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Governance & Audit Committee Financial Update

24th October 2023



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Month 4 Overview



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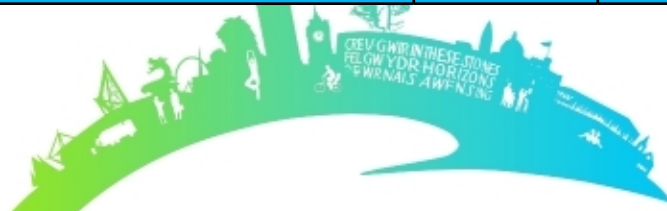
Revenue Position Month 4 – Projected Overspend of £6.5 million



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Directorate	£000	Pressure Areas
Corporate Management	(40)	
Economic Development	1,800	Saint David's Hall, Functions Catering, Cardiff Castle (income), Property Services, Sport & Leisure
Recycling & Neighbourhood Services	200	Segregated waste trial expansion, vehicle damage costs, operational costs MRF & recycling centres
Education & Lifelong Learning	1,900	School Transport, Catering (pending UPFSM rebate), Out of County Places
Housing & Communities	0	Homelessness furniture storage, PPE, printing – position supported by reserve
Performance and Partnerships	(50)	
Adult Services	0	Domiciliary care hours, number & complexity of residential places – supported by contingency
Children's Services	2,975	Residential & bespoke care arrangements, staffing overspends - support from grant & contingency
Planning, Transport, Environment	200	Winter maintenance, planning fee shortfall, resident parking income shortfall, contract increases (CCTV)
Governance & Legal Services	537	Locum costs associated with filling vacancies
Resources	(65)	Microsoft licencing / software pressures - offset by underspends in other areas of service
Total Directorate Position	7,457	
Corporate Areas	(1,000)	Underspend on capital financing – delays in external borrowing requirements & higher interest on cash bals.
Total Council Position	6,457	



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Revenue Position Month 4



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- Robust management of budgets in 2023/24 is critical
- Month 4 does not reflect any impact of pay awards yet to be agreed for 2023/24
- A significant proportion of contingency budgets are already projected to be fully utilised
- A significant drawdown from reserves is already built into the position.
- Any unmanaged in-year issues will add to the already significant budget gap for 2024/25.

Further position (Month 6) will be reported to Cabinet in November



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Budget 2024/25



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Medium-Term Financial Plan (September Council Report)



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	Medium-Term Budget Gap				
	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	TOTAL £000
Employee Related	21,529	12,631	5,660	6,725	46,545
Prices	9,708	5,995	8,222	8,081	32,006
Commitments & Realignments	6,175	625	1,197	(107)	7,890
Capital Financing	5,591	4,099	2,378	2,970	15,038
Demographic Pressures	7,565	9,214	8,672	6,511	31,962
Financial Pressures	3,000	3,000	3,000	3,000	12,000
Funding	(16,808)	(3,057)	(3,072)	(3,299)	(26,236)
Total	36,760	32,507	26,057	23,881	119,205

Outline Approach	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	TOTAL £000
Modelled Council Tax (+3%)*	5,172	5,327	5,487	5,652	21,638
Savings Required	31,588	27,180	20,570	18,229	97,567
Total	36,760	32,507	26,057	23,881	119,205

Medium Term

- £119m gap estimated over four years to 2027/28
- Council Tax is for modelling purposes only
- Significant savings requirements – approaching £100m



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Drilling down - Budget 2024/25



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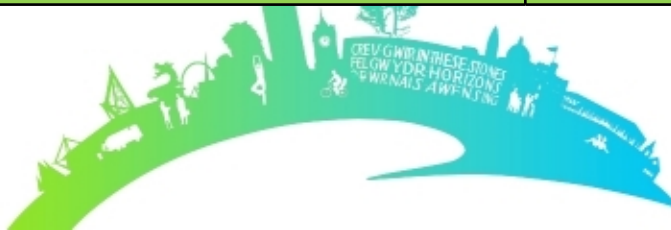


Budget Gap		£000
Elements of the Budget Gap 2024/25		
	Employee Related	21,529
	Prices	9,708
	Commitments & Realignments	6,175
	Capital Financing	5,591
	Demographic Pressures	7,565
	Financial Pressures	3,000
Gross Pressures		53,568
	Funding	(16,808)
Net Budget Gap		36,760
Draft Strategy		
	Modelled Council Tax (+3%)	5,172
	Savings Required	31,588
Total		36,760

- A £36.8m budget gap - £53.6m pressures less assumed funding increase of £16.8m
- Funding is based on indicative allocation from WG – not confirmed until Dec 20th
- There is a c £8.5m additional risk around Teachers Pensions - WG funding assumed
- + 3% Council Tax is for modelling purposes - this and other strategic factors including Schools position will be subject to further Cabinet consideration
- **Savings requirement c £32 million**
- The Gap and the associated savings requirement will increase unless the in-year issues in previous slides are effectively addressed.

Medium Term

- Reminder - Over the four years to 2027/28, the total estimated gap is £119 million – savings requirement almost £100m



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Factors to keep under ongoing review



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- **Pay Award Uncertainty** – both 2024/25 awards & earlier awards could have an ongoing impact into 2024/25.
- **Real Living Wage** - rate to be implemented by May 2024 will be announced later this year – could affect forecast pay & price (social care) pressure
- **Teachers Pensions** - outcome of the actuarial review and confirmation it will be fully funded.
- **Price inflation** - updated forecasts, specific cost drivers (RLW announcement, Crown Commercial Services pricing updates), CPI, plus impact of any contract renewals.
- **Cost of Care Exercise** - the outcome of the exercise due to be undertaken in 2023/24.
- **Capital Financing** – the impact of rolling forward the capital programme one year to 2024/25 – 2028/29.
- **Specific Grants** – the quantum of future grants relative to the existing cost base, together with any impact of the funding flexibility review.
- **Demand** – the ongoing impact of any emerging in-year pressures in key areas – homelessness etc.
- **In year monitoring issues** - cost pressures that emerge as part of the 2023/24 monitoring process will add to gap unless addressed.



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2024/25 - Key Actions



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- Robust in year monitoring and work across services to mitigate overspends
- Ongoing refinement of budget modelling for 2024/25 to assess savings requirements
- Continue to work across services to identify savings opportunities
- The new operating model for the Council will need to work with significantly less resources and will mean that we will have to take difficult decisions
- Set out savings in the Autumn – consultation requirements critical
- Late settlement details again expected from Welsh Government – 20th December



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