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PAPURAU ATODOL

Pwyllgor	PWYLLGOR ARCHWILIO
Dyddiad ac amser y cyfarfod	DYDD MAWRTH, 13 TACHWEDD 2018, 2.00 PM
Lleoliad	YSTAFELL BWYLLGORA 4 - NEUADD Y SIR
Aelodaeth	Cynghorydd Ian Arundale (Cadeirydd) D. Hugh Thomas, Gavin McArthur, David Price YCynghorwyr Bale, Cowan, Cunnah, Howells, Lay, McGarry, Singh a/ac Walker

16 **5.1 Adendwm - Mis Ciplun Ariannol 6 (Tudalennau 3 - 8)**

Davina Fiore

Cyfarwyddwr Llywodraethu a Gwasanaethau Cyfreithiol

Dyddiadd: Dydd Mercher, 7 Tachwedd 2018

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Mae'r dudalen hon yn wag yn fwriadol

Financial Resilience Snapshot – Month 6

1. The financial pressures facing local authorities since 2010 have been well documented. The reductions in funding have created financial risks and uncertainty for local authorities, against the increasing financial pressures being experienced by the Council. Whilst a robust financial governance framework exists in local government, the recent economic situation has meant local authorities having to look at financial governance in new ways.
2. There has been an emphasis on raising the profile of financial resilience including briefings and training sessions for both Members and Officers. The Council regularly prepares Financial Resilience Snapshots, which are designed to give an overview of the financial health of the Council at intervals throughout the year. A snapshot is currently produced as part of the :-
 - Budget Proposals report in February each year and
 - Budget Strategy report in July each year
3. The above reports are considered by Cabinet and Council and the intention is to provide a recurring mid year update to Audit Committee of the snapshot.
4. The snapshot aims to provide an overall view of performance and enable emerging issues and trends to be identified by using past, present and future information.
5. The information in the Financial Resilience Snapshot is broken down into three parts:
 - The left hand column focusses on historic information taken from the Council's Statement of Accounts 2017/18 and prior years.
 - The middle column provides forecast information for the current financial year at a point in time and in the case of this snapshot, this is based on information included in the Budget Monitoring Report for Month 6.
 - The right-hand column includes tables, charts and figures taking a forward look and projections of the financial situation in future years.

Left-Hand Column: Historic Information taken from the Council's Statement of Accounts

Council Fund and Earmarked Reserves

6. This chart shows the amount of Earmarked Reserves and the Council Fund balance held at the end of the financial years from 2014/15 to 2017/18; in quantum as well as a percentage of the Council's net budget. In 2017/18, Earmarked Reserves increased by £2.452 million to £61.843 million and the Council Fund Balance remained the same at £14.255 million. The year end outturn position provided the opportunity to increase the level of reserves for use in connection with future commitments, in turn improving the Council's financial resilience position.

Historic Cumulative Budget Savings

7. This chart shows both the individual savings required from 2013/14 to 2018/19 and the cumulative effect of these savings. This shows a total of £158.831 million of savings has been required to be made by the Council over the last six years.

Actual Revenue Funding Split

8. This chart provides a breakdown of the sources of funding for the Revenue Outturn position for that year between the Revenue Support Grant, Council Tax, Non-Domestic Rates and other income. The Revenue Support Grant decreased by £7.573 million to £312.736 million between 2016/17 and 2017/18. Non Domestic Rate (NDR) income however increased by £9.486 million to £115.480 million in 2017/18. The chart shows the continuing dependency on Central Government funding, changes to which can only be met from savings or increasing Council Tax.
9. Council Tax increased by £5.623 million between 2016/17 and 2017/18 with an outturn of £155.429 million. Council Tax as a percentage of revenue funding is just over 26%.

Financial Indicators

10. Whilst ratios determined from local authority accounts can be used to support benchmarking, scrutiny and challenge of authority finances, there are significant risks to comparison. They should not be used as measures of good or bad performance. Balance sheet data is at a point in time and there are drawbacks to the ratios themselves. There are also accounting and other balances within a Council's accounts, which can skew comparisons significantly. Accordingly, comparison should be undertaken with care.
11. The ratios provided in the Month 6 snapshot for Cardiff are based on its single entity Statement of Accounts.

