

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE:

16 September 2015

FINANCIAL UPDATE 2015/16

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4.1

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 2015/16 and gives an update on the preparatory work for 2016/17 and the medium term.

Issues

Financial Monitoring

3. Overall, the month four revenue monitoring for the Council shows a balanced position with financial pressures and shortfalls against budget savings targets in directorate budgets offset by projected savings on capital financing and an anticipated surplus on Council Tax collection. Directorate budgets are currently projected to be overspent by £6.1 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 Economic Development Directorates and in Corporate Management. This reflects a number of factors including shortfalls against budget savings targets set as part of the 2015/16 budget and on-going shortfalls carried forward from the previous financial year. The directorate overspends are partially offset by the £4.0 million general contingency budget which was maintained as part of the 2015/16 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2015/16.
4. The projected overspends in directorate budgets include £4.960 million in Social Services, £867,000 in City Operations, £300,000 in Economic Development and £138,000 in Corporate Management. This position reflect a range of factors including increased demographic pressures, shortfalls in income and the anticipated failure to fully achieve the savings targets set as part of the 2015/16 budget together with on-going shortfalls carried forward from the previous financial year.

5. The 2015/16 savings for each directorate currently anticipated to be achieved show an overall shortfall of £5.422 million against the £32.473 million directorate savings target with £16.785 million having been achieved to date and a further £10.266 million anticipated to be achieved by the year end. The budget approved by Council on the 26 February 2015 identified red or red / amber achievability risks totalling £10.230 million with £5.854 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 £2.769 million has also been identified in relation to savings targets carried forward from 2014/15. 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 2015/16 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 in order to try to resolve the issues that led to the current position or alternatively to identify offsetting savings in other areas of the service. This will be progressed as part of the challenge process to review the performance of directorates including the budget monitoring position. The Chief Executive has also 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.
7. The Capital Programme for 2015/16 amounts to £324.4 million of which £155.3 million is in respect of General Fund schemes and £209.2 million is in relation to the Council's Public Housing schemes. Against this the projected out-turn is £297.3 million resulting in a net variance of £27.1 million. The majority of the projected variance is due to slippage in two main areas, namely, construction of the new Eastern High School and various energy projects including LED for street lighting. 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 consider the Month 4 monitoring report at their meeting on 18 September 2015.

Budget Preparation

9. Following the approval of the Budget Strategy report by Cabinet and Council in July 2015, directorates have spent the summer constructing their savings proposals as part of establishing a balanced budget position for approval by Council in February 2016. The Budget Strategy report indicated a budget gap of £47.4 million in 2016/17 and £116.9 million over the period to 2018/19. Within those figures, directorate savings are expected to amount to some £70 million with the balance accounted for through other strategy assumptions including increases in Council Tax.
10. The Cabinet wish to continue to improve on the extensive public consultation carried out last year and so the expectation is that early due diligence work on the savings proposed by directorates will be concluded and that public consultation will begin during November 2015.

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 2016/17 and the medium term.

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CORPORATE DIRECTOR RESOURCES
9 September 2015