

CABINET MEETING: 5 JULY 2018

OUTTURN 2017/18

**FINANCE, MODERNISATION & PERFORMANCE (COUNCILLOR
CHRIS WEAVER)**

AGENDA ITEM: 7

Reason for this Report

1. This report serves to inform the Cabinet of the Council's financial position in respect of the year ending 31 March 2018.

Background

2. The report compares the outturn for the financial year ending 31 March 2018 with the budget for the year for both revenue and capital expenditure and also provides a summary Treasury Management Statement in respect of investments and borrowing. All figures are subject to external audit.
3. The final revenue outturn position indicates that the Council has maintained its spending within its overall net budget of £587 million in 2017/18 with a balanced position reported after contributions to and from reserves. Favourable variances within the Summary Revenue Account (SRA) including the previously reported savings of £500,000 from the Council Tax Reduction Scheme (CTRS) contingency budget and £900,000 from lower than anticipated costs of insurance has enabled contributions to be made to a number of strategic reserves that will support financial resilience and benefit the Council in the medium term. These include allocations to the Strategic Budget Reserve, the Capital Ambition Delivery Reserve and the Employee Changes Reserve.
4. During the year the Council's monitoring process identified financial pressures in a number of directorates, notably Social Services, Economic Development and Education & Lifelong Learning. This reflected a range of factors including increased demographic and cost pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2017/18 budget. This is reflected in the overall directorate outturn position which shows an overspend of £4.982 million, a reduction of £222,000 compared to the monitoring position at month nine. The overall position on directorate budgets includes overspends of £2.770 million in Social Services, £1.643 million in Economic Development and £1.349 million in Education & Lifelong Learning however these were partly offset by savings in other directorates. The directorate overspends were also partially offset by the £3.0 million general contingency budget which was

maintained as part of the 2017/18 budget in order to reflect the quantum, risk and planning status of the proposed savings in 2017/18. The overall position also includes overspends of £850,000 on capital financing and £97,000 on Discretionary Rate Relief. These were offset by savings in other areas including Council Tax collection, NDR refunds on Council properties and the Summary Revenue Account.

Issues

5. An overall summary of the position shows:

- A comparison of revenue spend against budgets shows a balanced position following transfers to reserves and the funding of voluntary severance costs in 2017/18.
- Directorate budgets showed an overspend of £4.982 million at the year end with overspends of £2.770 million in Social Services, £1.643 million in Economic Development and £1.349 million in Education & Lifelong Learning. The issues faced by these directorates were set out clearly in monitoring reports during the year. These were offset by underspends in other directorates and by the £3.0 million General Contingency Budget.
- Overall, schools increased their individual reserves by £3.076 million (net). In addition, a deficit position in respect of the Mutual Supply Fund has been offset against school balances. This deficit totals £1.296 million and when this is taken into account the overall increase in school balances is £1.780 million.
- The Housing Revenue Account (HRA) shows a surplus of £545,000. This sum has been transferred to the HRA Revenue Balance and is available for spending on HRA related issues only.
- The Council spent £138.265 million on capital expenditure. A comparison of the capital spend against the budget shows an underspend of £30.234 million.

Revenue

6. Appendix 1 shows the financial summary for the year while Appendix 2 provides further details in respect of variations against budget by directorates.
7. The 2017/18 savings targets are set out in Appendix 3(a) to this report together with the final outturn positions in terms of savings achieved and shortfalls against targets. An overall shortfall of £2.854 million is reported against the £14.157 million directorate savings targets for 2017/18 with a further shortfall of £2.195 million against the savings targets carried forward from 2016/17 as set out in Appendix 3(b). Compared to the position at month nine this represents an increased shortfall of £695,000 against the 2017/18 savings and £194,000 against the savings targets carried forward from 2016/17. The shortfalls are reflected in the directorate

monitoring positions although where possible these have been offset by savings in other budget areas within the directorates. The £3.0 million General Contingency Budget which was allocated to reflect the risk and planning status of the proposed savings in 2017/18 partly offsets these shortfalls. The shortfalls do however represent a significant challenge particularly given the level of further savings targets approved as part of the 2018/19 Budget and the amounts required in future years. The risk of these savings not being achieved was considered as part of the 2018/19 budget process and as a result £306,000 of these budget savings were written back in the budget. This still leaves an on-going shortfall of £4.743 million to be achieved in 2018/19 in addition to the budget savings approved as part of the 2018/19 budget process itself. It is essential therefore that the directorates continue to progress any outstanding savings from 2016/17 and 2017/18 so that these are fully achieved in the current financial year. This will be reviewed as part of the financial monitoring process in 2018/19.