Working Capital as % of Gross Revenue Expenditure

12. At 31 March 2018, Cardiff had a Working Capital of 8.69%, which is an increase of 1.7% from the previous year. The reason for this is that the current assets have increased quite considerably by £12.612 million to £183.521 million. At the same time, current liabilities have decreased by £2.499 million to £111.452 million. This could be due to a number of variables, but the inference is that the Council is now in a better position to cover day-to-day expenditure.

Usable Reserves as % of Gross Revenue Expenditure

13. At 31 March 2018, Cardiff had Usable Reserves of 13.22%, which was a 1.76% increase on the previous year. This is primarily reflected by the increase in earmarked and capital receipts reserves.

Earmarked Reserves as % of Gross Revenue Expenditure

14. Cardiff's ratio at 31 March 2018 was 7.85%, which is on par with the previous year, and this follows the increasing trend over the past three years.

Unallocated / General Reserves to Gross Revenue Expenditure

15. Cardiff's ratio was 6 days, which equals the previous year and has been mostly consistent over the last four years.

Long-term Borrowing to Long-term Assets

16. The ratio for Cardiff at 31 March 2018 was 0.36, which was a very slight increase on 2016/17. Again, this has been consistent over recent years apart from an increase from 2014/15 when the ratio was 0.24. This reflects the £187 million Housing Subsidy Settlement Payment to Welsh Government funded by borrowing.

Long-term Borrowing to Taxation and Non-Specific Grant Income

17. The long-term borrowing to taxation and non-specific grants ratio for Cardiff at 31 March 2018 was 1.03 and again this was consistent with the previous year. As with the above, this has been consistent since the rise from 0.72 in 2014/15 and again this is because of the Housing Subsidy Settlement Payment.

Council Tax as % of Taxation and Non-Specific Grant Income

18. At 31 March 2018, Cardiff had a ratio of 28.30%, which was an increase of 0.45% from the previous year's ratio of 27.85%.

Middle Column: Forecast information for the current financial year

Revenue Month 6 Projected Position

19. Cabinet will consider the Month 6 Budget Monitoring report on 15 November 2018 and the forecasts included in the snapshot are consistent with that report. In total, the Directorates collectively have a projected outturn over budget on revenue expenditure by 0.89%.

Revenue Savings Achieved and Unachieved as at Month 6

20. This shows the total level of savings for 2017/18 which were £14.157 million. Of these, 79.8% were achieved and 20.2% were unachieved. In 2018/19, total savings are projected at £14.296 million. Of these, 78.6% are projected to be achieved and 21.4% are currently projected to be unachieved.
21. The unachieved savings for both years have been broken down by Directorate. For 2017/18, this shows that People & Communities had the highest level of unachieved savings. Social Services fall into this directorate and therefore this is not surprising due to the demand-led pressures that are associated with the service that they provide. The projection for 2018/19 shows only People & Communities with unachievable savings over £1 million. Monitoring of savings has already commenced in the current year with regular consideration at Senior Management Team and timetabled discussion with Cabinet Members.

Capital Month 6 Projected Position

22. This table reflects projections in the Month 6 Budget Monitoring report.

Right-Hand Column: Financial Snapshot of Future Performance and Estimates

Medium Term Financial Plan

23. This table outlines the budget reduction requirement that the Council is facing over the medium term, along with a summary of the strategy proposed to address this. The budget reduction requirement is the sum of the financial pressures facing the Council and the projected funding reduction for each year. In order to address the gap, budget strategy assumptions are added to total projected savings. Any remaining gap which is still to be addressed is shown in the final row of the table. The budget reduction requirement will be updated following the provisional local government financial settlement.

