

Cyf/My Ref::

Eich Cyf/Your Ref:: T: Scrutiny/PRAP/Comm Papers/Correspondence

Dyddiad/Date: 24 February 2022

Cllr David Walker
Chairperson, Policy Review and Performance Scrutiny Committee
City of Cardiff Council
County Hall
Cardiff
CF10 4UW

Dear David

Policy Review & Performance Scrutiny Committee 23rd February 2022

Thank you for your letter dated 23 February 2022 and the useful comments raised. I can assure you that Cabinet was able to reflect on the points raised prior to our meeting on 24 February 2022.

Some specific comments in respect of the points made in relation to the Corporate Plan, Corporate Revenue Budget and Capital Programme are included below:

Corporate Plan 2022-25

The Committee's comments in relation to accessibility are noted and as requested, please find attached at Appendix A, a response to the recommendation made by your Committee in respect of the role of the Council's Communications Services. In summary, the recommendation is accepted, and the Service will be a key part in the development of the Citizen Engagement Strategy moving forward.

In respect of the Committee's second recommendation, Appendix A also contains the response in relation to seeking the views of local businesses wishing to engage with the Council's procurement system. In summary, the recommendation is accepted, and details will be included in the new Socially Responsible Procurement Strategy and progress against this will be reported annually.

Finally, following the discussion on customer and council services and access to services, Cabinet has escalated work being undertaken in this area as part of a managed transition to hybrid working. Therefore, a new step *"Introducing new customer service standards and working practices which ensure quality of service as part of the transition to hybrid working,"* will be included in the final draft post Cabinet of the Plan that goes to Council.

Corporate Overview of Budget Proposals 2022/23

GWEITHIO DROS GAERDYDD, GWEITHIO DROSOCH CHI

Mae'r Cyngor yn croesawu gohebiaeth yn Gymraeg, Saesneg neu'n ddwyieithog. Byddwn yn cyfathrebu â chi yn ôl eich dewis, dim ond i chi roi gwybod i ni pa un sydd well gennych. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

WORKING FOR CARDIFF, WORKING FOR YOU

The Council welcomes correspondence in Welsh, English or bilingually. We will ensure that we communicate with you in the language of your choice, as long as you let us know which you prefer. Corresponding in Welsh will not lead to delay.



The Committee's comments in relation to key strategic build elements within the budget are noted.

One specific was raised in relation to planned implementation of Free School Meals (FSM) for primary aged pupils. After referring the matter to Education Officers, the Council is working closely with Welsh Government as they develop their policy in this area and will report back to the Committee when an update is available which will also include an update on any implications on the Pupil Development Grant.

Capital Programme 2022/23 – 2026/27

The Committee's review and comments in respect of the Council's proposed Capital Programme for 2022/23 – 2026/27 are noted.

In respect of details requested in terms of borrowing, the Council carries out its borrowing activities resulting from its capital strategy in accordance with the Treasury Management Strategy approved by Council at the start of each financial year (with updates to both Council and Governance and Audit Committee during the year).

The Council does not undertake external borrowing for specific capital projects. It borrows to meet its overall Capital Financing Requirement and currently has a single pool of borrowing which includes the Housing Revenue Account.

The Treasury Management Strategy which is included at Annex 4 to the Cabinet budget papers includes significant detail in accordance with CIPFA Codes of practice in respect of the Council's borrowing strategy. Similar detail is included in the Council's Capital Strategy Annex 3.

To summarise, the following table included in the Strategy at Annex 3 shows the actual level of external borrowing currently held by the Council, external borrowing taken to date in 2021/22 and scheduled loan repayments in future years. It compares this to the projected need to borrow based on estimates and timing of the Council's capital expenditure, proposed MRP policy and indicative funding plans as set out in the budget report for 2022/23. This highlights the requirement for the Council to undertake further external borrowing in future years, however the detailed terms of any borrowing will be subject to interest rates, timing of any borrowing and progress on delivering the programme. Regular review of forecasts is undertaken throughout the year as well as annual updates of the strategies as part of the annual budget process.

Indicator							
Gross External Borrowing and the Capital Financing Requirement							
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
External borrowing at 1 April	829	811	857	838	840	836	830
Known / New borrowing	3	73	4	6	tbc	tbc	tbc
Scheduled repayments	(21)	(27)	(23)	(4)	(4)	(6)	(9)
External Borrowing at 31 March	811	857	838	840	836	830	821
Capital Financing Requirement	841	910	1,030	1,257	1,393	1,424	1,434
Shortfall / (Surplus) borrowing requirement	30	53	192	417	557	594	613
Requirement as % of CFR	3	6	19	33	40	42	43

In terms of the request for further information on the costs associated with servicing debt, the total cost projected for 2026/27 currently is £109M being repaid from General Fund and HRA Budgets, broken down as net General Fund Capital financing costs £41M, general expenditure undertaken on the basis of borrowing paying for themselves £29M and Housing Revenue Account £39 million. These projections will be subject to progress on projects, timing and rates of any borrowing requirement as highlighted in the Treasury Management Strategy for 2022/23 and future years.

All borrowing is undertaken in accordance with the CIPFA Prudential Code and CIPFA Treasury Management Code requirements in respect of affordability, prudence, proportionality, and sustainability of borrowing and numerous indicators are used to monitor and manage the position.

The affordability indicators referred to above and included in the Capital Strategy within the affordability section are replicated below.

