

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE:

19 September 2016

FINANCIAL UPDATE 2016/17

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.1

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 2016/17 and gives an update on the preparatory work for 2017/18 and the medium term.

Issues

Financial Monitoring

3. Overall, the month four revenue monitoring for the Council shows a projected overspend of £850,000 reflecting financial pressures and shortfalls against budget savings targets in directorate budgets. These are partly offset by projected savings on capital financing, the release of contingency budgets previously earmarked to fund voluntary severance costs, an anticipated surplus on Council Tax collection and NDR refunds on Council properties. Directorate budgets are currently projected to be overspent by £6.5 million however it is anticipated that management actions will enable this to be reduced by the year end. The current position includes projected overspends in the Social Services, City Operations and Governance & Legal Services Directorates and in Corporate Management. The directorate overspends are partially offset by the £4.0 million general contingency budget which was maintained as part of the 2016/17 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2016/17.
4. The projected overspends in directorate budgets include £5.221 million in Social Services, £785,000 in City Operations, £494,000 in Corporate Management and £44,000 in Governance and Legal Services. This position reflects a range of factors including increased demographic pressures in Social Services, shortfalls in income and the anticipated failure to fully achieve the savings targets set as part of the 2016/17 Budget together with on-going shortfalls carried forward from the previous financial year.

5. An overall shortfall of £5.462 million is currently anticipated against the £25.892 million 2016/17 directorate savings target with £7.297 million having been achieved to date and a further £13.133 million anticipated to be achieved by the year end. The budget approved by Council on the 25 February 2016 identified red or red / amber achievability risks totalling £11.663 million with £2.752 million of the savings proposals still at a general planning stage. These risks are evident in the projected shortfall currently reported as part of the month four monitoring. A projected shortfall of £1.819 million has also been identified in relation to savings targets carried forward from 2015/16. The projected shortfalls are reflected in the directorate monitoring positions although where possible shortfalls have been offset by savings in other budget areas. The £4.0 million General contingency budget which was allocated to reflect the risk and planning status of the proposed savings for 2016/17 is also available to offset the shortfall in the current financial year. However, despite this the shortfalls represent a continuing cause for concern particularly as the Council is about to embark on another very difficult budget round.
6. Actions are being taken by those directorates currently 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 will be considered as part of the challenge process to review the performance of directorates including the budget monitoring position. The Chief Executive has held a series of meetings with directors to identify measures to reduce the level of spend across the Council with the intention of improving the overall position as the year progresses. These reviews will continue throughout the year and the actions taken also discussed in the Chief Executive's monthly meetings with individual directors. In addition the Chief Executive has implemented a number of management actions which it is anticipated will enable a balanced position to be achieved by the end of the financial year.
7. The Capital Programme for 2016/17 amounts to £127.126 million of which £101.641 million is in respect of General Fund schemes and £25.485 million is in relation to the Council's Public Housing schemes. Against this the projected out-turn is £107.189 million resulting in a total variance of £19.937 million. The majority of the projected variance is in relation to slippage against the 21st Century Schools Programme mainly due to delays in the construction of the new Eastern High School. There is also projected slippage on schemes such as modernising technology to support business processes, improvements to disabled accessibility at Whitchurch High School and Central Square Public Realm detailed design works. Directorates have been reminded of the need to avoid slippage wherever possible by ensuring that their project plans and profiles of activity are robust.
8. Cabinet will be considering the Month 4 monitoring report at their meeting on 15 September 2016.

Budget Preparation

9. Following the approval of the Budget Strategy report by Cabinet and Council in July 2016, directorates have spent the summer reviewing their savings proposals as part of establishing a balanced budget position for approval by Council in February 2017. The Budget Strategy report indicated a budget gap of £24.3 million in 2017/18 and £75.3 million over the period to 2019/20. Within those figures, directorate savings are expected to amount to some £43.035 million with

the balance accounted for through other strategy assumptions including increases in Council Tax.

10. The Cabinet wishes to continue its commitment to extensive public consultation and this has already commenced over the summer period through the inclusion in the Ask Cardiff Survey of general budget themes. This will pave the way for more detailed consultation in the autumn with public consultation expected to begin by early November 2016. This will be subject to any implications arising from the Provisional Settlement which is due on the 19 October.

Reason for Recommendations

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

Legal Implications

12. No direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

14. To note the financial information provided and the process being adopted in respect of budget preparation for 2017/18 and the medium term.

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