

**CABINET MEETING: 13 JUNE 2019**

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**OUTTURN 2018/19**

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

**AGENDA ITEM: 7**

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**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 2019.

**Background**

2. The report compares the outturn for the financial year ending 31 March 2019 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. A balanced position for 2018-19 has been delivered. The final revenue outturn position reflects the fact that the Council has maintained its spending within its overall net budget of £609 million in 2018/19 after contributions to and from earmarked reserves. Favourable variances within the Summary Revenue Account (SRA), including the previously reported release of the £1.1 million Financial Resilience Mechanism (FRM) allocation held for transitional grant relief and in-year savings against the Council Tax Reduction Scheme (CTRS) contingency budget have enabled contributions to be made to a number of reserves that will support financial resilience of the Council in the medium term. These include allocations to the Strategic Budget Reserve, the Waste Management Reserve and the Welfare Reform Reserve.
4. During the year the Council's monitoring process identified financial pressures in a number of directorates, notably Social Services, Planning, Transport & Environment 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 2018/19 budget. This is reflected in the overall directorate outturn position which shows an overspend of £5.353 million, an increase of £453,000 compared to the monitoring position reported at month nine. The overall position on directorate budgets includes overspends of £2.878 million in Social Services, £1.265 million in Planning, Transport & Environment and £932,000 in Education & Lifelong Learning. Overspends were also recorded in other directorates, however they were largely offset by underspends within Housing & Communities and Resources. The

directorate overspends were also partially offset by the £3.000 million general contingency budget which was maintained as part of the 2018/19 budget in order to reflect the quantum, risk and planning status of the proposed savings in 2018/19. The overall position also includes an overspend of £42,000 on Discretionary Rate Relief. Both this, and the directorate overspends, were offset by savings in other areas including Council Tax collection, NDR refunds on Council properties, Capital Financing and the Summary Revenue Account.

## **Issues**

5. An overall summary of the position shows:

- As set out in paragraph 4, a balanced position has been achieved, following transfers to reserves and the funding of voluntary severance costs in 2018/19.
- Overall, schools reduced their individual reserves by £1.661 million (net). In addition, the deficit position in respect of the Mutual Supply Fund, which offsets school balances, has reduced by £500,000 to £796,000. When this is taken into account the overall decrease in school balances is £1.161 million.
- The Housing Revenue Account (HRA) shows a balanced position, after a number of transfers to and from earmarked reserves. As a consequence, the balance on the HRA Revenue Balance remains unchanged and is available for spending on HRA related issues only.
- The Council spent £142.464 million on capital expenditure compared to a budget of £174.513 million which primarily relates to slippage of schemes in to 2019/20.

## **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 2018/19 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 £4.089 million is reported against the £14.296 million directorate savings targets for 2018/19 with a further shortfall of £903,000 against the savings targets carried forward from 2017/18, as set out in Appendix 3(b). Compared to the position at month nine, this represents an increased shortfall of £535,000 against the 2018/19 savings targets and £136,000 against the savings targets carried forward from 2017/18. The shortfalls are reflected in the directorate monitoring positions, although where possible these have been offset by savings in other budget areas within the relevant directorate. The £3.0 million General Contingency Budget, which was allocated to reflect the risk and planning status of the proposed savings in 2018/19, partly offsets these shortfalls. The shortfalls do, however, represent a significant challenge going forward,

particularly given the level of further savings targets approved as part of the 2019/20 Budget and the amounts expected to be required in future years. The risk of these savings not being achieved was considered as part of the 2019/20 budget process and, as a result, a budget saving to the value of £53,000 was written back in the budget. This still leaves an on-going shortfall of £4.036 million to be achieved in 2019/20, in addition to the budget savings approved as part of the 2019/20 budget process itself. It is essential, therefore, that the directorates continue to progress work in relation to any outstanding savings from 2017/18 and 2018/19 so that these are fully achieved. This will continually be reviewed as part of the financial monitoring process in 2019/20.

