behavioural Shift</li><li>○ Demographics</li></ul></li></ul>
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