Capital Expenditure & Capital Financing Requirement

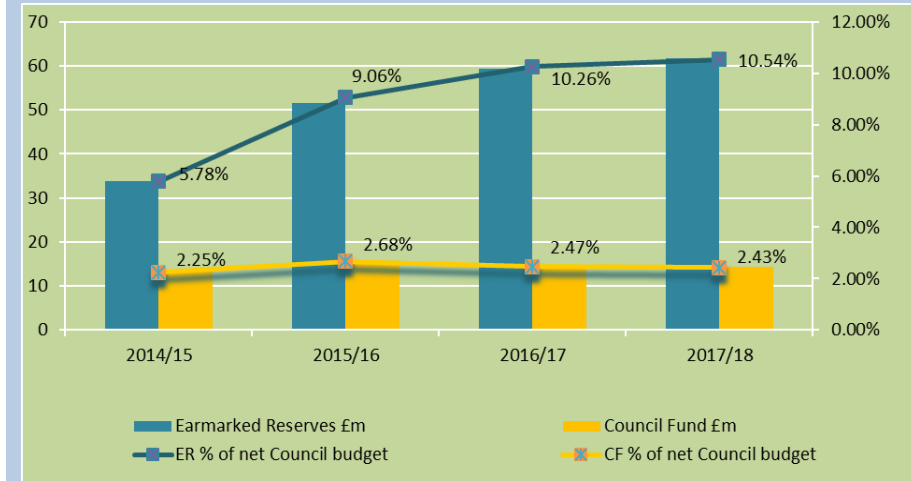
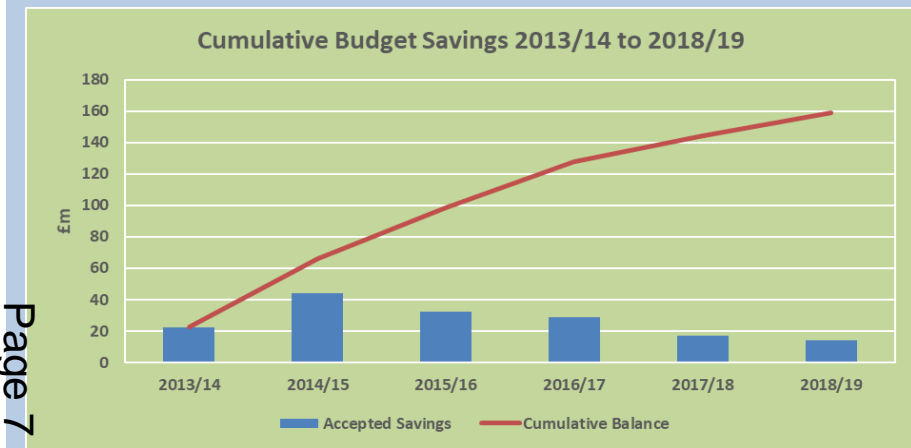
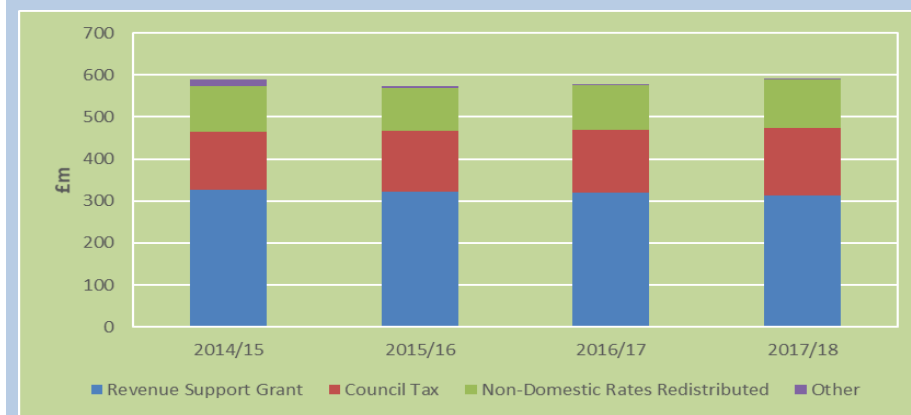
24. This table sets out the estimates for capital expenditure and historic capital expenditure incurred but not yet paid for (the Capital Financing Requirement) for the next three years. Figures for 2019/20 onwards are those included in the Budget report for 2018/19.

Affordability Indicator – Capital Financing Costs as a % of Controllable Budget

25. Capital financing costs include external interest payable and prudent revenue provision. The affordability indicators were established in 2011/12 and the percentages for that year are used as a base for determining the increase in this ratio over a period. Future years' projections are those currently included in the Budget report for 2018/19.

FINANCIAL SNAPSHOT REPORT - Month 6 - SEPTEMBER 2018

The following tables, charts and figures give an indication of the financial resilience of the Council as per the Statement of Accounts.