8. The Summary Revenue Account (SRA) consolidates the overall revenue position for the Council and includes various adjustments to the Council's accounts. These adjustments include 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 that have impacted on the overall revenue position of the Council. It also consolidates the final position in relation to contingency budgets and any adjustments, commitments and transfers to and from earmarked reserves and provisions arising from these. Favourable variances within the SRA, including the previously reported savings of £1.1 million in relation to the FRM allocation for transitional grant relief, have enabled a number of contributions to be made to earmarked reserves. These contributions will continue to support and enhance the financial resilience of the Council over the medium term.
9. The transfers to earmarked reserves, facilitated by the favourable SRA position, include £1.829 million to the Strategic Budget Reserve to assist the Council in managing the impact of budgetary challenges over the period within the Medium Term Financial Plan. In addition, £642,000 has been transferred to the Welfare Reform Reserve to assist with mitigating the impact of welfare reform changes, in particular the continued rollout of Universal Credit. As well as these allocations, £300,000 has been transferred to the Waste Management Reserve to ensure a balance exists to be able to mitigate ongoing and emerging pressures within the Waste Management Service over the medium term. Furthermore, £200,000 has been transferred to the Corporate Events & Cultural Services Reserve, to enable the Council to be able to react to issues and opportunities that emerge, particularly those that impact Cardiff uniquely due to its capital city status. A number of contributions to and from provisions were also reflected in the SRA, the most significant of which was the write back of £475,000 in relation to a provision for costs associated with the exit of the Friary Building. Other notable transactions with the SRA include the £2.494 million VAT refund, reported at month nine, in relation to prior year leisure services. This amount has been offset by a payment on account to HMRC in respect of liabilities in relation to Landfill Tax.
10. In total, the redundancy costs incurred during the year amounted to £2.788 million. This included £1.133 million in respect of school-based staff, £62,000 which was funded via the Housing Revenue Account and £30,000 funded by grant income. In line with the Code of Practice on Local Authority Accounting these figures include provision in the 2018/19 accounts for

payments relating to redundancy costs that will be paid in 2019/20 as a result of budget savings agreed in 2018/19. In line with the planned funding model, £639,970 was transferred from the Employee Changes Reserve to the voluntary redundancy budget in order to fund the increased level of costs in 2018/19. This reserve is held in order to support staff costs associated with organisational change including the future impact of voluntary redundancy on the Council's budget. In addition, pension costs charged to the Council in respect of the Local Government Pension Scheme arising as a result of voluntary redundancy in 2018/19 totalled £1.607 million. These will be initially funded via the Pension Fund and will be repaid to the fund over a five-year period.

11. A surplus of £801,000 was reported in relation to Council Tax collection, an increase of £166,000 compared to the position projected at month nine. The surplus is mainly due to a lower than budgeted contribution to the Council Tax Bad Debt Provision as compared with the assumptions reflected in the Council Tax Base Report approved in December 2017. The surplus represents a variance of less than 0.5% of the estimated gross debit. A saving of £84,000 was also reported in relation to refunds of non-domestic rates (NDR) on Council properties achieved through the appeals process, an increase of £23,000 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 2018/19 this showed an overspend of £42,000 reflecting an increase in the level of demand for such relief.
12. During the year expenditure of £233,000 was incurred on various corporate initiatives. This expenditure included funding contributions towards the Eisteddfod, the Geraint Thomas Homecoming, the Velothon, the Extreme Sailing Event, and the Children's Literature Festival. The final outturn position on corporate initiatives showed an underspend of £101,000 which assisted in reducing the overall overspend within the Corporate Management directorate. A transfer of £200,000 was made to the Corporate Events & Cultural Services reserve from within the SRA to ensure a level of funding exists for future years.
13. School balances currently stand at £4.862 million surplus, which is a total decrease in balances of £1.161 million compared to 2017/18. This overall balance contains a net deficit balance totalling £796,000 in relation to the Mutual Supply Fund (MSF). This figure represents the cumulative MSF liability incurred over a number of financial years, which has reduced this year following the implementation of a £500,000 clawback against schools within the fund. This balance has been offset against overall net school balances pending further recovery during 2019/20. Excluding the MSF liability from the net balances means that individual school balances total £5.658 million and have decreased by £1.661 million.
14. The table below sets out the balances held by individual schools as at 31 March 2019 -

<b>2018/19</b>	<b>£m</b>	<b>% of Delegated Budget</b>
Primary	5.522	4.40
Secondary	(0.557)	(0.53)
Special	0.693	5.41
<b>Total – Individual Schools</b>	<b>5.658</b>	<b>2.33</b>

