

AUDIT COMMITTEE: 13 November 2018

FINANCIAL UPDATE 2018/19

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.1

Reason for this Report

The Audit Committee terms of reference sets out their responsibility for governance, risk and control and also financial reporting. This report allows the Committee to be updated with reference to the above.

Background

To assist the Committee in understanding the current financial context within which the Council is operating, this report provides an update in relation to the current monitoring financial position for 2018/19. It also outlines the preparatory work being undertaken for the 2019/20 budget and medium term including an update on the Provisional Settlement which was announced on 9 October 2018.

Issues

Financial Monitoring

The Month Six Monitoring Report will be reported to Cabinet on 15 November 2018. This report will be issued to the Audit Committee at the point of publication and will be available for consideration at the Committee's meeting on 13 November.

Budget Preparation

Following the approval of the Budget Strategy Report by Cabinet in July 2018, directorates have spent the summer reviewing and updating savings proposals and testing their achievability as part of establishing a balanced budget position for approval by Council in February 2019. The Budget Strategy Report indicated a potential budget gap of £34.2 million in 2019/20 and £91.4 million over the period to 2021/22. Within those figures, directorate savings were expected to amount to £65.6 million over the three years with the balance accounted for through other strategy assumptions including increases in Council Tax.

Until the Provisional Settlement was announced in October 2018, Welsh Local Authorities' planning assumptions were based on indicative funding allocations, which were received in connection with the 2018/19 settlement. These suggested an average funding decrease of 1% in 2019/20, and this was the position reflected in Cardiff's 2019/20 Budget Strategy Report. When provisional funding for 2019/20 was announced on 9 October 2018, the average settlement across the 22 Welsh authorities was a slight improvement on earlier indications, with an average decrease of 0.3% and individual settlements ranging from a 1% decrease to a 0.4% increase.

Cardiff was the authority in receipt of the 0.4% funding increase, which equates to additional cash of £1.658 million in 2019/20. It is important to note that Cardiff's comparatively favourable funding settlement is indicative of relative demand. However, despite Cardiff's above average position, additional cash of £1.658 million represents a real term reduction, which does not compare with the level of inflationary and demand pressure that the Council is actually experiencing.

The Provisional Settlement included the statement that "following the UK Autumn Budget on 29 October, Local Government services are a top priority for additional funding in the event of additional resources being made available to the Welsh Government." The UK budget, which has since been announced, set out an indicative additional £550 million over three years for Wales. It is therefore reasonable to assume that the Final Settlement from WG will be an improvement on the Provisional Settlement. However, the Final Settlement is not due until 19 December 2018, which is challenging from a planning perspective.

Information on specific grants for 2019/20 was published two weeks later than the Provisional Settlement this year, on 23 October 2018. Grant listings are currently at an All Wales level and require further clarity. However of note is Welsh Government's intention not to proceed with cuts to grant streams that were previously planned for 2019/20, including for example to the Education Improvement Grant, Post 16 education and Single Revenue Grant (Environment.) Other items of note include the intention to continue to support the Minority Ethnic Achievement Grant in 2019/20, as well as a £30 million additional grant for Social Services and a new £15 million grant for Schools. The terms and conditions associated with these grants will be key, as it will inform the extent to which they are able to alleviate the current position by supporting pressures already identified within the budget gap. Current indications are that the £15 million schools grant is to be aimed at Teachers' professional development. Whilst welcome, this will not assist in addressing pupil number pressures in schools, or the recently announced increases associated with employers' contributions to the Teachers' Pension Scheme.

From a capital perspective, the Provisional Settlement for Cardiff is that General Capital Funding (GCF) will increase by 1.15% in 2019/20 or £157,000 in cash terms. Whilst the additional cash is welcome, the sum will not have a material impact on the Council's capital programme. In terms of specific grants, Welsh Government have announced an additional £60 million (over the period 2018/19 – 2020/21) for public highways.

The budget gap is has been updated to reflect the funding levels announced in the Provisional Settlement, as well as to take account of other emerging issues. The

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outcome of this update will be reflected in the 2019/20 Budget Proposals – For Consultation Report, which is due to be received by Cabinet on 15 November 2018. The report and consultation document will be available on the Council’s website and made available to the Audit Committee at the point of publication. In addition to setting out the updated budget reduction requirement, it will also set out the budget proposals for consultation. The position reflected within the consultation must be based on the Provisional Settlement, as that is the current formal position. However, there is a clear expectation of an improvement in funding at final settlement, and this will provide the opportunity to revisit some of the assumptions inherent in the consultation position, in order to continue to protect the Council’s long-term financial resilience. The results of the consultation will be considered by Cabinet in preparing their final 2019/20 budget proposal.

Reasons for Recommendations

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

Legal Implications

There are no direct legal implications arising from this report.

Financial Implications

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

Recommendations

To note the financial information provided and the process being adopted in respect of budget preparation for 2019/20 and the medium term.

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CORPORATE DIRECTOR RESOURCES
November 2018