

Date: 15 July 2021

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



Dear Chris,

PRAP: 14 July 2021 - Budget Strategy 2022/23 & Medium Term Financial Plan

Thank you for attending the Policy Review and Performance Scrutiny Committee to facilitate pre-decision scrutiny of the Budget Strategy for 2022/23. Would you also please pass Members' thanks to the officers in attendance. We note that the provisional and final settlement dates remain December and March respectively but that you are working on closing the budget gap earlier than in previous years. Members reflected on the strategy at the end of the meeting and wish to pass on the following observations.

Financial resilience

The COVID-19 risk assessment listing potential risks to Council budgets (*point 38 of the Cabinet report*) paints a challenging picture. The Committee considers that the £40m placed in reserves at the Outturn 2020/21 should mitigate against these issues, at least in part. However we note the Corporate Director Resources view that the monies placed in general reserves represent just 1.2% of the Council's gross budget and, whilst improving financial resilience, does not address the baseline budget challenges ahead.

Financial modelling

The Committee notes that the budget strategy 2022/23 has been modelled on an Aggregate External Finance settlement of 1%. We consider this is pessimistic in light of a 3.8% settlement in 2021/22. We note your view that it represents prudent modelling and that naturally you will continue to lobby Welsh Government. We are however interested in the trends and **request** that you advise the Committee of the AEF settlement percentages for the previous 5 years.

COVID-19

Members are unclear as to whether the Council has budgeted for a further lockdown, and specifically the risk of employee absence. We note that some monies received from the Welsh Government Hardship Fund in the latter part of last year would provide a level of financial resilience.

Hybrid Working

Where possible Council officers have been expected to work from home during the pandemic outbreak, and the hybrid working proposals seek to capture more flexibility, potentially requiring new contracts. Members consider new arrangements should not be foisted on employees and significant consultation is required. We note you intend to work with staff and there is a programme of engagement in place, including a video illustrating hybrid working that you offered to share with us.

Capital Receipts

The 2018/19 Capital Programme set a £40m target for non-earmarked receipts for the period 2018/19 - 2022/23. The Budget Strategy report states that just £7.8m has been generated in the three years to 31 March 2021 towards this target, leaving a balance of £33.139 million to be found. Members consider this is a significant risk to the Council's borrowing requirement and future revenue budget and are keen to establish how it will be rebalanced. We note that the Property Strategy, to be published in the autumn, will include an update on capital receipt projections and will also need to link closely with the Budget Strategy. We note also that £40m is a rolling target and, whilst the Corporate Director Resources is not confident that £40m is achievable this year, the target may be stretched further. We **request** full and timely pre-decision scrutiny of the Property Strategy and how it aligns with the Budget Strategy.

Efficiency Savings targets

The 2022/23 budget strategy is modelled largely on savings (£15million next year). Directorates are expected to deliver up to 2.5% efficiency savings with back office functions attracting higher targets. The Committee notes you will differentiate across directorates depending on demand for their services, whilst expecting all directorates to meet any pay increases within existing budgets.

Requests following this scrutiny:

- We are interested in trends and request that you advise the Committee of the AEF settlement percentages for the previous 5 years.
- A copy of the video illustrating hybrid working.
- Full and timely pre-decision scrutiny of the Property Strategy and how it aligns with the Budget Strategy.

My thanks once again for your continuing commitment to the scrutiny process. I would be grateful if you would consider the above comments and provide a response to the content of this letter.

Yours sincerely,



**COUNCILLOR DAVID WALKER
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc Members of the Policy Review & Performance Scrutiny Committee
Cabinet Observers, Leaders of opposition groups
Chris Lee, Corporate Director Resources
Ian Allwood, Head of Finance.
Anil Hirani, Operational Manager
Julie Richards, Operational Manager
Tim Gordon, Head of Communications
Gary Jones, Head of Democratic Services
Joanne Watkins, Cabinet Office Manager
Alison Taylor, Cabinet Support Officer
Andrea Redman, Committee Support Officer