15. The individual figures within the above table show a mixed trend with 60% of the schools across the phases reducing their balances and 40% increasing their balances.
16. 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 reduced from 59 to 46, whilst seven secondary / special schools hold balances in excess of the recommended level of £100,000. During 2018/19, the Council directed a number of schools to spend their balances, where their school balance had exceeded local thresholds for at least three consecutive years. This action may partly explain the overall reduction in the level of balances.
17. In setting individual school budgets for 2019/20, indications are, once again, that individual school balances in surplus are being used to set balanced budgets. However, this was also the case in a number of previous years and overall school balances either increased or remain relatively high. 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 for further directions to spend or to claim back any excess surplus. Currently, the intention to clawback balances 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 12 schools in Cardiff with negative balances amounting to £1.866 million. This represents a slight increase compared to the 9 schools that were in deficit at the end of the 2017/18 financial year. Each of these schools has a medium term financial plan agreed with the Council. Of that figure, £1.740 million is in respect of six 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 continued to have financial delegation withdrawn from the Governing Body during 2018/19: Cantonian High School and Eastern High School, although Eastern High School currently holds a surplus balance. In addition, one primary school, St Peter's RC Primary School, had financial delegation withdrawal implemented during 2018/19 although the school currently has 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 2018/19 accounts with the overall position, excluding school balances and the HRA, showing a net decrease of £8.116 million. Significant net contributions to earmarked reserves include £1.6 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 a net transfer of £790,000 to the Parking & Enforcement Reserve, in respect of the net surplus in respect of Civil Parking Enforcement, and those transfers from the SRA, previously outlined in this report. Significant net drawdowns from reserves include £2.215 million from the School Organisational Plan Reserve in order to meet planned commitments and £1.204 million from the Employee Changes Reserve to meet costs associated with staffing redundancies linked to budget proposals, in particular. In addition, a net £839,000 was drawn down from the Insurance Reserve, £565,000 was drawn down from the Cardiff Enterprise Zone Reserve and £524,000 was drawn down from the Capital Ambition Delivery Reserve. No new earmarked reserves were created in 2018/19.

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.

	<b>£000</b>
Net service position - Deficit	5,353
Contingency	(3,000)
Capital Financing	(392)
Summary Revenue Account	(348)
Discretionary Relief	42
Council Tax collected in excess of budget	(801)
NDR refunds on Council properties	(854)
<b>Net Revenue outturn – Balanced Position</b>	<b>0</b>

21. A balanced position is reported in relation to the net revenue outturn for 2018/19 and therefore there is no consequential impact on the Council Fund Balance. The balance at 31 March 2019, 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, however that position will be reviewed as part of the 2020/21 budget preparation. The financial risks facing the Council were set out in the 2019/20 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. Any surplus or deficit is transferred to the Parking Reserve.
24. The following table provides a summary of the budget and outturn position.

<b>2017/18 Outturn £000</b>		<b>2018/19 Budget £000</b>	<b>2018/19 Outturn £000</b>	<b>2018/19 Variance £000</b>
	<b>Income</b>			
(4,575)	On street car parking fees	(4,784)	(5,059)	(275)
(1,087)	Off street car parking fees	(1,237)	(1,088)	149
(346)	Residents parking permits	(325)	(368)	(43)
(1,973)	Penalty charge notices	(2,000)	(2,385)	(385)
(3,792)	Moving Traffic Offences (MTO's)	(3,656)	(5,039)	(1,383)
(200)	Camera Car	(184)	(290)	(106)
0	Traffic Enforcement Centre (TEC)	0	(212)	(212)
(55)	Other income	0	(7)	(7)
<b>(12,028)</b>	<b>Total Income</b>	<b>(12,186)</b>	<b>(14,448)</b>	<b>(2,262)</b>
	<b>Expenditure</b>			
698	TRO, operational costs, parking a/c	820	914	94
5,276	Enforcement service	5,470	5,843	373
<b>5,974</b>	<b>Total Expenditure</b>	<b>6,290</b>	<b>6,757</b>	<b>467</b>
<b>(6,054)</b>	<b>Annual Surplus</b>	<b>(5,896)</b>	<b>(7,691)</b>	<b>(1,795)</b>

25. The position for 2018/19 showed a net trading surplus of £7.691 million. This was £1.795 million above the original target reflecting significant increased income from Moving Traffic Offences (MTO's) following the introduction of further phases, plus additional amounts from Penalty Charge Notices and on-street car parking fees. The successful recovery of unpaid fines by the Traffic Enforcement Centre (TEC) generated further income. Expenditure was higher than the budget although this primarily related to increased capital repayments.
26. Total income generated was £14.448 million. This included £5.059 million from on-street and £1.088 million from off-street parking fees with a further £368,000 from Residents Parking Permits. Enforcement generated £2.385 million from Penalty Charge Notices, £5.039 million from MTO's, £290,000 from the Camera Car and a further £212,000 from TEC. A further £7,000 was generated from various activities.
27. Total expenditure was £6.757 million and was £467,000 above budget. This reflected an increased capital loan repayment in respect of set-up costs associated with the MTO's and the funding of replacement equipment repayments.

