



# Governance and Audit Committee Financial Update 20<sup>th</sup> July 2021



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## To Cover

- Current Year Issues
- The Update of the Medium Term Financial Plan 2022/23 to 2025/26
- Other Financial Resilience Issues



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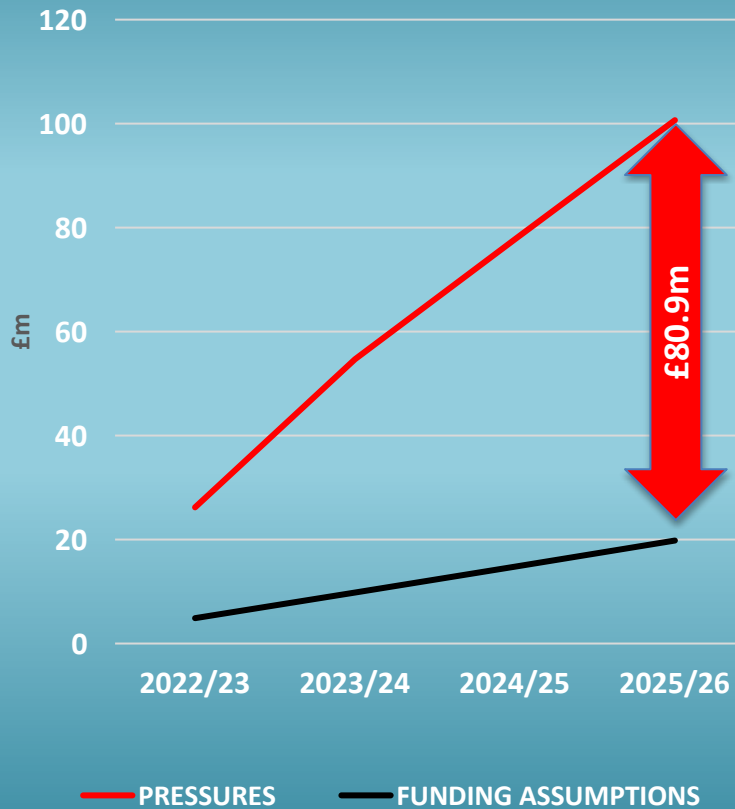
# Current Year

- COVID Hardship Support funding - confirmed for first 6 months of year – i.e. to end of September 2021
- Recently completed a WLGA survey for the six months beyond that. For that period, this indicated:
  - Potential for ongoing COVID-19 associated expenditure of up to £13m
  - Potential income loss of between £8m and £12m
  - Ongoing risks are significant - need to manage these this year and into 2022/23
- Recent series of Budget Challenge sessions. Focussed on key financial issues with link through to performance. Covered:
  - Emerging in-year position
  - Budget Hotspots for each directorate
  - A forward look to 2022/23 savings proposals
  - Critical modelling work required for the medium term
  - Capital
- Next Steps
  - Month 3 position will be available shortly
  - Will need to be an early and continued focus on managing areas of key financial risk
  - Delivery of the in-year position is critical – for this year - but also to manage next year’s budget gap.
  - Unaddressed issues will increase the budget gap and 2022/23 savings requirements



# Medium Term Financial Plan – Overview and Context

## Modelling of Budget Gap 2022/23 - 2025/26



### Economic Context

- Unprecedented UK debt from responding to the pandemic.
- How will this be addressed in future UK budget rounds?
- Business failures - may affect NDR yield and contributions to the All Wales Pool (which fund RSG)
- Means that funding assumptions are a risk

### Unemployment

- Job Retention Scheme (JRS) due to end 30 Sept 21 - potential impact on unemployment rates
- Projections are more optimistic than previously, but rates expected to peak at end of 2021
- May impact demand for Council Tax Support and Free School Meals in particular, plus other services

### Demand

- Lasting impact of C19 on demographics yet to be seen
- Adult Social Care (difficult to gage), increasing no's of Looked After Children, Pupil Numbers (Secondary, Special & SRB, reductions in Primary), LDP
- Potential for demand to be driven by increased unemployment (FSM, CTRS) as already noted above

### Links to Capital Programme

- MTFP needs to take account of capital financing costs including re: investment in School Estate, interim support for Arena
- Supply and contract price increases on capital works cost and delivery - to be kept under review
- **Risks** - post-Covid Risks and Recovery, plus more general risk - outlined on later slide



