

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 30 January 2018

FINANCIAL UPDATE 2017/18

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM:

Reason for this Report

1. To provide the Audit Committee with an update on the Council's financial position.

Background

2. To assist the committee in understanding the current financial context within which the Council is operating, this report sets out an overview of the current monitoring position for 2017/18 and gives an update on the preparatory work for 2018/19 and the medium term.

Issues

Financial Monitoring

3. The Cabinet considered the Month Six Monitoring Report on 16 November 2017 and a summary of this was presented to the Audit Committee at its meeting on 28 November 2017. The next full Council monitoring report will be based on the position at month nine and this is due to be presented to Cabinet on 15 February 2018. For information, a summary of the month six monitoring position is set out below. The month six monitoring reported a balanced position and the key issues identified at month six are not expected to change significantly. Work is currently progressing on the month nine monitoring position and this will be reported to the Committee at its meeting on 27 March 2018, albeit a link to the report will be sent to Audit Committee members once it is published.
4. Overall, the month six revenue monitoring for the Council showed a balanced position against budget, an improvement of £883,000 compared to the position reported at month four. The improvement reflected management actions introduced to control expenditure in the current year together with in-year targeted savings identified by directorates. There was also a further increase in NDR refunds on Council properties.
5. The overall position continued to reflect a range of demographic, service and other financial pressures including shortfalls against budget savings targets in directorate budgets and a projected overspend in relation to capital financing costs. Projected savings in directorate budgets as a result of management actions offset these, together with a saving on Insurance budgets, the release of

contingency budgets, an anticipated surplus on Council Tax collection and NDR refunds on Council properties. Directorate budgets were projected to be overspent by £4.956 million with projected overspends in the Social Services, Economic Development and Education & Lifelong Learning Directorates. These were partly offset by projected underspends in other directorates and by the £3.0 million general contingency budget which was provided as part of the 2017/18 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2017/18. It should be noted that the 2017/18 Budget reduced the previous general contingency budget by £1 million.

Budget Preparation

6. The November 2017 Budget Consultation Report identified a budget reduction requirement of £22.8 million for 2018/19. The report set out the 2018/19 budget proposals for consultation, which included savings of £14.3 million. The consultation ran between 2 November 2017 and 14 December 2017 and took a number of forms including electronic and paper copy questionnaires alongside face-to-face engagement. The results of the consultation have been analysed for Cabinet to consider in preparing their draft budget proposal. A summary of the consultation results will be included in the 2018/19 Budget Report.
7. The Welsh Government's (WG's) Final Local Government Settlement was announced on the 20 December 2017. It set out a cash increase in Aggregate External Finance (AEF) of 0.9% for Cardiff, which was the highest published increase in Wales. It compared to a Welsh average increase of 0.2% and a maximum decrease of 0.5%. The three authorities in receipt of a 0.5% decrease received top up funding to limit their reduction to 0.5%.
8. Cardiff's published increase of 0.9% equates to additional cash of £3.898 million compared to the current year and is a £3.080 million cash improvement on provisional settlement. However, after taking account of two new responsibilities included within the overall funding envelope, and other differentiating year on year factors, the true additional cash position compared to 2017/18, is eroded to £2.426 million (+0.55%). Further clarity is still required in relation to some specific grant information, notably in relation to Education Improvement Grant. The Council and WG are reviewing in order to understand the impact for Cardiff of WG's proposed changes to this grant.
9. The 2018/19 budget reduction requirement is undergoing review to reflect updates that have occurred since November. These include the implications of the final settlement, the updated Council Tax Base approved by Cabinet in December 2017 and the Employer's pay offer of December 2017. Cabinet are currently reviewing their budget proposal to take account of these updates as well as considering the results of consultation. The final draft proposal will be presented at the Cabinet meeting on 15 February 2018, for subsequent consideration and approval by Council.

Reason for Recommendations

10. To inform Audit Committee of the current financial context for the Council.

Legal Implications

11. No direct legal implications arise from this report.

Financial Implications

12. There are no direct implications arising from this information report.

Recommendations

13. To note the financial information provided and the process being adopted in respect of budget preparation for 2018/19 and the medium term.

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