

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 2 April 2019

FINANCIAL UPDATE 2018/19 and 2019/20

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 6.1

Reason for this Report

1. To provide the Audit Committee with an update on the Council's financial position.

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 provides a brief update on the 2019/20 Budget and the medium term outlook approved by Council on 28 February 2019 and the medium term.

Issues

Financial Monitoring

3. The Cabinet considered the Month Nine Monitoring Report on 21 February 2019. Overall, this report showed a balanced position for the Council which was in line with the position reported at month six. Directorate budgets were projected to be overspent by £4.9 million which was a slight improvement to the position reported in Month 6. The Directorate overspend is offset by projected savings on capital financing, an anticipated surplus on Council tax collection and NDR refunds on Council properties. In addition, use has been made of 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.
4. The projected overspends in directorate budgets included £3.230 million in Social Services, £1.049 million in Planning, Transport & Environment, £768,000 in Education & Lifelong Learning, £489,000 in Corporate Management and £172,000 in Governance & Legal Services. The directorate positions reflect a range of factors including increased demographic pressures in Social Services, particularly in relation to looked after children, shortfalls in income and the anticipated failure to fully achieve the savings targets set as part of the 2018/19 Budget together with on-going shortfalls carried forward from the previous year.

5. An overall shortfall of £3.677 million was anticipated against the £14.296 million directorate savings target with £6.995 million having been achieved to date and a further £3.264 million anticipated to be achieved by the year end. The budget approved by Council on the 22 February 2018 identified red or red / amber achievability risks totalling £6.910 million with £1.434 million still at a general planning stage. A projected shortfall of £767,000 was also identified in relation to savings targets carried forward from 2017/18. Overall, this represents an increase of £647,000 compared to the shortfalls identified in relation to 2018/19 and carried forward savings as reported at month six. The projected shortfalls are reflected in the directorate monitoring positions although where possible shortfalls have been offset by savings in other budget areas. The £3.0 million general contingency budget which was allocated to reflect the risk and planning status of the proposed savings for 2018/18 is also available to offset the shortfall in the current financial year.
6. Actions are continuing to be taken by those directorates reporting a projected overspend to try to resolve the issues that led to the current position or alternatively to identify offsetting savings in other areas of the service. These are considered as part of the challenge process to review the performance of directorates including the budget monitoring position and the Chief Executive has held a series of meetings with directors to identify measures to reduce the level of spend with the intention of improving the overall position as the year increases. As set out in previous month 6 monitoring report all directorates have identified a range of in-year savings which are reflected in their reported positions.
7. At month nine, the 2018/19 projected capital expenditure outturn was £150.980 million, of which £110.854 million was in respect of General Fund schemes and £40.126 million in relation to the Council's Public housing schemes. The projected outturn is a total variance of £19.537 million against a capital programme of £170.517 million. Directorates have been reminded of the need to avoid slippage wherever possible by ensuring that their project plans and profiles of activity are robust.

2018/19 Budget and Medium Term

8. The 2019/20 Budget was approved by Council on 28 February 2019. The Budget aligns with the priorities in the Corporate Plan.
9. The Budget Report included four annexes namely, Directorate. Commentaries, Council's Medium Term Final Plan, Capital Strategy and Treasury Management Strategy.
10. In setting the 2019/20 Budget, which totals £623.589 million, an underlying budget reduction requirement of £32.438 million was addressed through the following measures:-

	£000
Schools Contribution to Meeting Pressures	3,586
Use of Earmarked Reserves	2,750
Savings	19,157
Council Tax at 4.9% (net)	6,745
TOTAL	32,438

11. The due diligence for the 2019/20 budget process took account of the risk in respect of the unachieved savings identified within the 2018/19 budget monitoring process. The 2019/20 Budget includes the write of £53,000 prior year savings based on the perceived risk associated with their future achievability. Directorate base budgets for 2019/20 reflect the consequential budget realignments.
12. The 2019/20 budget savings of £19.157 million were rated in terms of residual and achievability risk. Proposals rated red or red-amber totalled £8.101 million in terms of achievability risk, £7.494 million in terms of residual risk and £585,000 in terms of equalities impact. All proposals with a red or red-amber equalities rating have been subject to a full Equalities Impact Assessment. The planning status of savings has also been reviewed with 82% of the proposed savings either having been realised or with detailed plans in place. The achievement of savings will be closely monitored through the coming year.
13. The final settlement for Cardiff set out a funding increase of 0.9%. After a technical adjustment in respect of the council tax base, this equates to additional cash of £2.2 million when compared to 2018/19. However, this sum is eroded to £1.6 million after taking account of a technical adjustment in respect to the Council Tax Base. The change in Council Tax Base results in an increased level of resources of £2.363 million.
14. Use of the Council's £4 million Financial Resilience Mechanism (FRM) for 2018/19 was determined following the final settlement, which confirmed that the budget would be reduced by £200,000 compared to 2018/19. Its use in 2019/20 will include £2.1 million to support visible street scene service, £1.180 million on transport initiatives and £520,000 on other services including homelessness. Full details of how the FRM will be spent in 2019/20 are available in the Budget Report.
15. There will be a net decrease of 54.86 full time equivalent (FTE) posts in connection with the 2019/20 Budget. This comprises 123.4 FTE deletions offset by the creation of 68.54 FTE posts.
16. The Medium Term Financial Plan (MTFP) for the financial years 2020/21 – 2023/24 as set out in the Budget Report shows a potential budget gap of £105 million over the four-year 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 2020/21 Budget to enable a Budget Strategy Report to be considered in July 2019. This will also provide an update to the MTFP for any known changes.

17. The Capital Programme for 2019/20 totals £146.556 million with a total five year spend of £843.240 million. This includes both housing and general fund capital schemes. As Audit Committee will be aware from the Treasury Management Strategy, this will result in an increase in the Council's borrowing requirement over the medium term. The capital budget for 2019/20 will be updated during the financial year for any additional approved grant funding towards capital schemes.
18. The Budget Report included an extensive section on the Council's financial standing, risks and financial resilience, which also set out the position on Council reserves. This section was accompanied by a further update of the Council's financial resilience snapshot, which is included at Appendix 1 to this report.

Reason for Recommendations

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

Legal Implications

20. No direct legal implications arise from this report.

Financial Implications

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

Recommendations

22. To note the financial information provided in respect of the 2018/19 monitoring position and the outcome of the budget for 2019/20 and the medium term.

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CORPORATE DIRECTOR RESOURCES
2 April 2019

The following appendices are attached:

Appendix 1 – Financial Snapshot – Budget Report Version