

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 30 November 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 six revenue monitoring for the Council shows a potential surplus of £309,000 as compared to the balanced position previously reported at month four. Financial pressures and shortfalls against budget savings targets in directorate budgets continue to be offset by projected savings on capital financing, an anticipated surplus on Council Tax collection and by NDR refunds on Council properties. 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, £666,000 in City Operations, £569,000 in Economic Development and £154,000 in Corporate Management. This position reflects 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 £5.717 million against the £32.473 million directorate savings target with £18.730 million having been achieved to date and a further £8.026 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 six monitoring. A projected shortfall of £2.868 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 faced with 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 continue to be reviewed as part of the challenge process to review the performance of directorates including the budget monitoring position. The financial monitoring position and any actions being taken by directorates to reduce projected overspends are also discussed in the Chief Executive's monthly meetings with directors.
7. The Capital Programme for 2015/16 amounts to £327.8 million of which £116.5 million is in respect of General Fund schemes and £211.3 million is in relation to the Council's Public Housing schemes. Against this the projected out-turn is £297.6 million resulting in a net variance of £30.2 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 approved the Month Six monitoring report at their meeting on 12 November 2015.

Budget Preparation

9. Following the approval of the Budget Strategy report by Cabinet and Council in July 2015, directorates 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. Work has been carried out to update and review the budget strategy assumptions and to undertake due diligence on the initial 2016/17 savings proposals. Due diligence work has also been undertaken in respect of the budget savings shortfalls identified as part of the budget monitoring process in the current financial year in order to form a view regarding the future achievability of these savings. Any implications arising from the due diligence work will be reflected in the draft budget proposals which are due to be released for public consultation in December.
11. The timescales for the release of the Provisional and Final Local Government Settlement information from Welsh Government is creating risk and uncertainty for all Councils in Wales both in terms of the level at which budgets are set and in terms of the timeframes for approval by Council. The Provisional Settlement which is usually received in October will be announced on the 9th December with the Final Settlement not due to be announced until the 2nd March. Even then there will be a degree of uncertainty as the Welsh Government Budget is not due to be debated and approved by the National Assembly until 8th March. The Council's budget timetable currently assumes that the Budget will be considered at the Council Meeting on 25th February. This is now subject to review however there are also statutory considerations in that the Local Government Finance Act 1992 requires that Council's set their budgets no later than 11th March. Any further delay would also have implications for the collection of Council Tax in the new financial year.

Reason for Recommendations

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

Legal Implications

13. No direct legal implications arise from this report.

Financial Implications

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

Reccommendations

15. To note the financial information provided and the process being adopted in respect of budget preparation for 2016/17 and the medium term.

**CHRISTINE SALTER
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November 2015**