### **Parking Reserve**

28. Section 55 of the Road Traffic Regulations Act 1984 governs the use of the reserve. 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 Reserve and the balance carried forward.

<b>2017/18 £000's</b>		<b>2018/19 £000's</b>
351	Brought forward balance	701
6,054	Contribution from CPE	7,691
<b>6,405</b>		<b>8,392</b>
	<b>Contribution to revenue:</b>	
5,025	Budgeted contribution to support Highways, Transport & Environmental improvements.	5,085
501	Active travel including bus corridor infrastructure improvements and LDP monitoring.	416
178	Environment and highway improvements.	486
0	Clean air initiatives through the conversion to and provision of electric vehicles and charging points.	21
0	Provision of public transport provision.	24
0	Additional drawdown to support Highways, Transport & Environmental improvements.	870
<b>5,704</b>	<b>Total Contribution to revenue</b>	<b>6,902</b>
<b>701</b>	<b>Parking Reserve Balance</b>	<b>1,490</b>

30. When the 2017/18 trading surplus of £7.691 million is applied to the brought forward figure of £701,000 the balance in the Parking Reserve is increased to £8.392 million.
31. Eligible expenditure totalling £6.902 million was drawn down from the reserve, leaving a balance of £1.490 million at the 31 March 2019. The drawdown included a budgeted sum of £5.085 million to support a range of Council services including ongoing support and improvements to transport, parking, highways and environmental services. It also included drawdowns for various improvement schemes and initiatives. The Director of Planning Transport & Environment, in consultation with the Cabinet Member for Strategic Planning & Transport, approved the use and the Corporate Director Resources approved the allocation from the reserve. Whilst there were variances compared to the original plan these were broadly in line with the forecasted position reported at Month 9.

### **Housing Revenue Account**

32. The Housing Revenue Account (HRA) shows a balanced position; unchanged overall compared to the position reported at month nine but with a number of offsetting movements across budget headings. The overall position as set out in Appendix 4 includes a number of variances. An



underspend of £664,000 on capital charges is due to lower than budgeted capital financing costs of £364,000 and a reduction of £300,000 in Direct Revenue Financing. An overspend of £564,000 on other premises costs is mainly due to insurance costs, other repairs and maintenance, Facilities Management and security costs mainly in relation to the Community Hubs. The Housing Repairs Account shows a balanced position following a drawdown of £800,000 from the Housing Repairs and Building Maintenance Services Reserve. This drawdown was required to offset overspends within the account, mainly in relation to external contractor spend and including internal charges above budget for central transport services costs.

33. Other variances within the HRA include a £186,000 overspend on supplies and services mainly due to insurance charges. An overspend of £454,000 was reported in relation to the contribution to the Bad Debt Provision based on end of year arrears and write-off levels. Other overspends include £76,000 on transport costs and £28,000 on support costs. A £236,000 underspend was reported in relation to employee budgets largely due to vacancy savings.
34. A surplus of £646,000 was also reported in relation to income, with lower than anticipated rental and service charge income of £318,000 being offset by additional staff recharge income to capital schemes of £176,000, additional Supporting People Grant income of £64,000 and Affordable Housing Grant income of £90,000. A contribution from the HRA Welfare Reform Reserve of £209,000 was used to offset some of the impact of the increased contribution to the Bad Debt Provision. In addition, as part of the year-end review of reserves and balances, it was identified that the balance of £238,000 on the HRA Information Technology Reserve was no longer required for this purpose. This was brought into the Revenue Account and subsequently transferred to the Welfare Reform Reserve in order to support anticipated future pressures in this area.

#### **Activities Inherited from Cardiff Bay Development Corporation including Cardiff Harbour Authority**

35. Welsh Government support for the Cardiff Harbour Authority (CHA) is subject to three-year funding agreements, the latest of which expired on 31 March 2017. The WG advised that it would like an opportunity to review current arrangements and wished to extend the previous business period by twelve months, up until 31 March 2018. However, the review, originally planned for the autumn of 2017 was delayed until the 2018/19 financial year. Subsequently, agreement was reached between the two parties for the 2018/19 budget to be set at £5.4 million, representing a reduction of £491,000 or 8.33% on 2017/18.
36. The outturn position indicates a drawdown of £5.392 million, resulting in a variance of £8,000.