In accordance with the principles of Invest to Save, the net ratio assumes that any costs of undertaking additional investment are recovered over time from directorate or other revenue budgets. A number of projects are being made on an invest to save basis, and you can see the net position if they progress according to the parameters set out in their approved business case. However we feel it is also important to note that we are also aware of and report the gross or worst case position which is felt prudent and affordable with mitigations in place.

A gross ratio is also calculated which indicates the gross capital financing cost i.e. it represents a worst-case scenario, highlighting the proportionality of such investment.

Indicator							
Ratio of Financing Costs to Net Revenue Budget Stream							
	2020/21 Actual %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %
General Fund – Net Capital Financing Budget	4.73	4.77	4.58	4.69	4.71	4.70	4.90
General Fund – Gross Capital Financing Budget	6.99	7.18	6.90	7.50	8.22	8.39	8.44
Housing Revenue Account (HRA) – Gross Capital Financing Budget	32.72	32.24	32.16	33.36	36.23	38.49	37.72

Two additional local indicators are also produced for the General Fund only, to support decision making and are shown in the tables below for the period up to 2026/27. The first indicator shows the ratio of capital financing costs expressed as a percentage of its controllable revenue budget. This excludes expenditure on levies, Council Tax support and delegated school’s budgets.

Indicator								
Capital Financing Costs expressed as percentage of Controllable Budget								
	2011/12 Actual %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	Difference 11/12-26/27 %
Net	13.47	11.23	9.83	10.14	10.19	10.21	10.68	(20.71)
Gross	15.17	16.83	14.73	16.11	17.66	18.12	18.34	20.90

The second additional indicator below for the General Fund and HRA highlights the impact of the increasing Capital Financing Requirement (Debt) as a ratio of the projected Net Revenue Stream. It is an indicator of financial sustainability and helps to explain the relationship of debt to the resources available to deliver services.

Indicator									
Capital Financing Requirement (Debt) as a ratio of the Net Revenue Stream									
	2011/12 Actual %	2020/21 Actual %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	
General Fund	0.72	0.82	0.84	0.89	1.07	1.13	1.10	1.06	
Housing Revenue Account (HRA)	2.24	3.78	4.13	4.43	4.97	5.39	5.41	5.35	

The Committee commented on the potential capital costs of the move to agile / hybrid working. This is being considered further and will form part of the review of Core Offices that will come forward later this year.

In relation to Section 106 funding, you requested some analysis is provided on current plans to utilise such funding for the school estate and the balance that would need to be found via the Council's own funding. The Director of Education will provide the Committee with a baseline position in respect to the schools identified in the LDP and will set out the next steps in terms of providing information including estimated cost, timescales and the other factors that need to be taken into consideration. The Children's and Young People Committee will continue to be updated with school building throughout the year.

Finally in response to the Committee's request for a list of highways improvements implemented across the City on a ward basis, the Director of Planning, Transport and Environment will collate the information required and as part of that exercise consider the level of detail that can be presented on a geographical basis. A response will be provided to Committee as soon as this is available.

I hope that this response captures all the points raised in your letter and thank you again for your support in the budget process.

Yours sincerely



Y Cyng | Cllr Huw Thomas
Arweinydd Cyngor Caerdydd | Leader, Cardiff Council



Y Cyngorydd/Councillor Christopher Weaver
Aelod Cabinet dros Gyllid, Moderneiddio a Pherfformiad/Cabinet member for
Finance, Modernisation & Performance

cc

Members of the Policy Review & Performance Scrutiny Committee

Paul Orders, Chief Executive

Chris Lee, Corporate Director Resources

Sarah McGill, Corporate Director, People & Communities

Ian Allwood, Head of Finance

Anil Hirani, OM Capital, Corporate & Treasury

Gareth Newell, Partnership and Community Engagement Manager

Dylan Owen, Head of Cabinet Office

Gary Jones, Head of Democratic Services

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

Joanne Watkins, Cabinet Support Office

Debi Said, PA to Leader

Appendix A

Recommendation	Accepted, Partially Accepted or Not Accepted	Cabinet Response	Responsible Officer	Implementation Date
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<p>1. That you ensure the Council's Communications & External Relations service is central to development of the Citizen Engagement Strategy.</p>	<p>Accepted</p>	<p>The Council's Communications & External Relations team have played an increasingly important role in the Council's consultation and engagement work, particularly over the course of the Covid-19 pandemic where the Council has had to rely predominantly on digital channel of communication. This will continue to be the case and they will be a central role in the development of the Citizen Engagement Strategy. Consideration will also be given to the production of an executive summary of the Corporate Plan in future years.</p>	<p>Gareth Newell</p>	<p>October 2022</p>
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<p>2. That a review process is set up to seek the views of local businesses which have engaged, or wish to engage, with Cardiff's procurement system, particularly those which are small in size and resources, to assess how accessible the application process is for small businesses.</p>	<p>Accepted</p>	<p>The new Socially Responsible Procurement Strategy is currently being drafted. Seven key principles have been agreed which will be central to what we do, one of these is "Making procurement spend more accessible to local small businesses and third sector".</p> <p>The new strategy will set out the actions the Council will take to deliver against each principle. The actions for the above are likely to include raising awareness of how to do business with the Council among local businesses; publishing the Contract Forward Plan online; better understanding of the local supply market by analysing spend data and business directories; undertaking targeted engagement with the Third Sector and local businesses; and working with Welsh Government and the Cardiff Capital Region to deliver a</p>	<p>Steve Robinson</p>	<p>July 2022</p>
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		<p>consistent procurement process.</p> <p>More detail on each action will be included in the supporting delivery plan. Progress will be reported on annually.</p>		
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