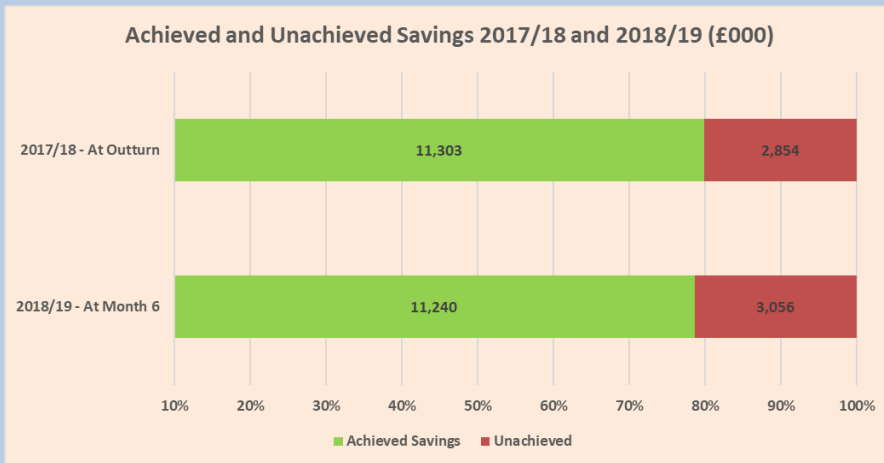
Level of Council Fund (CF) and Earmarked Reserves (ER)**Cardiff Council Historic Cumulative Budget Savings****Actual Revenue Funding Split****Other Financial Indicators**

Indicator	2014/15	2015/16	2016/17	2017/18
Working Capital as a percentage of Gross Revenue Expenditure (%)	5.02%	6.02%	6.99%	8.69%
Usable Reserves as a percentage of Gross Revenue Expenditure (%)	7.01%	10.31%	11.46%	13.22%
Earmarked Reserves as a percentage of Gross Revenue Expenditure (%)	4.19%	6.63%	7.79%	7.85%
Unallocated/General Reserves to Gross Revenue Expenditure (days)	6	7	6	6
Long-term Borrowing to Long-term Assets (ratio)	0.24:1	0.35:1	0.35:1	0.36:1
Long-term Borrowing to Taxation & Aggregate External Finance	0.72:1	1.05:1	1.03:1	1.03:1
Council Tax as a % of Taxation & Non-Specific Grants (%)	25.64%	27.68%	27.85%	28.30%

The tables below show the Projected Outturn position for the 2018/19 financial year for both revenue and capital.

Revenue Month 6 Projected Position

Directorate	Net Expenditure Budget £000	Projected Outturn £000	Variance £000	Variance %
Corporate Management	25,070	25,347	277	1.1%
Economic Development	6,251	6,295	44	0.7%
Education & Lifelong Learning	255,231	256,052	821	0.3%
Governance & Legal Services	5,374	5,462	88	1.6%
People & Communities	211,271	213,971	2,700	1.3%
Planning, Transport & Environment	43,478	44,943	1,465	3.4%
Resources	20,365	20,010	(355)	(1.7%)
Total Directorates	567,040	572,080	5,040	0.89%
Capital Financing	35,236	35,011	(225)	(0.6%)
Discretionary Rate Relief	350	375	25	7.1%
General Contingency	3,000	0	(3,000)	(100.0%)
Summary Revenue Account etc.	2,187	2,187	0	0.0%
Transitional Grant Relief	1,100	0	(1,100)	(100.0%)
Council Tax	0	(211)	(211)	0.0%
Non-Domestic Rates (NDR)	0	(529)	(529)	0.0%
Total	608,913	608,913	0	0.0%

Revenue Savings Achieved and Unachieved as at Month 6

Directorate	Unachieved Savings by Year		
	2017/18 £000	2018/19 £000	Total £000
Corporate Management	0	300	300
Economic Development	159	159	318
Education & Lifelong Learning	98	188	286
People & Communities	1,709	1,551	3,260
Planning, Transport & Environment	611	733	1,344
Resources	277	125	402
Total	2,854	3,056	5,910

