

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE:

20 June 2017

FINANCIAL UPDATE

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 6.1

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 outline of the initial work being undertaken in relation to budget preparation for 2018/19 and to advise the Committee on the current position in relation to the Council's outturn report for 2016/17.

Background

3. The Council's accounts for 2016/17 have been closed and work has been undertaken in relation to the preparation of the statement of accounts. The Outturn position for 2016/17 is likely to follow through on the position outlined in 2016/17 monitoring reports and will be reported to the Cabinet Meeting on the 6 July 2017. This report will be issued to Audit Committee at the point of publication. Work in relation to the in-year financial monitoring position for 2017/18 is still at an early stage and updates will be provided to the Committee as the year progresses. Initial work has also begun in relation to budget preparation for 2018/19 and a report outlining the proposed budget strategy will be presented to Cabinet in July. A brief summary of the key issues and areas for consideration is set out below. Further information on the 2018/19 budget process will be provided to the Committee later in the year.

Issues

2018/19 Budget Strategy

4. The 2017/18 Budget Report identified a likely budget reduction requirement of £80.9 million over the period 2018/19 – 2020/21. The outline strategy to address the reduction requirement combined council tax increases, use of earmarked reserves, a cap to schools' growth and savings. As in previous years, savings formed the most significant component of the strategy with an estimated requirement of £60 million over the three-year period. Since early March, the Council's Senior Management Team has been collectively reviewing the strategy to enable early engagement with the new Cabinet.

5. A change in approach to budget setting was introduced in 2016/17, with clear emphasis placed on understanding how existing budgets could be reshaped over the medium term. This approach was a direct response to a marked deterioration in Local Government funding, which coupled with significant demand and price increases, placed Local Government budgets under significant pressure. The resultant exercise formed the basis of both the 2016/17 and 2017/18 budgets and outlined the potential shape of savings for 2018/19. However as this work is now two years old, and given that the financial challenges facing the Council show no signs of improving, it is timely to consider the shape of the Council's budget afresh along with the policy transitions that may be required over the period to 2020/21. This work will need to be considered in detail with the new Cabinet during the course of the year. The 2018/19 Budget Strategy Report which is due to be received by Cabinet in July 2017 will focus on 2018/19, to provide a platform from which to develop the detailed review of the medium term.

Reason for Recommendations

6. To inform Audit Committee of the Council's final outturn position for 2016/17 and to outline the work being undertaken in relation to the budget strategy for 2018/19.

Legal Implications

7. No direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

9. To note the current position in respect of the out-turn report for 2016/17, and the work being undertaken in relation to the budget monitoring of 2017/18 and the budget strategy for 2018/19.

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June 2017