8. The Summary Revenue Account (SRA) consolidates the overall revenue position for the Council and includes various adjustments to the Council's accounts including the revenue impact of changes to the Council's bad debt provisions, the revenue effect of balance sheet adjustments and any prior year revenue items which have impacted on the overall revenue position of the Council. It also consolidates the final position in relation to contingency budgets and any adjustments arising from these and includes a number of commitments including transfers to earmarked reserves and provisions. Favourable variances within the SRA including the previously reported savings of £900,000 from lower than anticipated insurance costs and £500,000 from the CTRS contingency budget has enabled a number of contributions to be made to earmarked reserves at the year-end including contributions that will continue to support and enhance financial resilience in the Council over the medium term. These include £2.0 million to the Employee Changes Reserve to support voluntary severance and other employee costs arising from change management and budget decisions in future years and £1.5 million to the Strategic Budget Reserve to assist the Council in managing the impact of budget reductions over the three year budget period within the Medium Term Financial Plan. An allocation of £500,000 has also been made to the Capital Ambition Delivery Reserve in order to support the on-going programme of work and future initiatives. A number of contributions to and from provisions were also reflected in the SRA. The most significant of these was the write back of £158,000 in relation to a previous provision for taxi licensing costs which is no longer required.
9. In total, the redundancy costs incurred during the year amounted to £1.241 million which is slightly higher than in 2016/17 (£1.051 million). The £1.241 million includes £504,000 in respect of school-based staff and £40,000 which was funded via the Housing Revenue Account. In line with the Code of Practice on Local Authority Accounting these figures include provision in the 2017/18 accounts for payments relating to severance costs paid in 2018/19 as a result of budget savings agreed in 2017/18. As previously planned, the balance of £812,000 on the voluntary severance budget was transferred to the Employee Changes Reserve in order to

support staff costs associated with organisational change including the future impact of voluntary severance on the Council's budget. A further sum of £676,000 was also allocated at the year-end in order to reflect the anticipated pressures on this reserve in future years. In addition, pension costs charged to the Council arising as a result of voluntary severance in 2017/18 total £1.254 million. These will be initially funded via the Pension Fund and will be repaid to the Fund over a five-year period.

10. A surplus of £232,000 was reported in relation to Council Tax collection, an increase of £129,000 compared to the position projected at month nine. The surplus is mainly due to a higher than anticipated collection rate which has the impact of reducing the required contribution to the Council Tax Bad Debt Provision. This was partly offset by a reduction in the anticipated number of properties and a higher level of exemptions mainly in relation to student properties as compared with the assumptions reflected in the Council Tax Base Report approved in December 2016. The surplus represents a variance of 0.1% of the estimated gross debit. A saving of £1.462 million was also reported in relation to refunds of non-domestic rates (NDR) on Council properties achieved through the appeals process, an increase of £131,000 compared with the position reported at month nine. These backdated sums represent an exceptional and one-off source of income to the Council. The Council's budget includes an amount of £350,000 to support requests for discretionary rate relief. In 2017/18 this showed an overspend of £97,000 reflecting an increase in the level of demand for such relief.
11. During the year expenditure of £754,000 was incurred on various corporate initiatives. These include funding contributions towards the Volvo Ocean Race, the Tour of Britain, the Extreme Sailing Event, Tafwyl and the Children's Literature Festival. The final outturn position on corporate initiatives showed an underspend of £230,000 which was transferred to the Corporate Events and Cultural Services Reserve in order to provide funding for corporate events and initiatives in future years.
12. School balances currently stand at £6.023 million surplus, which is a total increase in balances of £1.780 million compared to 2016/17. This overall balance contains a net deficit balance totalling £1.296 million in relation to the Mutual Supply Fund (MSF). This figure represents the cumulative MSF liability incurred over a number of financial years. This balance has been offset against overall net school balances pending recovery during future years. Excluding the MSF liability from the net balances means that individual school balances total £7.319 million and have increased by £3.076 million. The increase in surplus balances can be partly explained by the fact that the deficit in relation to the former federation between Michaelston Community College and Glyn Derw High School was written off during 2017/18.
13. The table below sets out the balances held by individual schools as at 31 March 2018 –

2017/18	£m	% of Delegated Budget
Primary	6.914	5.65
Secondary	(0.496)	(0.49)
Special	0.901	7.25
Total – Individual Schools	7.319	3.10

14. The individual figures within the above table show a mixed trend with 30% of the schools across the phases reducing their balances and 70% increasing their balances.
15. Although the overall percentages of balances represent less than 4% of the total school budget, there are significant variations between schools. The number of primary schools holding balances in excess of the School Funding (Wales) Regulations guideline of £50,000 has increased from 46 to 59, whilst eight secondary / special schools hold balances in excess of the recommended level of £100,000.
16. It was anticipated, during the year, that primary schools, as a group, would reduce their balances considerably. However, a combination of the late award of Welsh Government grant funding of £1.4 million for maintenance, part of which related to secondary and special schools, and planned reductions in expenditure in anticipation of a challenging 2018/19 budget settlement has led to greater than anticipated balances. The reduced total net deficit balances for secondary schools is partly the product of agreed medium term plans for the reduction in deficit balances held by individual schools, late notification of grant funding and the aforementioned write off of the deficit balance relating to the former federation.
17. In setting individual school budgets for 2018/19, indications are, once again, that individual school balances in surplus are being used to set balanced budgets. However, this was also the case in 2015/16, 2016/17 and 2017/18 and overall school balances still increased in totality. The Council will continue to review individual school balances that are in excess of the Welsh Government recommended limits, and locally agreed thresholds, and consider if there is a need to claim back any excess surplus. Currently, the intention remains for it to only be where it is clear that the school is unable to spend their reserves in a responsible and reasonable manner.
18. It should be noted that there are 9 schools in Cardiff with negative balances amounting to £1.606 million. This represents a significant improvement compared to the 14 schools that were in deficit at the end of the 2016/17 financial year. Each of these schools has a medium term financial plan agreed with the Council. Of that figure, £1.505 million is in respect of five schools in the secondary sector. Work will continue in partnership with the individual school governing bodies to ensure that these deficits are managed downwards over a period of time. Of the secondary schools, two have had financial delegation withdrawn from the Governing Body: Cantonian High School and Eastern High School, although Eastern High School currently holds a surplus balance.