<b>Budget Category</b>	<b>Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
Expenditure	6,124	6,158	34
Income	(920)	(958)	(38)
<b>Fixed Costs</b>	<b>5,204</b>	<b>5,200</b>	<b>(4)</b>
Asset Renewal	196	192	(4)
<b>Total</b>	<b>5,400</b>	<b>5,392</b>	<b>(8)</b>

37. The Fixed Cost budget shows an underspend of £4,000 and included savings generated against the environment and outer harbour dredging budgets, offset by additional essential barrage maintenance expenditure. The income of £958,000 includes £546,000 from car parking fees, £267,000 from harbour dues and £94,000 from water activities. This enabled essential maintenance and improvement work to be undertaken on a range of activities.
38. In accordance with the Agreement, any underspend against the Fixed Cost budget is to be shared equally between both organisations. Therefore, the Council's share of £2,000 has been transferred to the Project & Contingency Fund.
39. The under spend of £4,000 against the Asset Renewal budget reflected lower than anticipated costs on the pump out barrage south replacement scheme.
40. The CHA maintains a Project & Contingency Fund, which is used to support 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 a share of past year underspends on the Fixed Cost budget. The balance at 1 April 2018 was £382,000 and this will increase by £2,000 in respect of the Council's share of this year's underspend. Drawdowns from the fund consisted of £342,000 to fund the Volvo Ocean Race event and capital works at Alexandra Head. This leaves a net balance at 31 March 2019 of £42,000 and this is in line with the amendments to the Deed of Variation as agreed in April 2018.

### **Capital Outturn 2018/19**

41. Expenditure of £142.464 million was incurred across a range of services with £38.870 million of this in relation to Public Housing (HRA).
42. 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 the receipt of external grants later in the year, directorates are regularly reminded of the need to set achievable expenditure profiles and to identify potential slippage of projects at an early stage.
43. 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

44. Expenditure was £103.594 million, with a variance of £22.080 million against the approved programme represented primarily by slippage into 2019/20. The main areas of slippage are highlighted in Appendix 5 and in many cases are due to the receipt of late external grant awards in 2018/19 displacing the Council's own funding which is to be used in later years. This includes receipt of additional grant for General Capital Funding, highways refurbishment, schools, transport initiatives and disabled adaptations. The main items of expenditure during the year are set out in the table below:

Schemes	Detail	£m
Housing, Neighbourhood Regeneration	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements and a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn including creation of new shop units; completion of St Mellons Hub.	8.4
Education & Lifelong Learning	Completion of the Band A Investment Programme including a new High school in the West and three new primary schools; extensions of facilities at a number of schools; investment in the condition and suitability of school buildings and development costs for the start of the Band B projects.	46.6
Highways & Transportation	Road and footpath reconstruction and resurfacing; Greener Grangetown rainwater management scheme; public transport and road safety improvements; cycling strategy implementation and expansion of cycle hire scheme; investment in safe routes in communities; design works for city centre air quality measures.	17.6
Leisure Facilities & Parks	Investment in leisure sites retained by the Council as well as sites operated by GLL; athletics track and parks play equipment replacement; outdoor sports facilities and infrastructure improvements.	4.0
Property, Economic Development and Major Projects	Public realm improvements at Central Square; acquisition of land at Britannia Park, international sports village and as part of the investment property strategy; condition improvements of operational buildings; town centre loan initiatives.	17.9
City Deal	Contribution towards first project of Cardiff Capital Region City Deal – Semiconductor facility	2.9
Other	Modernising ICT to improve business process; Energy efficiency in buildings; harbour asset renewal; Waste Recycling and collection improvements; acquisition of previously leased road salt gritters and waste collection vehicles; day centre improvements.	6.2

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

General Fund - Funding Source for	Amount	Percentage
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<b>2018/19 Capital Expenditure</b>	<b>£000</b>	<b>of Funding (%)</b>
WG General Capital Supported Borrowing	8,468	8.17
WG General Capital Grant	9,921	9.58
WG and other external grants	29,051	28.04
Additional Unsupported Borrowing	1,282	1.24
Invest to Save Unsupported Borrowing	30,879	29.81
Revenue & Reserves	1,594	1.54
Capital Receipts	20,117	19.42
External Contributions	2,282	2.20
<b>Total</b>	<b>103,594</b>	<b>100.00</b>

46. The Council received a base allocation of General Capital Funding from Welsh Government of £13.621 million in 2018/19. This was made up of capital financing support within the revenue budget settlement to undertake £8.468 million of supported borrowing and a cash grant of £5.153 million. A further £4.768 million of general capital grant was received in March 2019 as part of an additional £100 million allocated across Welsh authorities over three years.
47. In addition to the above, the Council can undertake unsupported borrowing which has to be fully met through the revenue budget in future years. In 2018/19, the Council used unsupported borrowing of £32.161 million to support General Fund expenditure. Of this, £1.282 million of borrowing was required to balance Capital Programme commitments and £30.879 million was for 'Invest to Save' borrowing, repayable from Directorate revenue budgets. The latter includes 21<sup>st</sup> 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 remained uncertain, with some approvals received during the year, making long term planning difficult.

