

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE:

1 FEBRUARY 2016

FINANCIAL UPDATE 2015/16

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4.1

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to provide the Audit Committee with an update on the Council's financial position.

Background

3. 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

4. The Cabinet considered the Month Six Monitoring Report on the 12 November 2015 and a summary of this was presented to the Audit Committee at its meeting on the 30 November. The next full Council monitoring report will be based on the position at month nine and this is due to be presented to Cabinet on the 18 February. For information, a summary of the month six position is set out below. The key issues identified at month six are not expected to change significantly although some improvement to the directorate positions is anticipated which should serve to increase the overall projected surplus. Work is currently progressing on the month nine monitoring position and this will be reported to the Committee at its meeting on 22 March.
5. 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.

6. 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.
7. Actions are being taken by those directorates currently reporting a projected overspend in order to try to resolve the position and 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.
8. The total council Capital Programme for 2015/16 amounts to £327.8 million and 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.

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. Work was then carried out in the autumn to update and review the budget strategy assumptions and to undertake due diligence on the initial 2016/17 savings proposals. Due diligence work was also 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. This was reflected in the Cabinet's budget proposals for consultation.
10. The Cabinet approved the 2016/17 budget proposals for consultation on 10 December. This was based on an updated budget reduction requirement of £45.645 million. The report outlined the financial planning assumptions on Council

Tax, schools, use of reserves and capitalisation and identified the budget savings proposals for consultation. These amounted to £33.897 million. The consultation commenced on 11 December and ran until midnight on 12 January. The results of the consultation are currently being analysed and will be considered by Cabinet when finalising their 2016/17 budget proposals for consideration by Council.

11. The Provisional Local Government Settlement information from Welsh Government is usually received in October however this year it was not announced until 9 December. This was too late for it to be reflected in the budget consultation process. The Settlement was more favourable than had been anticipated with all the indications prior to the announcement of the Comprehensive Spending Review suggesting a significant reduction in funding to Councils. In the event, the average decrease for Welsh Authorities was 1.4% with Cardiff having a reduction of 0.1% equating to £301,000. The higher settlement for Cardiff reflects the increased demographic pressures faced by the city as compared to other authorities in Wales although this still falls well short of providing the funding necessary to meet the commitments arising from these and the other pressures faced by the Council. Overall, compared to the planning assumption which reflected a 3% reduction the Settlement provided an additional £11.56 million. In addition, the revision to the Council Tax Base which was reported to Cabinet on 10 December 2015 also provided increased income of £1.9 million before any increase in the rate of Council Tax is considered. The Cabinet will take these changes into account when considering the consultation responses and finalising their budget proposals for consideration by Council.
12. This change to the anticipated position affords the Council an opportunity to significantly reshape the challenges of the medium term through:
 - Improving the Council's financial resilience next year and for the medium term
 - Addressing areas of significant risk within existing proposals for 2016/17
 - Developing a robust set of proposals extending into 2017/18 and beyond
 - Giving more scope to consider the outputs of consultation
 - Giving more scope to protect the Council's corporate priorities
13. The timescales for the release of the Provisional and Final Local Government Settlement information from Welsh Government has created 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 Final Settlement is not due to be announced until the 2 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 8 March. The Council's budget timetable currently assumes that the Budget will be considered at the Council Meeting on 25 February. This is still subject to review however there are also statutory considerations in that the Local Government Finance Act 1992 requires that Councils set their budgets no later than 11 March. Any delay beyond the 25 February would also have implications for the collection of Council Tax in the new financial year.

Reason for Recommendations

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

Legal Implications

No direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

16. To note the financial information provided in respect of the 2015/16 monitoring position and the process being adopted in respect of budget preparation for 2016/17 and the medium term.

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