19. In line with standard accounting practice a number of budgeted and anticipated contributions to and from reserves have been reflected in the 2017/18 accounts with the overall position excluding school balances and the HRA showing a net increase of £321,000 in 2017/18. Significant net contributions to earmarked reserves include £2.099 million to the Employee Changes Reserve mainly to support voluntary severance and other employee costs arising from change management and budget decisions in future years and £1.5 million to the Strategic Budget Reserve to assist the Council in managing the impact of budget reductions over the three year budget period within the Medium Term Financial Plan. Other significant net contributions include amounts previously funded via the Financial Resilience Mechanism in 2017/18 but which have yet to be completed. These include £298,000 to the Central Market Reserve to fund refurbishment of the market roof and a net contribution of £266,000 to the City Wide Management and Initiatives Reserve which includes sums to support various transport initiatives and the refurbishment of sports facilities. Four new reserves were also created, albeit for technical reasons associated with movements on the Balance Sheet. These are £675,000 relating to Rent Smart Wales, £566,000 in respect of Highways S.278 contributions, £318,000 in relation to the South East Wales Schools and Public Buildings Construction Framework (SEWSCAP) and £135,000 in respect of the Wales Interpretation & Translation Service (WITS). Significant net drawdowns from reserves include £2.966 million from the School Organisational Plan Reserve in order to meet planned commitments, £948,000 from the Waste Management Reserve and £534,000 from the Corporate Landlord Reserve to meet expenditure in these areas and £415,000 from the Major Projects Reserve reflecting funding for the Champions League Final.
20. Following transfers to earmarked reserves and provisions the revenue outturn shows a balanced position. The table below sets out the movement in the accounts that make up that figure.

	£000
Net service position - Deficit	4,982
Contingency	(3,000)
Capital Financing	850
Summary Revenue Account	(1,235)
Discretionary Relief	97
Council Tax collected in excess of budget	(232)
NDR refunds on Council properties	(1,462)
Net Revenue outturn – Balanced Position	0

21. A balanced position is reported in relation to the net revenue outturn for 2017/18 and therefore there is no consequential impact on the Council Fund Balance. The Balance at 31 March 2018 therefore remains in line with the previous financial year and stands at £14.255 million.

22. The Section 151 Officer has reviewed the Council Fund Balance and considers the balance prudent given the unbudgeted risks that the Council faces albeit that the position will be further reviewed as part of the 2019/20 budget preparation. These financial risks were set out in the 2018/19 Budget Report.

Civil Parking Enforcement

23. Civil Parking Enforcement (CPE) manages parking, parking enforcement and moving traffic offences throughout the city. The income from these activities is used to support the operational costs and enforcement service with any surplus or deficit being transferred to the Parking Enforcement Reserve.
24. The following table provides a summary of the budget and outturn position.

2016/17 Outturn £000		2017/18 Budget £000	2017/18 Outturn £000	2017/18 Variance £000
	Income			
(4,362)	On street car parking fees	(4,425)	(4,575)	(150)
(1,042)	Off street car parking fees	(1,086)	(1,087)	(1)
(330)	Residents parking permits	(300)	(346)	(46)
(2,019)	Penalty charge notices	(2,129)	(1,973)	156
(3,256)	Moving Traffic Offences (MTO's)	(3,656)	(3,792)	(136)
(104)	Camera Car	(160)	(200)	(40)
(0)	Other income	0	(55)	(55)
(11,113)	Total Income	(11,756)	(12,028)	(272)
	Expenditure			
1,037	TRO, operational costs, parking a/c	876	698	(178)
4,607	Enforcement service	5,164	5,276	112
5,644	Total Expenditure	6,040	5,974	(66)
(5,469)	Annual Surplus	(5,716)	(6,054)	(338)

25. The position for 2017/18 showed a net trading surplus of £6.054 million. This was £338,000 above target reflecting increased income primarily from on-street car parking fees and Moving Traffic Offences (MTO's) plus an overall reduction in expenditure.
26. Total income generated was £12.028 million. This included £4.575 million from on-street and £1.087 million from off-street parking fees with a further £346,000 from Residents Parking Permits. Enforcement generated £1.973 million from Penalty Charge Notices, £3.792 million from MTO's and £200,000 from the Camera Car. A further £55,000 was generated from various activities.

27. Total expenditure was £5.974 million and was £66,000 below budget. Lower employee costs due to managed recruitment and reductions in commission and cash handling fees following the introduction of digitalised services enabled earlier loan repayment in respect of the set up costs associated with the Moving Traffic Offences and the funding of replacement equipment.