### **General Fund Capital Receipts**

48. The Capital Programme approved by Council in February 2018 included an estimate of £2 million for non earmarked General Fund capital receipts, after making a deduction for the revenue costs of disposal. The significant cash receipts received during the year and available to pay towards new capital works are shown in the following table:

	<b>£000</b>
<b>General Fund – Non Earmarked</b>	
Howard Gardens Bowling Green (net of relocation costs)	4,916
Wedal Road former civic amenity site	384
Overage and licences	354
<b>Total</b>	<b>5,654</b>

<b>General Fund - Earmarked for Specific Capital Schemes</b>	
Proceeds from Investment Properties	814

<b>Total</b>	<b>814</b>
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49. General Fund – Non earmarked capital receipt in excess of the £2 million receipts target for the year, will be used as part of the overall £40 million capital receipt target set in the 2018/19 budget.
50. During the year, sites valued at £8.780 million were appropriated to the Housing Revenue Account for the development of Council housing. This included the Youth and Community Centre at St Mellons, as well as Howardian and Rumney High school sites.

### **Public Housing (HRA) Expenditure and Funding**

51. Expenditure in 2018/19 on Public Housing schemes was £38.870 million. Investment was made in estate regeneration, housing stock remodelling, addressing high rise cladding, the fabric of dwellings, disabled adaptations and in the development of new Council Housing as well as acquisition of existing housing to meet new build targets.
52. The table below shows how capital expenditure was paid for:-

<b>Public Housing - Funding Source for 2018/19 Capital Expenditure</b>	<b>Amount £000</b>	<b>Percentage of Funding (%)</b>
Major Repairs Allowance (WG grant)	9,514	24.48
Additional Unsupported Borrowing	15,163	39.01
WG and other external grants	1,306	3.36
Revenue & Reserves	9,469	24.36
Capital Receipts	1,920	4.94
External Contributions	1,498	3.85
<b>Total</b>	<b>38,870</b>	<b>100.00</b>

### **Public Housing Capital Receipts**

53. Capital Receipts of £1.571 million were generated from the sale of Council dwellings still eligible under the now ceased Right to Buy scheme. A further £650,000 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 2018. 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**

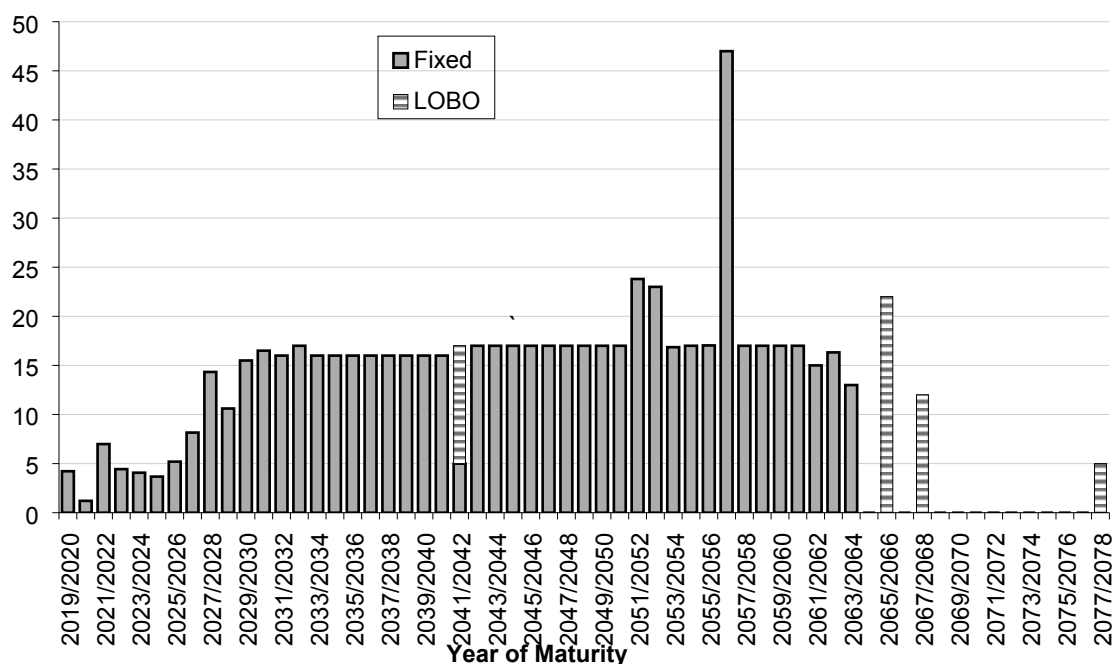
55. At 31 March 2019, investments arising from temporary cash balances stood at £93.3 million. The balance of investments is at a point in time and will fluctuate daily depending on the timing of receipts and payments in the Council's bank account e.g. payments to suppliers, receipt of grants and capital receipts. The organisations with whom the Council invests were set out in the Council's Investment Strategy for 2018/19 and where possible, investments were diversified across organisations.
56. The overall level of interest receivable from treasury investments totalled £682,000 with the average rate achieved for during 2018/19 being 0.76%, which compares favourably against the 7 day LIBID rate of 0.51% and the 3 Month LIBID rate of 0.68%.

