

Date: 14 July 2022

Councillor Chris Weaver,
Cabinet Member, Finance, Modernisation & Performance,
Cardiff Council,
County Hall,
Cardiff
CF10 4UW



County Hall
Cardiff,
CF10 4UW
Tel: (029) 2087 2087

Neuadd y Sir
Caerdydd,
CF10 4UW
Ffôn: (029) 2087 2088

Dear Chris,

PRAP Scrutiny Committee 13 July 2022: Budget Strategy 2023/24

Thank you for attending Committee on 13 July 2022 to present the Budget Strategy for 2023/24. Please also pass on my appreciation to Chris Lee and Ian Allwood for presenting and answering Members questions at the meeting. The Committee and I particularly welcome your attendance in person. I have been asked to pass on Members' comments and observations following discussion as follows.

Economic pressures

Members were of the view that the Budget Strategy 2023/24 report is an excellent presentation of the Council's financial planning position. We note there is a £29m budget gap to fill against the backdrop of a volatile economy, inflationary pressure, energy, fuel, food, employee costs, and capital financing increases. We were, therefore, pleased to hear that a strong message has gone out to Directors that, this year more than ever, it will be critical to manage budgets efficiently. We note that to close the budget gap will require a £24m saving.

Inflationary challenges

The Committee is interested in the Council's exposure to inflationary pressures and is seeking an understanding of how exposed the Council is to inflation volatility. We understand that inflation is currently 9%, and we note that the Council's treasury advisors consider inflation will peak at 11%, before falling to around 4% and 2.5% by 2024/25. We therefore welcome the Corporate Director Finance's offer to further examine this with his team and provide a written response. Our specific question is whether the Council is experiencing higher inflationary challenges in council expenditure compared to the macro average.

Contingency Fund

The Committee notes that over the past 10 years this Council has been required to reduce spend by £200m, which represents a third of the total budget in real terms. Bearing in mind the volatility of the economy we are keen to ensure contingency funds are sufficient. We note they sit at £2m, with increased contingency budgets specific to Children's Services and Adult Services and additional contingency from the Covid Hardship Fund.

Demand for Council Services

The Committee highlighted the decreasing birth rate and resultant implications for Council services. We note that primary school numbers are currently reducing, which will impact on secondary numbers going through the education system, and overall numbers are expected to fall longer term. We also note that changes in the population impact on the financial settlement the Council can expect to receive from Welsh Government.

Community Asset Transfers

Members are interested in the success of Community Asset Transfers over recent years, and whether the savings achieved were as the Council had anticipated. We note that these have slowed in recent years. We would welcome the opportunity to look more closely at this as part of our work programme and request that you provide the Committee with a summary, including figures, of the savings that have been made to the Council's budget as a consequence.

Process of identifying savings

Members noted that Directorates are now tasked with identifying savings proposals to meet the savings requirement, ideally digitalisation efficiencies and, where possible, income generation proposals rather than service change proposals. We note that where savings are taken, they are not necessarily at the same level across all Directorates. We also note that savings will be policy led, taking into account the Stronger Fairer Greener statement to determine where budget priorities should lie. We recognise that the timing of the provisional settlement is critical and, if close to Christmas, can make identifying how best to close the gap and deliver a budget more difficult in a period of 8-10 weeks.

Modelling the Budget

The Committee asked what estimates are used to ensure the Council is prepared if the settlement arrives late. We note prudence levels and a budget line of £3m to deal with emerging pressures. We saw evidence of an intent to ensure the Council is ready for any risks and an acknowledgement that the emerging pressures line may need to grow depending on public sector pay awards.

To re-cap, the Committee made a number of requests for information as set out below.

Requests following this scrutiny:

- A written response, following further examination, as to whether the Council is experiencing higher inflationary challenges in council expenditure compared to the macro average.
- A written summary, including figures, of the savings that have been made to the Council's budget as a consequence of Community Asset Transfers.

Finally, on behalf of the Committee, I thank you and the officers for your support for the internal challenge of important issues that can improve the quality of services the Council is delivering to its customers. I look forward to your response.

Yours sincerely,



COUNCILLOR JOEL WILLIAMS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc Members of the Policy Review & Performance Scrutiny Committee;
Leaders of Opposition Parties – Adrian Robson, Rhys Taylor & Andrea Gibson
Chris Lee, Corporate Director Resources;
Ian Allwood, Head of Finance;
Mr David Hugh Thomas, Chair, Governance & Audit Committee.
Chris Pyke, OM Governance & Audit.
Tim Gordon, Head of Communications & External Relations.
Jeremy Rhys, Assistant Head of Communications and External Affairs.
Alison Taylor, Cabinet Support Officer
Joanne Watkins, Cabinet Business Manager;
Andrea Redmond, Committees Support Officer.