Parking Enforcement Reserve

28. The use of the reserve is governed by Section 55 of the Road Traffic Regulations Act 1984. This specifies that the surplus may be used to fund operational costs including subsidising the enforcement service, supporting public passenger transport services, transport planning and road safety, maintaining off-street car parks and highway and environmental maintenance and improvements.

29. The following table illustrates the movements in the Parking Enforcement Reserve and the balance carried forward.

2016/17 £000s		2017/18 £000s
371	Brought forward balance	351
5,469	Annual trading surplus	6,054
5,840		6,405
	Utilisation	
5,025	Contribution to overall provision for transportation, highways and environmental maintenance and improvements	5,025
174	Budgeted contribution - Cardiff West Bus Interchange—design and contract	0
79	20 mph zones and 75% residential parking (lines and signage)	0
96	Digital, new signs, school keep clear zones, lining/patching	58
15	Car Free Day	0
100	A4232/A47 Resurfacing	0
0	Bus Corridors	335
0	Contribution to Bay Edge Walkway improvements	35
0	HSBC – cycling contribution	50
0	Public Space Protection Officer	30
0	Off Road Motorcycling	31
0	Digitalisation of Environmental Enforcement	59
0	Transport Policy Improvements-LDP/Green Paper	68
0	Bike Hire Scheme	13
5,489		5,704
351	Parking Reserve Balance	701

30. When the 2017/18 trading surplus of £6.054 million is applied to the brought forward figure of £351,000 the balance in the Parking Reserve is increased to £6.405 million.
31. Eligible expenditure totalling £5.704 million was drawn down from the reserve leaving a balance of £701,000 at 31 March 2018. The drawdown included a budgeted sum of £5.025 million to support a range of Council services including ongoing support and improvements to transport, parking, highways and environmental services. It also included specific drawdowns for various improvement schemes and initiatives. These were approved by the Director of Planning, Transport & Environment in consultation with the Cabinet Member for Transport, Planning and Sustainability and the allocation from the reserve was approved by the Corporate Director of Resources.

Housing Revenue Account

32. The Housing Revenue Account (HRA) shows an underspend of £545,000 an increase of £109,000 compared to the position reported at month nine. The overall position as set out in Appendix 5 includes a number of variances, the most significant of which is a £1.808 million underspend in the Housing Repairs Account. This is in line with previous projections and is mainly due to lower than budgeted external contractor spend on both general repairs and vacant property works. There is also evidence of reduced demand in some areas where high volume spend has been incurred in previous years including external work such as fencing. As previously reported, the procurement of a new Building Maintenance Framework also led to lower than anticipated spend due to the demobilisation and transition periods for the new contract arrangements. Internal works also showed an underspend with employee savings and underspends on material costs mainly due to decreased demand for general repairs.
33. Other variances within the HRA include an underspend of £227,000 on other premises costs mainly due to underspends on utility costs and site clearance and an underspend of £145,000 on supplies and services largely due to reduced insurance costs. A surplus of £310,000 was also reported in relation to income with additional rental income as a result of lower void rent loss and higher than anticipated income from lettings in Hubs and staff recharges to capital schemes partly offset by a lower than budgeted drawdown from reserves. An overspend of £580,000 was reported in relation to support services reflecting higher than anticipated staff and premises recharges both from within the Communities, Housing & Customer Services Directorate and from other directorates together with abortive capital costs relating to the Channel View Regeneration Project that have now been charged to revenue. Other overspends include £101,000 due to an increased contribution to the Bad Debt Provision, £76,000 on employee budgets and £12,000 on transport costs. Overall, the position on capital financing showed an overspend of £976,000. This reflects the decision reported earlier in the year to utilise £1.0 million of in-year surpluses to fund additional repayment of borrowing. This will assist in alleviating pressure on the HRA borrowing cap for Cardiff and supports

the budget planning for investment and development of housing including new build proposals.

34. As part of the year-end review of reserves and balances it was identified that the balance of £200,000 on the Tackling Overcrowding Reserve was no longer required for this purpose. This was therefore brought into the Revenue Account and subsequently transferred to the HRA Welfare Reform Reserve in order to support anticipated future pressures in this area. The overall surplus of £545,000 on the HRA Revenue Account has transferred to the General Housing Balance and will support the on-going investment and development of housing in Cardiff.

Activities Inherited from Cardiff Bay Development Corporation including Harbour Authority

Cardiff Harbour Authority

35. Welsh Government funding for Cardiff Harbour Authority is subject to 3-year agreements. The existing agreement was scheduled to expire on 31 March 2017, however Welsh Government advised that they would like an opportunity to review current arrangements and wished to extend the previous business period by twelve months, up until 31 March 2018, during which period such a review would take place.
36. The impact of this arrangement was that for the financial year 2017/18, Cardiff Harbour Authority initially operated under the same budget allocation of £5.891 million as in 2016/17. However, in March 2018, Welsh Government awarded an additional asset renewal budget of £97,000 and in the same month, an additional claim for £56,000 in respect of agreed works outside of the fixed costs schedule was approved. This resulted in a total budget of £6.044 million.
37. The outturn position indicates an annual draw down of £5.963 million, resulting in a variance of £81,000.

