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Governance & Audit Committee Financial Update

10th September 2024



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To cover.....



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- Current Year Budget 2024/25
- The Updated MTFP Challenge
- The Approach Being Adopted Corporately
- Work Ongoing and Next Steps



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Current Year Budget 2024/25



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| Resources Required | £000 |
|---|-----------------|
| Base Budget Brought Forward | 806,474 |
| Pay Award | 7,671 |
| Price Inflation | 12,574 |
| Commitments (including Capital Financing) | 5,292 |
| Realignments | 12,421 |
| Demographic Pressures | 6,773 |
| Schools Pressure | 12,804 |
| Sub Total Cost Pressures 2024/25 | 57,535 |
| Impact on CTRS Budget of 6.0% Council Tax | 2,183 |
| Savings | (16,908) |
| Total Resources Required | 849,284 |

| Resources Available | £000 |
|---|----------------|
| AEF | 623,158 |
| Council Tax – 2024/25 Tax Base and 2023/24 Rate | 210,024 |
| Council Tax (before impact on CTRS) | 12,602 |
| Base assumption for Use of Reserves | 500 |
| Additional use of Reserves as part of strategy | 3,000 |
| Total Resources Available | 849,284 |

School budgets 46 schools in deficit (up from 37 in 2023/24)

Still no confirmation on Teachers Pensions



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Current Year Budget 2024/25



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- Month 4 position will be reported in the Autumn
- Pressures evident in several areas and being quantified:
 - Education
 - Including pressures in Home to School and Schools Catering
 - Children's Services
 - Pressure remains within External Placements given the increasing volatility in the Market
 - Economic Development
 - Income pressures continue eg linked to City Hall Functions and Catering
- Once finalised, report will be provided to Committee Members



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Budget Gap 2025/26



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| | Mar 2024 £000 | Updates £000 | Jul 2024 £000 |
|---|------------------|-----------------|------------------|
| Employee Costs | 11,643 | 2,452 | 14,095 |
| Price Inflation | 8,305 | 1,453 | 9,758 |
| Capital Financing* | 5,855 | 0 | 5,855 |
| Commitments & Realignments | 3,285 | 6,004 | 9,289 |
| Demographic Pressures | 7,360 | (1,000) | 6,360 |
| Emerging Financial Pressures | 3,500 | (3,500) | 0 |
| Estimated Additional 25.26 Costs | 39,948 | 5,409 | 45,357 |
| Funding – AEF & Reserves | 4,369 | 0 | 4,369 |
| Budget Gap | 44,317 | 5,409 | 49,726 |

* £1.090m offset by a contribution from schools towards band b and asset renewal

Budget Gap - £49.726 million

- Gap: Pressures of £45.357m plus assumed funding reduction of £4.369m
- Further info on components summarised in Q&A (Appendix 1 to Report)

Updates since March 2024

- Review of 2023/24 Outturn Position.
- Price inflation - latest inflation forecasts & recent renewal of contract arrangements for Microsoft Licences
- Update to employee costs to reflect current offers for 2024/25 re: NJC and Chief Officer pay awards
- An update to pay assumptions for 2025/26 in light of most recent inflation forecasts
- An update to energy pricing assumptions based on latest available indicative pricing and 2023/24 usage (a further reduction in prices)
- Sum previously available to emerging financial pressures has been removed to help offset the changes outlined above

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Factors to keep under ongoing review



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- **Pay Award Uncertainty** – current year awards yet to be agreed - could have an ongoing impact into 2025/26.
- **Real Living Wage** - rate to be implemented by May 2025 will be announced later this year – could affect forecast pay & price pressure (notably commissioned care)
- **Teachers Pensions** - an update on funding available to support the recent impact of the latest actuarial review on employers' contributions.
- **Price inflation** - updated CPI forecasts and other key cost drivers, plus the impact of any contract renewals.
- **Capital Financing** – the impact of rolling forward the capital programme one year to 2029/30.
- **Specific Grants** – the risk or grant fall out and real-term erosion of grant streams.
- **In year monitoring issues** - any cost pressures that emerge as part of the 2024/25 monitoring process.
- **Local Government Financial Settlement** – the extent to which Provisional Settlement differs from indicative funding allocations.
- **Council Tax Base** - the tax base for 2025/26 due for Cabinet consideration in December 2024, and any related AEF redistribution.
- **Post 16-ALN funding** – the adequacy of funding identified for the transfer of responsibility to Local Authorities from September 2025.
- **Packaging Extended Producer Responsibility (pEPR)** – the impact of proposed pEPR reforms which could generate an income stream for Local Authorities.



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Medium-Term Financial Plan



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| | Medium-Term Budget Gap | | | | |
|--|------------------------|-----------------|-----------------|-----------------|----------------|
| | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 | TOTAL £000 |
| Employee Related | 14,095 | 11,483 | 13,472 | 14,141 | 53,191 |
| Prices | 9,758 | 8,637 | 8,624 | 8,667 | 35,686 |
| Commitments & Realignment | 9,289 | 495 | 143 | 105 | 10,032 |
| Capital Financing (pre-schools Band B cont.) | 5,855 | 2,747 | 864 | (844) | 8,622 |
| Demographic Pressures | 6,360 | 9,946 | 7,824 | 5,154 | 29,284 |
| Emerging Financial Pressures | 0 | 3,500 | 3,500 | 3,500 | 10,500 |
| Funding – AEF & Reserves | 4,369 | 3,625 | (1,256) | (6,269) | 469 |
| Total | 49,726 | 40,433 | 33,171 | 24,454 | 147,784 |

| Outline Approach | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 | TOTAL £000 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Modelled Council Tax (+3.95%)* | 7,408 | 7,701 | 8,005 | 8,321 | 31,435 |
| Savings Required | 42,318 | 32,732 | 25,166 | 16,133 | 116,349 |
| Total | 49,726 | 40,433 | 33,171 | 24,454 | 147,784 |

Medium Term

- £148m gap estimated over four years to 2028/29
- Council Tax is for modelling purposes only
- Significant savings requirements – over £116m

Areas to keep under review for 25/26 equally apply to the medium term, plus:

- The ongoing economic outlook.
- Annual refresh of the Corporate Plan.
- Welsh Government’s eliminate profit agenda in the Children’s Care Sector.
- Welsh Government’s White Paper on Ending Homelessness in Wales.
- The Supreme Court ruling on section 117 aftercare.
- Review of NJC Pay Spine



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Service and Budget Review



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- Detailed work underway across Services
- Cross cutting issues also being considered:
 - Digital
 - Assets
 - Income
 - Workforce
 - Third Party Spend
 - Access to Services
- Work underway in each area to identify opportunities for 2025/26 and medium-term priorities.



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Renewed Staff Engagement



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- Leader has addressed Senior Management Forum and Cardiff Managers' Forum on Stronger, Fairer, Greener priorities and service change.
- Leader and Cabinet Members participating in face-to-face engagement with front line teams.
- Reinvigorated face to face and online management fora – focussed on Cabinet's policy priorities (City Development/Regeneration; Housing Emergency); Service and Budget Review process; live/emerging issues (e.g. Core Office).
- All staff survey planned for autumn.



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Next Steps



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- There has been a much earlier consideration of the budget challenge for 2025/26
- Budget / Service Reviews being completed by all Service Areas
- Exercise will inform our service review programme and budget build
- A programme of service change underpinned by robust business analysis and business cases, programme and project management, benefits realisation
- Challenge of the self-assessment returns and a fundamental review of our operating system as a Council in order that we to address the significant challenge in our MTFP
- Working with key stakeholders is critical Ongoing engagement needed



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