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**Budget Outturn 2019/20**

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**Purpose of the Report**

1. To provide Members with an opportunity to consider the final budget outturn position for 2019/20.

**Structure of the Papers**

2. The Cabinet report attached at **Appendix A** will be considered by Cabinet on 16 July 20220. It is for information and serves to complete the financial monitoring processes for 2019/20. It has the following appendices:

**Appendix 1** - Revenue 2019/20

**Appendix 2** - Directorate Variances

**Appendix 3** – Budget Savings 2019/20

**Appendix 4** - Housing Revenue Account 2019/20

**Appendix 5** - Capital Scheme Updates

**Appendix 6** - Capital Programme 2019/20

**Scope of the Scrutiny**

3. The Covid-19 Scrutiny Panel has a remit conferred by Council to deliver scrutiny of all reports to Cabinet in this time of emergency. The Council's Budget Outturn 2019/20 is of interest to all five scrutiny committees therefore, on behalf of all Scrutiny Members, the Panel will have an opportunity to reflect on the Council's financial position at the year ending March 2020. Members are invited to offer their observations to the Cabinet on the 2019/20 Outturn to inform its consideration of the Council's financial position. The five Scrutiny Chairs may also wish to use the information to inform their individual scrutiny committees' work programming for 2020/21.

## **Background**

4. The report attached at **Appendix A** is the final report of the 2019/20 budget year, informing Members of the Council's Revenue and Capital expenditures during the year.
5. For clarity, the figures contained within this report are largely unaffected by the Covid-19 crisis, however within certain directorates additional expenditure has been incurred, and losses of income experienced, some of which are recoverable via the Welsh Government Hardship Fund for local authorities.

## **Overall Summary of financial position**

6. The Council is delivering a balanced revenue position for 2019/20, reflecting the fact that it has maintained its spending within its overall net budget of £623.589 million in 2019/20, after contributions to and from earmarked reserves.
7. Within this balanced budget position two directorates are showing significant overspends. The overall directorate outturn position shows an overspend of £8.629 million, which includes overspends of £4.514 million in Social Services and £3.325 million in Planning, Transport & Environment. Overspends were also recorded in Education & Lifelong Learning and Governance & Legal Services, and have been partly offset by underspends within Housing & Communities and Performance & Partnerships directorates.
8. Overall there has been a net increase in school balances of £455,000.
9. The Council has spent £164.417 million on capital expenditure compared to a budget of £224.740 million, which primarily relates to the slippage of schemes into 2020/21.

## **Revenue Summary**

10. A full analysis of the Council's Revenue position can be found at **points 7-21 of Appendix A**. Members are also referred to **Appendix 2 to Appendix A** for a full explanation of the main variances against individual directorate revenue budgets, and how the position for each directorate has changed since the month 9 financial report to Cabinet.

11. The following table shows the variance against budget at outturn 2019/20 for each Council directorate. Where sums are within brackets in red the directorate has underspent on its budget. Where sums are in black the directorate, or service area, has overspent its budget.

| <b>Directorate</b>                | <b>Variance at Outturn 2019/20<br/>£000</b> |
|-----------------------------------|---|
| Corporate Management              | (47)  |
| Economic Development              | 390   |
| Education & Lifelong Learning     | 686   |
| People & Communities              |   |
| - Communities & Housing           | (729)                                       |
| - Performance & Partnerships      | (146)                                       |
| - Social Services                 | 4,514                                       |
| Planning, Transport & Environment | 3,325                                       |
| Resources                         |   |
| - Governance & Legal Services     | 643   |
| - Resources                       | (7)   |

12. All directorates have been advised that it is of critical importance they demonstrate strict financial control in order to avoid future overspends wherever possible. The importance of this has been heightened even further in light of the ongoing COVID 19 crisis and associated financial challenges being experienced by the Council.

13. The position in respect of how each directorate performed in meeting its savings target for 2019/20 can be found at **Appendix 3 to Appendix A**. There has been an overall shortfall of £8.194 million against the £19.157 million directorate savings targets for 2019/20. The report states that the overall level of unachieved savings presents a significant challenge going forward, particularly given the requirement to achieve further savings in 2020/21 and in future years. However it also states that the overall level of unachieved savings carried forward into 2020/21 will be lower than the total shortfall recorded in 2019/20.