# Updated Medium Term Financial Plan

Gap	Medium Term Budget Gap				
	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	TOTAL £000
Employee Related	6,802	7,563	7,619	7,695	29,679
Prices	4,225	4,050	3,405	3,450	15,130
Commitments	42	762	(190)	445	1,059
Capital Financing	2,972	6,081	3,304	1,798	14,155
Demographic Pressures	8,862	7,034	5,939	6,520	28,355
Financial Pressures	3,286	3,000	3,000	3,000	12,286
Funding	(4,879)	(4,928)	(4,977)	(5,027)	(19,811)
<b>Total</b>	<b>21,310</b>	<b>23,562</b>	<b>18,100</b>	<b>17,881</b>	<b>80,853</b>

Strategy	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Council Tax *	6,300	6,552	6,814	7,086	26,752
Savings	15,010	17,010	11,286	10,795	54,101
<b>Total</b>	<b>21,310</b>	<b>23,562</b>	<b>18,100</b>	<b>17,881</b>	<b>80,853</b>

\* Currently modelled at +4% but subject to ongoing review

## Notes on Gap

- Updates since Feb - pay, pricing and some areas of demand - latter in particular will need ongoing review
- Funding - assumes +1% per annum. Each 0.5% change in RSG = £2.439m
- Council has a financial resilience mechanism - £3.8m
- See next slide for C-19 issues to monitor

## Strategy

- Council Tax – modelling assumption at this stage - to be kept under review.

## Savings

- Further breakdown of 2022/23 below:

Savings	£m
Directorate Efficiency Savings	5.606
Schools Efficiency Savings (1%)	2.566
Policy / Transformation Savings	2.788
Corporate Savings and Strategies	4.050
<b>TOTAL</b>	<b>15.010</b>

- Efficiencies of up to 2.5% - to be implemented in year where possible
- Schools growth of £2.8m (+1.1%) after efficiency
- Recovery period for income budgets - less scope than in previous years
- Quantum means policy / transformation proposals required
- EOI in VR – mindful of future shape of operations and business need
- Consultation – to commence with Ask Cardiff, plus consultation later in the year



# COVID 19 Risk Assessment

Wider Issue	Potential Implications for Cardiff Council	Risk
Failure of businesses / Unemployment	<ul style="list-style-type: none"> <li>• Free School Meals - any eligibility increase</li> <li>• Potential increase in Council Tax Reduction Scheme Demand</li> <li>• Potential need to increase Bad Debt Provisions</li> <li>• Vacancies in investment estate</li> <li>• Potential reduction in council tax collection rates</li> <li>• Business Rates yield - could affect funding assumptions</li> </ul>	R
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Public Health Measures	<ul style="list-style-type: none"> <li>• Longer term loss of income - venues etc.</li> <li>• School catering</li> <li>• Provider and Supplier viability / support</li> <li>• Any learning needs catch up (post schools closure)</li> <li>• The need for PPE requirements will be reviewed</li> <li>• Cleansing - schools and offices</li> <li>• School transport</li> </ul>	R
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Behavioural Shift	<ul style="list-style-type: none"> <li>• New ways of working / transport - impact on Cardiff Bus</li> <li>• New ways of working / transport - impact on Parking &amp; CPE income</li> <li>• New ways of working - Office and ICT requirements</li> <li>• Financial impact of any strategies developed for new normal</li> <li>• More emphasis on outside space - maintenance / cleansing</li> <li>• Waste - potential switch in streams.</li> </ul>	R
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Demographics	<ul style="list-style-type: none"> <li>• Increased numbers of Looked After Children Placements</li> <li>• Difficulty predicting demand – particularly in Adult Social Care</li> <li>• Homelessness</li> </ul>	R
		RA
		A

## COVID-19

- This table summarises some of the identified Covid-19 related risks from a financial perspective. The Report contains a fuller list.
- At present, Covid-19 hardship funding is only confirmed for the first half of 2021/22
- In these areas there will be a need to determine at the earliest opportunity, areas where Government support / directorate recovery plans are insufficient / unable to address ongoing issues.

## Other Risks and Sensitivities

- The Report contains a number of other areas that will be monitored for their impact on the MTFP