## Borrowing

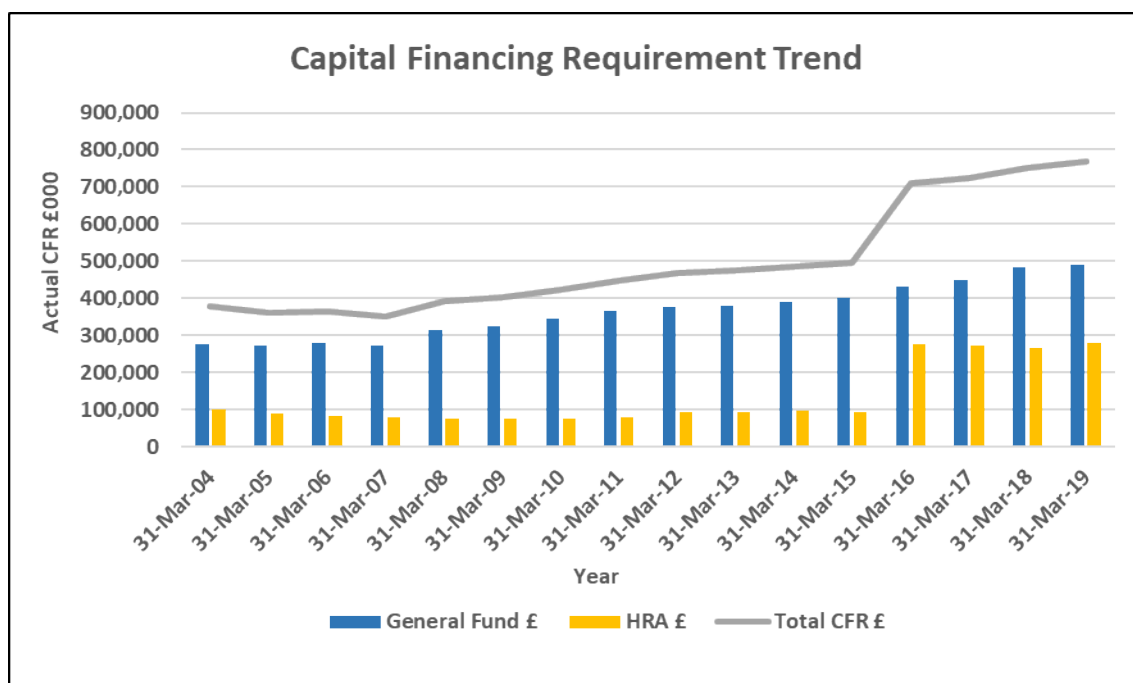
57. At the 31 March 2019 the Council's total external borrowing was £722 million. This was predominantly made up of fixed interest rate borrowing from the Public Works Loan Board (PWLB) payable on maturity.

31 March 2018			31 March 2019	
£m	Rate (%)		£m	Rate (%)
631.8		Public Works Loan Board	660.9	
51.0		Market (Lender Option Borrower Option)	51.0	
4.6		Welsh Government	4.5	
5.9		Other	5.5	
<b>693.3</b>	<b>4.64</b>	<b>Total External Debt</b>	<b>721.9</b>	<b>4.53</b>

58. The average rate on the Council's borrowing reduced during the year, from 4.64% to 4.53% primarily as a result of additional external borrowing at a lower rate. Total interest payable was £32.190 million, of which £11.716 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.
59. The maturity profile of borrowing at 31 March 2019 is shown in the following chart.