14. The following table shows how each directorate has performed against its 2019/20 savings target.

| <b>Directorate</b>                | Savings target<br>2019/20<br>£000 | Savings achieved<br>2019/20<br>£000 | Savings not achieved<br>2019/20<br>£000 |
|-----------------------------------|-----------------------------------|-------------------------------------|---|
| Corporate Management              | 166                               | 166                                 | 0                                       |
| Economic Development              | 3,153                             | 2,610                               | 543                                     |
| Education & Lifelong Learning     | 1,892                             | 1,189                               | 703                                     |
| People & Communities              |                                   |                                     |   |
| Communities & Housing             | 868                               | 868                                 | 0                                       |
| Performance & Partnerships        | 506                               | 506                                 | 0                                       |
| Social Services                   | 6,000                             | 1,000                               | 5,000                                   |
| Planning, Transport & Environment | 3,819                             | 1,928                               | 1,891                                   |
| Resources                         |                                   |                                     |   |
| - Governance & Legal Services     | 372                               | 359                                 | 13                                      |
| - Resources                       | 2,381                             | 2,337                               | 44                                      |
| <b>Total Savings</b>              | <b>19,157</b>                     | <b>10,963</b>                       | <b>8,194</b>                            |

15. There have been a number of transfers to earmarked reserves to support the Council's financial resilience. The report states that overall, excluding school balances and the HRA, the earmarked reserves held by the Council increased by £510,000 in 2019/20. This included contributions to the Employee Changes and Strategic Budget Reserves that will benefit the Council in the medium term and will serve to improve the Council's overall financial resilience. The Council Fund Balance at 31 March 2020 was £14.255 million. The Section 151 Officer considers the balance prudent given the unbudgeted risks that the Council faces in light of the ongoing COVID 19 crisis.

16. A surplus of £3.810 million has been reported in relation to Council Tax collection (**point 12**), representing a significant increase compared to the £121,000 surplus position projected at Month 9. The surplus is mainly due to a lower than budgeted contribution to the Council Tax Bad Debt Provision. The overall surplus represents a variance of less than 1.5% of the estimated gross debit. The Council's budget also includes an amount of £400,000 to support requests for discretionary rate relief. In 2019/20 this showed an overspend of £21,000, reflecting an increase in the level of demand for such relief.
17. The outturn report indicates that school balances currently stand at £5.317 million surplus, which is a total increase in balances of £455,000 compared to 2018/19. It notes that there are 18 schools in Cardiff with negative balances amounting to £1.539 million. This represents an increase compared to the 12 schools that were in deficit at the end of the 2018/19 financial year, although a number of these deficits are very small. It states the total level of deficit has decreased and the schools with more significant and longstanding deficits have financial recovery plans agreed with the Council. More detail on the schools position will be found at **points 14-17**.
18. The financial position in respect of Civil Parking Enforcement can be found at **point 22 -26 of Appendix A**. Total income generated from parking, parking enforcement and moving traffic offences was £14.487 million Total expenditure on operational costs and enforcement was £6.723 million. Any surplus is transferred to the Parking Reserve, full analysis of which will be found at **points 27-30**.
19. The Housing Revenue Account (HRA) is showing a balanced position and a full analysis can be found in **Appendix 4**. Where variances are in brackets they represent an underspend of actual compared with estimated spend.
20. Cardiff Harbour Authority's budget for 2019/20 represented a 3.3% reduction on 2018/19. The outturn position reflects an annual draw down of £5.276 million, resulting in a variance of £50,000. An explanation of the financial position can be found at **points 35-39**.

## **Capital Outturn 2019/20**

21. **Points 40 – 54** provide a full analysis of the Council's Capital Programme outturn for 2019/20. In summary the report highlights that £62.726 million of slippage into 2019/20 was incurred, including that in relation to public housing. This represents increased slippage in comparison to figures reported during the year. 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 that need to be in place before a scheme can progress needs to be considered at an early stage.

22. For a detailed update on each of the ongoing capital schemes Members are guided to **Appendix 5**, where each directorate has reported progress. This is supported by **Appendix 6** setting out the financial detail of the Capital Programme, and provides a quick reference to slippage on each scheme. The total Capital Programme for 2019/20 was £224.740m. The spend at outturn was £164.417m, therefore total slippage across all projects was (£62.726m).

23. At the 31 March 2019 the Council's total external borrowing was £722 million. **Points 58-63** provide the detail, of interest may be the new external loans the Council has undertaken in 2019/20; Short term borrowing of £58.250 million to pay for expenditure on the acquisition of the Red Dragon Centre; Public Works Loan Board borrowing of £40 million, and a loan of £10 million received from Welsh Government for the proposed Housing SME fund of the Cardiff Capital Region City Deal.

## **Proposed Recommendations to Cabinet**

24. In considering this report the Cabinet is recommended to:

- Approve the report and the actions taken in respect of the Council's accounts for 2019/20.
- Note that this report will form an Appendix to the Financial Statements report to be considered at a Council meeting in the autumn of 2020

## **Way Forward**

25. Councillor Chris Weaver, Cabinet Member Finance, Modernisation and Performance, Chris Lee, Corporate Director Resources, and Ian Allwood, Head of Finance will be in attendance to answer Members' questions.

## **Legal Implications**

26. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

27. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

## **RECOMMENDATION**

Panel Members are invited to consider the information presented in these papers and at the meeting, and refer any comments, observations, concerns or recommendations for consideration by the Cabinet prior to its meeting on 16 July 2020.

**DAVINA FIORE**

Director, Governance & Legal Services

10 July 2020