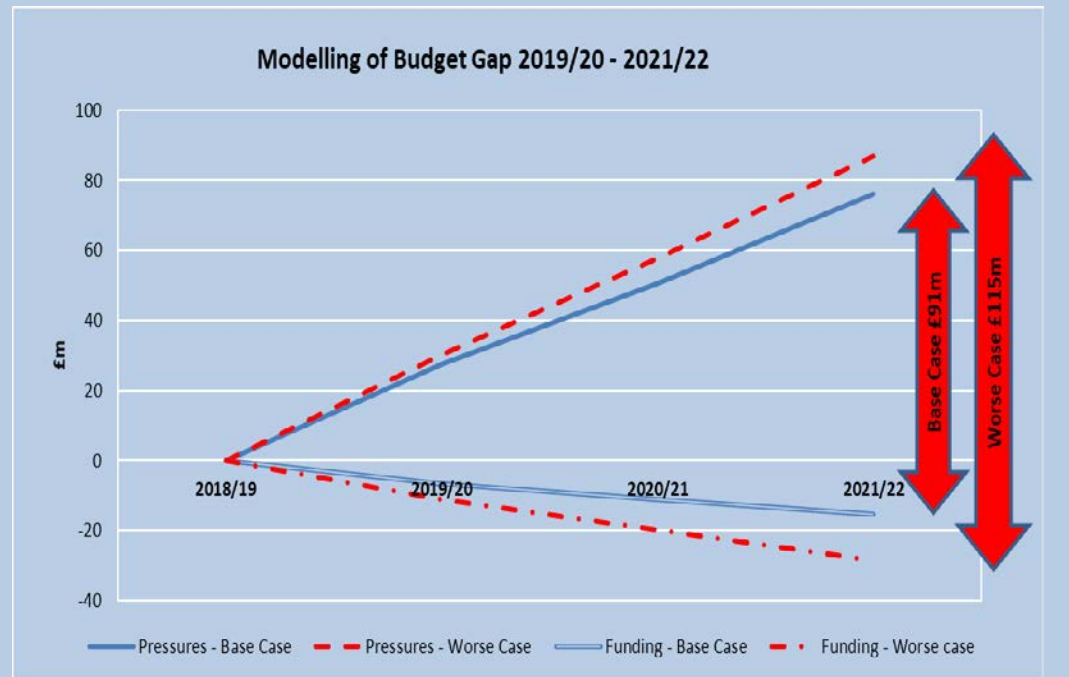
Capital Month 6 Projected Position

Directorate	Budget £000	Projected Outturn £000	Variance £000	Variance %	(Under)/Overspend £000	Slippage £000
Economic Development	17,767	16,362	(1,405)	(7.9%)	0	(1,405)
Education & Lifelong Learning	44,275	47,890	3,615	8.2%	236	3,379
People & Communities	12,793	9,856	(2,937)	(23.0%)	176	(3,113)
Planning, Transport & Environment	26,810	25,119	(1,691)	(6.3%)	0	(1,691)
Resources	7,718	7,428	(290)	(3.8%)	0	(290)
Total	109,363	106,655	(2,708)	(2.48%)	412	(3,120)

The tables below show the Medium Term Financial Plan (MTFP), the risks and affordability indicators facing the Council.

MTFP Scenario

	2019/20 £000	2020/21 £000	2021/22 £000	TOTAL £000
Financial Pressures	27,439	23,152	25,334	75,925
Funding Reductions	6,759	4,366	4,322	15,447
Budget Requirement Reduction	34,198	27,518	29,656	91,372
Budget Strategy Assumptions	10,081	8,206	7,469	25,756
Total Savings Required	24,117	19,312	22,187	65,616
Total Strategy	34,198	27,518	29,656	91,372

**Capital Expenditure & Capital Financing Requirement (CFR)**

	31 Mar 18 £000	31 Mar 19 £000	31 Mar 20 £000	31 Mar 21 £000
Capital Expenditure	Actual	Estimate	Estimate	Estimate
Council Fund (General Fund)	111,393	109,363	96,001	131,208
Housing Revenue Account	24,824	48,839	29,522	39,200
Total Capital Expenditure	136,217	158,202	125,523	170,408
Capital Financing Requirement excl. Landfill				
Council Fund CFR	484,044	499,959	510,547	541,216
Housing Revenue Account CFR	266,711	285,299	293,722	302,908
Total CFR	750,755	785,258	804,269	844,124

Affordability Indicator - Capital Financing Costs as a % of Controllable Budget

	2011/12	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Difference 11/12-22/23
	Actual	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	
	%	%	%	%	%	%	%	%
Net	13.47	14.59	13.87	14.49	15.11	16.46	16.65	23.61
Gross	15.17	18.60	20.13	19.21	20.56	23.38	24.62	62.29

Mae'r dudalen hon yn wag yn fwiadol