

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE:

22 MARCH 2016

FINANCIAL UPDATE 2015/16

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4.1

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to provide the Audit Committee with an update on the Council's financial position.

Background

3. 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 2015/16 and provides a brief update on the 2016/17 Budget approved by Council on the 25 February 2016 and the medium term.

Issues

Financial Monitoring

4. The Cabinet considered the Month Nine Monitoring Report on 18 February 2016. Overall, the revenue monitoring position for the Council shows a potential surplus of £988,000, an increase of £679,000 compared to the position previously reported at month six. The change is largely due to an improvement in the monitoring position on directorate budgets, particularly in respect of City Operations. Despite this, financial pressures and shortfalls against budget savings targets in directorate budgets continue to result in projected overspends, however these are offset by projected savings on capital financing, an anticipated surplus on Council Tax collection and by NDR refunds on Council properties.
5. Directorate budgets are currently projected to be overspent by £5.6 million however it is anticipated that management actions will enable this to be further reduced by the year end. The current position includes projected overspends in the Social Services, Economic Development and City Operations Directorates and in Corporate Management. This reflects a number of factors including shortfalls against budget savings targets set as part of the 2015/16 budget and on-going shortfalls carried forward from the previous financial year. The directorate overspends are partially offset by the £4.0 million general contingency budget

which was maintained as part of the 2015/16 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2015/16.

6. An overall shortfall of £6.075 million is currently projected against the £32.473 million directorate savings targets with £21.979 million having been achieved to date and a further £4.419 million anticipated to be achieved by the year end. The budget approved by Council on the 26 February 2015 identified red or red / amber achievability risks totalling £10.230 million with £5.854 million of the savings proposals still at a general planning stage. These risks are evident in the projected shortfall currently reported as part of the month nine monitoring. A projected shortfall of £2.594 million has also been identified in relation to savings targets carried forward from 2014/15. The projected shortfalls are reflected in the directorate monitoring positions although where possible shortfalls have been offset by savings in other budget areas. The £4.0 million General contingency budget which was allocated to reflect the risk and planning status of the proposed savings for 2015/16 is also available to offset the shortfall in the current financial year.
7. Actions are being taken by those directorates currently reporting a projected overspend in order to try to resolve the position and this will continue to be reviewed as part of the challenge process to review the performance of directorates including the budget monitoring position. The financial monitoring position and any actions being taken by directorates to reduce projected overspends are also discussed in the Chief Executive's monthly meetings with directors.
8. The total Council Capital Programme for 2015/16 amounts to £329.7 million and against this the projected out-turn is £299.8 million resulting in a net variance of £29.9 million. The majority of the projected variance is due to slippage in two main areas, namely, construction of the new Eastern High School and various energy projects including LED for street lighting. Directorates have been reminded of the need to avoid slippage wherever possible by ensuring that their project plans and profiles of activity are robust.

2016/17 Budget and Medium Term

9. The 2016/17 Budget was approved by Council on 25 February 2016. The revenue budget totals £578.161 million and includes budget savings of £28.835 million to be achieved during the financial year. A Council Tax increase of 3.7% was approved.
10. The Budget proposed by the Cabinet and approved by Council took account of the responses received in relation to the budget consultation. It also reflected the funding allocated in the Provisional Settlement which provided the Council with a lower funding reduction than had previously been anticipated as part of the Budget Strategy. This amounted to £11.5 million. Additional resources of £1.9 million were also identified as a result of changes to the Council Tax Base as set out in the report to Cabinet in December 2015.
11. As part of the due diligence for the 2016/17 budget process consideration was given to the likely future achievability of the budget savings shortfalls currently identified in the budget monitoring process for 2015/16. Following this a judgement was made that in relation to £3.029 million of these savings, the risk associated with them was such that they should be written out. The consequential budget

realignments are reflected in the directorate base budgets for 2016/17. It is anticipated that all other savings shortfalls identified in the current year will be fully achieved in 2016/17.

12. The 2016/17 budget savings of £28.835 million were risk rated for both residual risk and achievability. The residual risks include £9.888 million rated red or red / amber with £11.663 million similarly rated in relation to achievability. Savings have either been realised or detailed plans are in place for 90.5% of the proposed savings, a significantly increased percentage compared to the position in the previous financial year. The achievement of these savings will be closely monitored throughout the coming year.
13. The Medium Term Financial Plan (MTFP) for the financial years 2017/18 to 2019/20 as set out in the Budget Report shows a potential budget gap of £73.247 million over this three year period. This is the base position with a worse case analysis indicating a potential budget gap of £98.256 for the same period. The Budget Report sets out a range of measures and budget savings based on themes to address the potential base budget gap. Work will now commence on the 2017/18 Budget with a Budget Strategy Report to be presented to Council in July 2016. This will also provide an update to the MTFP for any known changes.
14. The Capital Programme for 2016/17 totals £114.329 million with £414.443 million identified in relation to the Programme as a whole over the period 2016/17 to 2020/21. The Capital budgets for 2016/17 will be updated during the financial year for any additional approved grant funding towards capital schemes.
15. A summary Question and Answer document has been developed to aid communication of the budget messages. This is available on the Council's website, is being used as a briefing tool for council employees and is attached as Appendix 1.
16. The Budget Report included an extensive section on the Council's financial standing, risks and financial resilience which also included the position on Council reserves. To support this section an appendix on the financial health of the organisation was included within the report and which is replicated as Appendix 2 to this report.
17. As a result of the timing of the Final Financial Settlement from Welsh Government, the Council's budget was set on the latest available information with the recommendation:

"In the event that the final settlement figure differs from the provisional figure, the Council approve a proportionate adjustment to the general reserves."

The final settlement was published on 2 March 2016 with the result that the Council's funding increased by £18,000. In accordance with the above recommendation, this amount will be transferred to the General Reserve.

Reason for Recommendations

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

Legal Implications

19. No direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

21. To note the financial information provided in respect of the 2015/16 monitoring position and the outcome of the budget for 2016/17 and the medium term.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
March 2016

The following appendices are attached:

Appendix 1 – Budget 2016/17 Quick Q&A

Appendix 2 – Financial Snapshot – Budget Report Version