Budget Category	Budget £000	Out-turn £000	Variance £000
Expenditure	6,365	6,429	76
Income	(820)	(890)	(70)
Fixed Costs	5,545	5,539	(6)
Asset Renewal	346	316	(30)
Asset Renewal Additional	97	52	(45)
Total - Asset Renewal	443	368	(75)
Additional Claim	56	56	0
Approved Budget	6,044	5,963	(81)

38. The Fixed Cost budget shows an underspend of £6,000 and included savings generated against the environment and groundwater budgets, in addition to lower maintenance dredging expenditure. Furthermore, an increase in income was achieved mainly through additional car parking fees,

although higher levels were also attained from harbour dues, water activities and various other sources. This enabled essential maintenance and improvement work to be undertaken on a range of activities.

39. In accordance with the Agreement any underspend against the Fixed Cost budget is to be shared equally between the Council and the Welsh Government. The Council's share of £3,000 has therefore been transferred to the Project & Contingency Fund.
40. The under spend of £75,000 against the Asset Renewal budget reflected lower than anticipated costs against some schemes, including the refurbishment of the Bascule Bridges due to delays in the procurement process.
41. The Harbour Authority maintains a Project and Contingency Fund, which is used to support small-scale projects and provides a contingency if the approved budget is exceeded. The Fund receives contributions from a combination of receipts from the sale and disposal of land and past year underspends on the Fixed Cost budget. The balance in the Project and Contingency Fund at 1 April 2017 was £591,000, however this will increase by £3,000 in respect of the Council's share of the 2017/18 underspend on fixed costs. Drawdowns from the Fund consisted of £112,000 to fund capital works at Alexandra Head, plus £100,000 in respect of an additional claim to Welsh Government for de-shoaling works on the River Taff. This leaves a net balance at 31st March 2018 of £382,000 that will be retained to fund the remainder of the Volvo Ocean Race hosting fee, Alexandra Head works and as a contingency against any unscheduled maintenance, which may exceed the Fixed Cost budget, in accordance with the Agreement.

Capital Outturn 2017/18

42. Expenditure of £138.265 million was incurred across a range of services with £24.824 million of this in relation to Public Housing (HRA).
43. The delivery of capital projects is complex and influenced by a number of external and internal factors. Whilst some slippage is unavoidable as a result of receipt external of grants later in the year, directorates are regularly reminded of the need to set achievable expenditure profiles and to identify slippage of projects at an early stage.
44. The paragraphs below summarise the outturn position of the Capital Programme for both the General Fund and Public Housing, with further detail on schemes provided in Appendices 5 and 6.

General Fund Expenditure and Funding

45. Expenditure was £113.441 million, with a variance of £22.471 million. This is represented by a net underspend of £127,000 together with slippage of £22.344 million. The main areas of slippage are highlighted in Appendix 5 and include grant received from WG for roads and footpath resurfacing allowing the carry over of Council funding; delay in the start of works at the proposed transport interchange in the West, Cardiff Royal Infirmary; as

well as review of economic development schemes at Dumballs Road and International Sports Village. The main items of expenditure during the year are described in the following table:-

Schemes	Detail	£m
Housing, Neighbourhood Regeneration & Hubs	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements; a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn; opening of hubs in Llanishen, Llandaff North and Llanedeyrn.	10.9
Education & Lifelong Learning	Completion of the new Eastern Community Campus; start of construction of a new high school in the West, three new primary schools and extensions of facilities at a number of schools; investment in the condition of school buildings to address electrical and other safety compliance works.	57.9
Highways & Transportation	Road and footpath reconstruction and resurfacing; LED street lighting energy efficiency, Greener Grangetown rainwater management scheme; public transport and road safety improvements; cycling strategy implementation and cycle new hire scheme; investment in safe routes in communities.	16.2
Leisure Facilities & Parks	Investment in leisure sites retained by the Council as well as sites operated by GLL; parks play equipment replacement and infrastructure improvements.	3.8
City Development & Major Projects	Public realm improvements at Central Square and pre development costs towards central square and new transport interchange; Alexandra Head events area infrastructure.	11.5
City Deal	Contribution towards first project of Cardiff Capital Region City Deal – Semiconductor facility	5.7
Other	Modernising ICT to improve business process; Energy efficiency measures in Council buildings; harbour asset renewal; completion of new Lamby Way Household Waste Recycling Centre; day centre improvements; new facilities to support service delivery for children.	7.4

46. The expenditure was funded from a number of sources as shown in the table below and included external grants and contributions, sale of assets and also by borrowing money. Borrowing and any associated interest costs must ultimately be repaid from the existing and future income of the Council.