60. The Council's Capital Financing Requirement (CFR) i.e. capital expenditure incurred but not yet paid for is estimated £768 million at 31 March 2019, £489 million for the General Fund and £279 million for the Housing Revenue Account. The trend in the CFR since 2004 is shown in the following chart, with the increase in 2015/16 including the subsidy exit payment of £187 million made by the Housing Revenue Account.



61. Whilst borrowing rates have remained higher than investment rates in 2018/19, 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 2019, subject to audit, is £46 million.

62. In recognition of these risks, £32.369 million of the Council's long term borrowing requirement was undertaken to mitigate the risk of rising longer term rates in line with the approved borrowing strategy. This new borrowing was taken at an average rate of 2.43% and has an average maturity of 43 years. In addition, interest free loans from Salix and Welsh Government were received for specific capital projects totalling £0.565 million. During 2018/19 the Council repaid £4.288 million of maturing loans.

### **Reasons for Recommendations**

63. The report is for information and serves to complete the financial monitoring processes for 2018/19.

### **Legal Implications**

64. 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.

### **Generic advice**

65. In considering the matters set out in this report regard should be had, amongst other things, to:
- (a) The Welsh Language (Wales) Measure 2011 and the Welsh Language Standards,
  - (b) Public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are : a. Age; b. Gender reassignment; c. Sex; d. Race – including ethnic or national origin, colour or nationality; e. Disability; f. Pregnancy and maternity; g. Marriage and civil partnership; h. Sexual orientation; i. Religion or belief – including lack of belief, and
  - (c) The Well - Being of Future Generations (Wales) Act 2015

### **Well Being of Future Generations (Wales) Act 2015**

66. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.



67. In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well - being goals. The well - being objectives are set out in Cardiff's Corporate Plan 2019-22:

<http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf>

68. When exercising its functions, the Council is required to take all reasonable steps to meet its well-being objectives. This means that the decision makers should consider how any proposed decision will contribute towards meeting the well-being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.
69. The well-being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:
- Look to the long term
  - Focus on prevention by understanding the root causes of problems
  - Deliver an integrated approach to achieving the 7 national well-being goals
  - Work in collaboration with others to find shared sustainable solutions
  - Involve people from all sections of the community in the decisions which affect them
70. In regards to any decision going forward, the decision makers must be satisfied that any proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below:

<http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

### **Financial Implications**

71. The final revenue outturn position indicates that the Council has maintained its spending within its overall net budget of £609 million in 2018/19 with a balanced position reported after contributions to and from reserves. This is in line with the position reported at month nine. However, contained within this balanced budget position are significant overpends for specific directorates (Social Services, Planning, Transport and Environment and Education & Lifelong Learning) which will need to be contained in 2019/20.

72. In addition, as set out within the body of the report, there are shortfalls in relation to budget savings not being achieved so it is therefore essential that directorates continue to progress any outstanding savings from 2017/18 and 2018/19 so that these are fully achieved in the 2019/20 financial year.
73. Overall, excluding school balances and the HRA, the earmarked reserves held by the Council decreased by £8.116 million in 2018/19. This includes a contribution 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.
74. The Council Fund Balance at 31 March 2019 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 2020/21 budget preparation.
75. The Capital Programme Outturn for 2018/19 highlights that £35.990 million slippage into 2019/20 was incurred. 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.

<b>Slippage</b>	<b>Month 4 reported slippage</b>	<b>Month 6 reported slippage</b>	<b>Month 9 reported slippage</b>	<b>Outturn slippage</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund	4,393	3,120	15,205	26,021
Public Housing	6,272	7,959	8,580	9,969
<b>Total</b>	<b>10,665</b>	<b>11,079</b>	<b>23,785</b>	<b>35,990</b>

76. General Fund Capital expenditure in 2018/19 required £32.161 million of unsupported borrowing, of which, £30.879 million relates to funding required to be repaid by savings in the revenue budgets or income generation. As highlighted previous 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 2018/19

- (2) Note that this report will form an Appendix to the Financial Statements report to be considered at the Council meeting in September 2019

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>CHRISTOPHER LEE</b>
	Corporate Director Resources <b>7 June 2019</b>

*The following Appendices are attached:*

- Appendix 1 - Revenue 2018/19
- Appendix 2 - Directorate Variances
- Appendix 3 (a) - Budget Savings 2018/19
- Appendix 3 (b) - Budget Savings 2017/18
- Appendix 4 - Housing Revenue Account 2018/19
- Appendix 5 - Capital Scheme Updates
- Appendix 6 - Capital Programme 2018/19