

AUDIT COMMITTEE: 22 January 2019

FINANCIAL UPDATE 2018/19

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.1

Reason for this Report

1. 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

2. 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 2018/19 and gives an update on the preparatory work for 2019/20 and the medium term.

Issues

Financial Monitoring

3. The Cabinet considered the Month Six Monitoring Report on 15 November 2018 and copies of this report were made available for consideration by Audit Committee at its meeting on 13 November 2018. The next full Council monitoring report will be based on the position at month nine and this is due to be presented to Cabinet on 21 February 2019. For information, a summary of the month six monitoring position is set out below. The month six monitoring reported a balanced position and the key issues identified at month six are not expected to change significantly. Work is currently progressing on the month nine monitoring position and this will be reported to the Committee at its meeting on 26 March 2019, albeit a link to the report will be sent to Audit Committee members once it is published.
4. Overall, the month six revenue monitoring for the Council continued to show a balanced position against budget with financial pressures and shortfalls against budget savings targets in directorate budgets offset by projected savings on capital financing, an anticipated surplus on Council Tax collection and NDR refunds on Council properties. In line with the position reported at month four, the overall position also took into account the release of the £1.1 million set aside for transitional grant relief via the Financial Resilience Mechanism as this budget is no longer required for its original purpose in the current financial year. Directorate budgets were projected to be overspent by £5.0 million which was broadly in line with the position reported at month four. This took into account the impact of any

management actions already taken with additional measures to be implemented during the remainder of the year where there is scope to reduce the projected overspend by the year end. The directorate positions included a number of overspends, the most significant being in respect of Social Services, Planning, Transport & Environment and Education & Lifelong Learning. These were partly offset by the £3.0 million general contingency budget which was provided as part of the 2018/19 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2018/19.

Budget Preparation

5. The November 2018 Budget Consultation Report identified a budget reduction requirement of £35.2 million for 2019/20 and set out the budget proposals for consultation, which included savings of £19.4 million. The consultation ran between 16 November 2018 and 2 January 2019. The consultation document was available online for download and completion with hard copies available in hubs, libraries and other key community buildings and there was also a co-ordinated social media campaign to promote engagement. The results of the consultation have been analysed for Cabinet to consider in preparing their draft budget proposal. A summary of the consultation results will be included in the 2019/20 Budget Report.
6. In December 2018, Cabinet approved the Council Tax base for 2019/20. It is estimated that the new tax base will raise an additional £2.4 million in Council Tax in 2019/20 before any increase in the rate of the tax. The higher tax base is a combination of estimated increases in the number of chargeable dwellings in the City, and the decision to remove the 50% discount for unoccupied and unfurnished dwellings. Tax base increases usually have the effect of reducing the Revenue Support Grant an Authority would otherwise have received in the forthcoming financial year. This is because the Local Government funding formula assumes that a Council is able to raise more of its Standard Spending Assessment through the Council Tax. Whilst this is true, and Cardiff can now reflect an additional £2.4 million Council Tax in its 2019/20 budget plans, clearly this also comes with a collection risk.
7. The Welsh Government's Final Local Government Settlement was announced on the 19 December 2018. It set out a cash increase in Aggregate External Finance of 0.9% for Cardiff, which was the highest published increase in Wales. This compared to a Welsh average increase of 0.2% and a maximum decrease of 0.3%. The five authorities that were in receipt of a 0.3% decrease received top-up funding totalling £3.5 million in order to limit their reduction to 0.3%.
8. Cardiff's 0.9% increase appears to be an improvement on the 0.4% increase identified as part of the Provisional Settlement and normally, an increase of 0.5% (i.e. from +0.4% to +0.9%) would provide Cardiff with £2.2 million additional grant funding. However this is not the case and Cardiff is actually slightly worse off at Final Settlement. There are two main reasons for this. Firstly, the Final Settlement includes £0.6 million in respect of a new responsibility, and therefore this sum is accompanied by an additional budgetary commitment. Secondly, the settlement includes a technical adjustment of £1.6 million in respect of Cardiff's 2019/20 Council Tax base. In summary, Provisional and Final Settlement are not reflected on a like for like basis, and so in reality, there is no improvement in grant funding for Cardiff at Final Settlement.

9. The 2019/20 budget reduction requirement is currently undergoing review to reflect updates that have occurred since November, including Final Settlement, and the approved 2019/20 Council Tax base. Cabinet are reviewing their budget proposal to take account of these updates as well as considering the results of the consultation. The final draft proposal will be presented at the Cabinet meeting on 21 February 2019, for subsequent consideration and approval by Council. A link to the Budget Report will be sent to Audit Committee members at the time it is published for Cabinet.

Reason for Recommendations

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

Legal Implications

11. No direct legal implications arise from this report.

Financial Implications

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

Recommendations

13. 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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January 2019