General Fund - Funding Source for 2017/18 Capital Expenditure	Amount £000	Percentage of Funding (%)
WG Supported Borrowing	8.412	7.42
WG General Capital Grant	5.119	4.51
WG and other external grants	30.487	26.88
Additional Unsupported Borrowing	14.072	12.40
Invest to Save Unsupported Borrowing	36.928	32.55
Revenue & Reserves	2.760	2.43
Capital Receipts	7.124	6.28
External Contributions	8.539	7.53
Total	113.441	100.00

47. The Council received General Capital funding from Welsh Government of £13.531 million in 2017/18. This was made up of a cash grant of £5.119 million and capital financing support within the revenue budget settlement to undertake £8.412 million of borrowing. In addition the Council can enter into unsupported borrowing which has to be fully met through the revenue budget in future years. In 2017/18, the Council used unsupported borrowing of £51.0 million to support General Fund expenditure. Of this £14.072 million of borrowing was required to balance Capital Programme commitments and £36.928 million was for 'Invest to Save' borrowing, repayable from directorate revenue budgets. The latter includes 21st Century School building investment as well as schemes predicated on receiving income or making savings such as energy use reduction. The timing and availability of external grants remains uncertain, with some approvals only received during the year. This makes long term planning difficult.

General Fund Capital Receipts

48. The Capital Programme approved by Council in February 2017 included an estimate of £2 million for non earmarked General Fund capital receipts, after making a deduction for revenue costs of disposal. The majority of receipts have been earmarked for specific schemes and for future expenditure. The significant cash receipts received during the year are shown in the following table-

	£000
General Fund – Non Earmarked	
Former Library Trelai	80
The Rise Penhill, Llandaff	1,600
Total	1,680

General Fund - Earmarked for Specific Capital Schemes	
Central Square	19,000
Proceeds from Investment Properties	112
Total	19,112

49. During the year, sites to the value of £2.159 million were appropriated to the HRA for the development of Council housing and included land at Willowbrook Drive, Willowbrook Park and the former Bulldog Public House in Fairwater.
50. With a significantly increased target set for non earmarked capital receipts in the 2018/19 budget, Cabinet will consider a detailed disposal strategy in the next few months.

Public Housing (HRA) Expenditure and Funding

51. Expenditure in 2017/18 on Public Housing schemes was £24.824 million. Investment was made in estate regeneration, housing stock remodelling,

the fabric of dwellings, disabled adaptations and in the development of new Council Housing to meet new build targets.

52. The table below shows how capital expenditure was paid for:-

Public Housing - Funding Source for 2017/18 Capital Expenditure	Amount £m	Percentage of Funding (%)
Major Repairs Allowance (WG grant)	9.532	38.40
Additional Unsupported Borrowing	1.778	7.16
Revenue & Reserves	7.633	30.75
Other WG Grants and Contributions	2.323	9.36
Capital Receipts	3.558	14.33
Total	24.824	100.00

Public Housing Capital Receipts

53. Capital Receipts of £3.446 million were generated from the sale of Council dwellings still eligible under the now ceased Right to Buy scheme. A further £460,000 has been generated from the sale of various freeholds and retained equity held from previous Council and developer home ownership support schemes.

Treasury Management

54. The Council's Treasury Management activities were undertaken in accordance with the strategy approved at Council in February 2017. During the year periodic reports on Treasury Management were submitted and reviewed by the Council's Audit Committee as well as at Cabinet and Council meetings.

Investments

55. At 31 March 2018, investments arising from temporary cash balances stood at £59.1 million. The balance of investments is taken at a point in time and will fluctuate depending on the timing and certainty of income and expenditure in the Council's bank account e.g. payments to suppliers, receipt of grants and capital receipts. The organisations with whom the Council invests were set out in the Council's Investment Strategy for 2017/18 and where possible, investments were diversified across organisations.
56. The overall level of interest receivable from treasury investments totalled £366,000 with the average rate achieved for 2017/18 being 0.44%, which compares favourably against the 7 day LIBID rate of 0.22% and the 3 Month LIBID rate of 0.29%. The low rates of return can be attributed to the Bank of England Official Bank Rate which had remained at a low of 0.25% until it was increased to 0.5% in November 2017.
57. The organisations with whom the Council invests, were closely monitored in accordance with the criteria set out in the Council's Investment Strategy

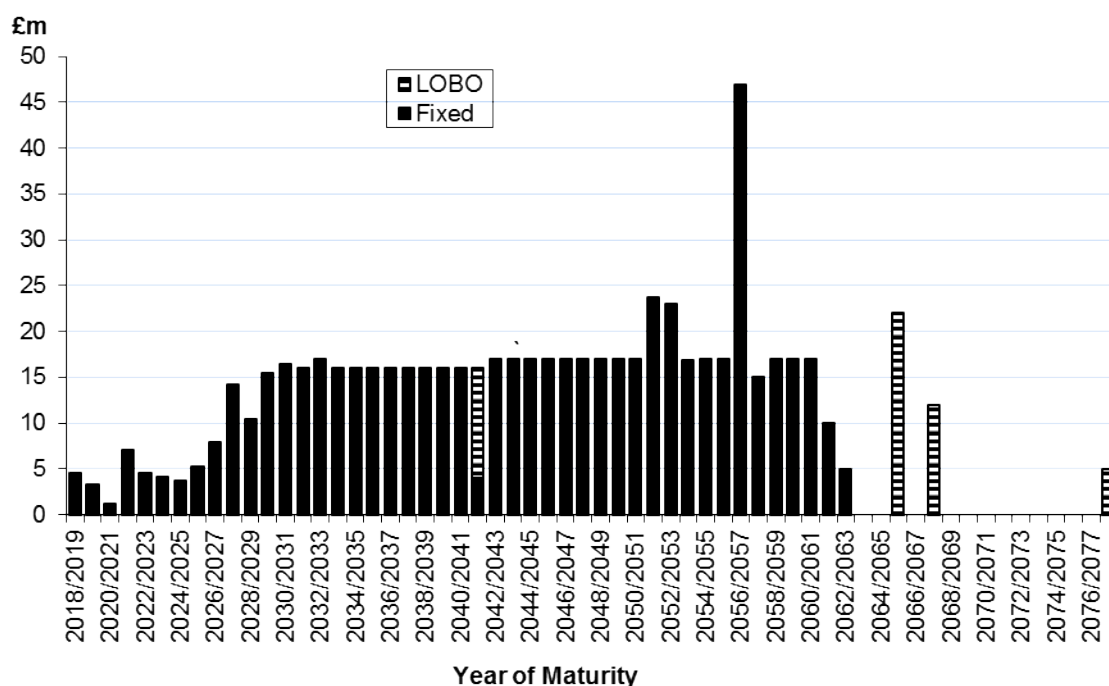
for 2017/18 and where possible diversification was sought across organisations.

Borrowing

58. At the 31 March 2018 the Council's total external borrowing was £693 million. This was predominantly made up of fixed interest rate borrowing from the Public Works Loan Board (PWLB) payable on maturity.

31 March 2017			31 March 2018	
£m	Rate (%)		£m	Rate (%)
617.2		Public Works Loan Board	631.8	
51.0		Market (Lender Option Borrower Option)	51.0	
3.0		Welsh Government	4.6	
2.8		Other	5.9	
674.0	4.74	Total External Debt	693.3	4.64

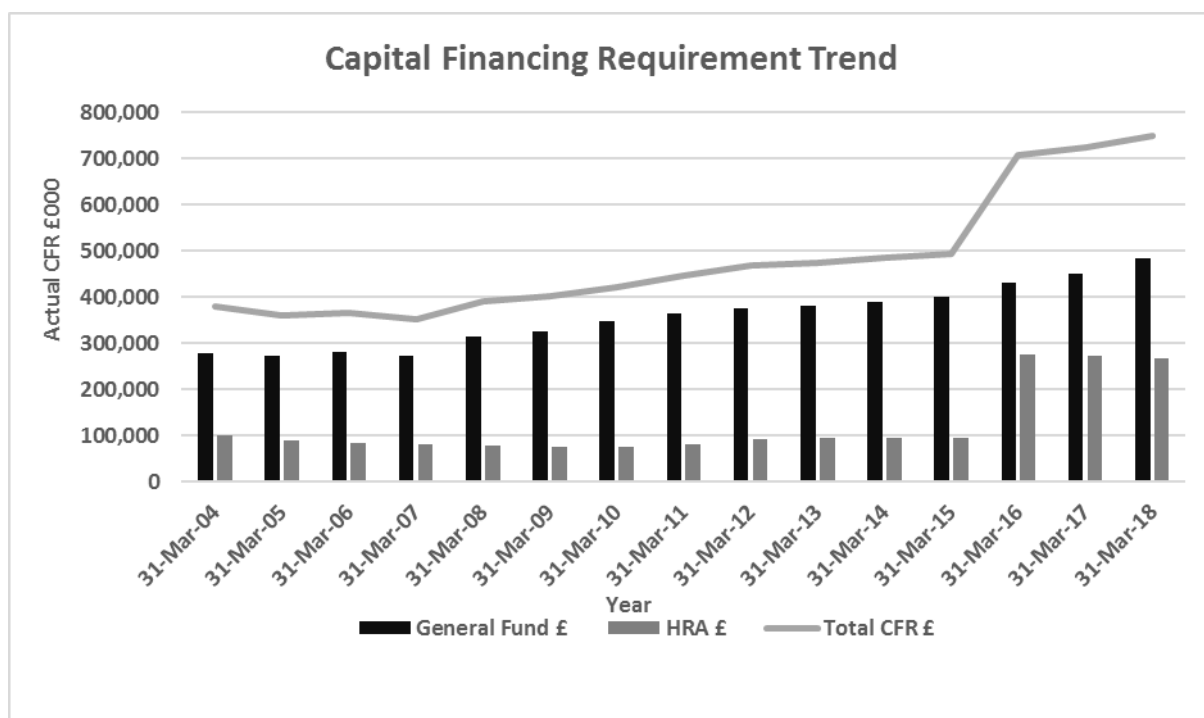
59. The average rate on the Council's borrowing reduced during the year, from 4.74% to 4.64% primarily as a result of additional external borrowing at a lower rate. Total interest payable on external debt was £31.805 million, of which £11.780 million was charged to the Housing Revenue Account (HRA). All borrowing is in the name of the Council and a single pool of debt is maintained rather than having separate loans for the HRA.
60. The maturity profile of borrowing at 31 March 2018 is shown in the following chart.



61. During 2017/18 the Council repaid £5.776 million of maturing loans. Whilst borrowing rates have remained higher than investment rates in 2017/18, the Council has undertaken internal borrowing which involves using

temporary cash balances in the short term rather than undertaking external borrowing. In addition to the short term financial benefits, this also reduces exposure to credit risk. The risk attached to internal borrowing is that the Council may have to borrow at higher rates in the future when borrowing becomes a necessity. The Council's level of internal borrowing at 31 March 2018, subject to audit, is £56 million.

62. In recognition of these risks, £20 million of the Council's long term borrowing requirement was undertaken to mitigate the risk of rising longer term rates. This new borrowing was taken at an average rate of 2.38% and has an average maturity of 41 years. In addition, interest free loans from Salix and WG were received for specific capital projects totalling £5.004 million.
63. The Council's Capital Financing Requirement (CFR) i.e. capital expenditure incurred but not yet paid for is estimated £749 million at 31 March 2018, £482 million for the General Fund and £267 million for the Housing Revenue Account. The trend in the CFR is shown in the following chart.



Reasons for Recommendations

64. The report is for information and serves to complete the financial monitoring processes for 2017/18.

Legal Implications

65. The report is submitted for information as part of the Authority's financial monitoring process. The Council's constitution provides that it is a Council responsibility to set the budget and policy framework and to approve any changes thereto or departures there from. It is a Cabinet responsibility to

receive financial forecasts including the medium term financial strategy and the monitoring of financial information and indicators

Financial Implications

66. The final revenue outturn position indicates that the Council has maintained its spending within its overall net budget of £587 million in 2017/18 with a balanced position reported after contributions to and from reserves. This is in line with the position reported at month nine.
67. Directorate budgets showed an overspend of £4.982 million at the year end with overspends of £2.770 million in Social Services, £1.643 million in Economic Development and £1.349 million in Education & Lifelong Learning. These were offset by underspends in other directorates and by the £3.0 million general contingency budget. The overall position also includes overspends of £850,000 on capital financing and £97,000 on Discretionary Rate Relief. These were offset by savings in other areas including Council Tax collection, NDR refunds on Council properties and by savings arising from accounting adjustments within the Summary Revenue Account.
68. A shortfall of £2.854 million was reported against the £14.157 million directorate savings targets for 2017/18 with a further shortfall of £2.195 million against the savings targets carried forward from 2016/17. Although £306,000 of these shortfalls was written back as part of the 2018/19 Budget this still leaves an on-going shortfall of £4.743 million to be achieved in 2018/19 in addition to the budget savings approved as part of the 2018/19 budget process itself. It is therefore essential that directorates continue to progress any outstanding savings from 2016/17 and 2017/18 so that these are fully achieved in the current financial year.
69. Overall, excluding school balances and the HRA the earmarked reserves held by the Council increased by £321,000 in 2017/18. This includes contributions to the Employee Changes Reserve and to the Strategic Budget Reserve that will benefit the Council in the medium term and will serve to improve the Council's overall financial resilience.
70. The Council Fund Balance at 31 March 2018 is £14.255 million. The Section 151 Officer has reviewed this and considers the balance prudent given the unbudgeted risks that the Council faces albeit that the position will be reviewed as part of the 2019/20 budget preparation.
71. Overall, schools increased their individual reserves by £3.076 million (net). although a deficit position in respect of the Mutual Supply Fund has been offset against school balances. This deficit totals £1.296 million and when this is taken into account the overall increase in school balances is £1.780 million.
72. The Capital Programme Outturn for 2017/18 for the General Fund and Public Housing is £113.441 million and £24.824 million respectively. The table below shows the movements in projected slippage from Month 4 through to Outturn. Directorates are regularly reminded of the need to set

achievable profiles and identify slippage accurately at an early stage. Whilst unavoidable in some instances, the resources and factors needed to be in place before a scheme can progress needs to be considered at an early stage. This will be reinforced in future years budget monitoring and budget setting process.

Slippage	Month 4 reported slippage	Month 6 reported slippage	Month 9 reported slippage	Outturn slippage
	£000	£000	£000	£000
General Fund	4,016	11,446	24,387	22,344
Public Housing	(300)	2,269	300	6,514
Total	3,716	13,715	24,687	28,858

73. General Fund Capital expenditure in 2017/18 required £51 million of unsupported borrowing, of which, £36.928 million relates to funding required to be repaid by savings in the revenue budgets or income generation. As highlighted in the 2017/18 and 2018/19 budget reports, consideration needs to be given to the medium and long-term impact of additional borrowing on the Council's revenue budget. Accordingly, local affordability and other indicators will be continually reviewed and monitored to ensure investment is prioritised and the impact of increased levels of debt is sustainable and affordable.

RECOMMENDATIONS

The Cabinet is recommended to:

- (1) Approve the report and the actions taken in respect of the Council's accounts for 2017/18
- (2) Note that this report will form an Appendix to the Financial Statements report to be considered at the Council meeting in September 2018

SENIOR RESPONSIBLE OFFICER	CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES
	29 June 2018

The following Appendices are attached:

- Appendix 1 - Revenue 2017/18
- Appendix 2 - Directorate Variances
- Appendix 3 (a) - Budget Savings - 2017/18 Savings
- Appendix 3 (b) - Budget Savings - 2016/17 Savings
- Appendix 4 - Housing Revenue Account 2017/18
- Appendix 5 - Capital Scheme Updates
- Appendix 6 - Capital Programme 2017/18