



AUDIT COMMITTEE REPORT

Report Title	Risk Review of 2020/21 Budget
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	06 February 2020
Policy Document:	No
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred-Portfolio Holder Finance

1. Purpose

1.1 To present the risk assessment of the budget proposals to Audit Committee for consideration.

2. Recommendations

2.1 That the Audit Committee considers issues in relation to risk within the budget proposals for 2020/21 and comments appropriately.

3. Issues and choices

3.1 Report background

3.1.1 The draft proposals for the 2020/21 budget for both the general fund and the Housing Revenue Account (HRA) were approved by Cabinet on 23 December 2019 and put out for public consultation. The final 2020/21 budget proposals will go back to Cabinet on 19 February 2020 and will then go for a final decision to Council on 24 February 2020. Overview and Scrutiny Committee met on 9 January 2020 to scrutinise the budget proposals (see appendix H).

3.1.2 The Chief Finance Officer is required to make a statement on the robustness of budget estimates when the proposed final budget is brought to Council for approval.

3.1.3 This report provides the opportunity for the Audit Committee to consider the risk issues in relation to the draft budget and to provide comments to the Chief Finance Officer, Cabinet and Council for their consideration when agreeing the final budget proposals.

3.2 Issues

3.2.1 The 2020/21 budgets have been developed in the context of the medium term financial strategy for the general fund and the 30-year HRA business plan forecasts. In order to ensure that the Council's financial position is sustainable, not just for the next year, but over the medium term, efficiencies have been made as well as making tough choices and putting forward proposals for savings and additional income generation.

3.2.2 The summary 2020/21 general fund budget and medium term financial plan (MTFP) is set out in **appendix B**. The MTFP provides a forecast of the Council's expenditure and income over the next four years. This is set in the context of the proposed local government reorganisation and creation of a new unitary authority. Whilst this means that the Council may cease to exist in its current form beyond 2020/21, the budget set for that year must be sustainable. Therefore, forecasts are prepared for three financial years beyond 2020/21 on a no-change basis.

3.2.3 The MTFP shows a forecast further savings requirement of £1.991m from 2021/22, increasing to £2.815m by 2023/24. The exact figure is subject to any changes to government funding and other forecast changes to budgets. These further savings can be achieved through the strands set out in the approved medium term financial strategy.

3.2.4 Proposals for general fund savings, income generation and growth are set out in **appendix C**. These are currently out for public consultation prior to final decisions to be made in February.

3.2.5 **Appendix D** sets out the planned general fund capital programme for 2020/21 to 2023/24.

3.2.6 Proposed budgets for HRA revenue and capital are shown in **appendices F and G**. This shows a balanced position over the period from 2020/21 to 2023/24.

3.2.7 The table below identifies the strategic risks within the budgets and mitigation against these risks:

Risk	Mitigation
The Council's financial position over the medium term is not sustainable	The Council are in a good financial position as at January 2020 with a balanced budget and reasonable levels of reserves
Conflict between corporate plan priorities and medium term financial strategy (MTFS) savings targets	The workstreams of the corporate plan and MTFS are aligned. Cabinet approval of MTFS, regular meetings with Leader/Cabinet Member Finance
Non-delivery of financial targets set out in the budget and Medium Term Financial Plan (MTFP)	Appropriate governance arrangements are a key part of the MTFP, to monitor progress and take action if targets are not being delivered.
High level of capital investment required to deliver plan	Effective treasury management to minimise interest and the minimum revenue provision
High level of earmarked reserves required to deliver plan	Consolidation of reserves and controls over future allocations

3.2.8 As part of the budget process the Council determines a prudent minimum level of general fund balances to hold against general risks. This is informed by a risk assessment, which has been refreshed in the development of the draft budget and currently suggests that £4.0m remains a prudent level of general reserves. This may change as the budget is finalised and any change in the Council's exposure to risk is identified.

3.3 Choices (options)

3.3.1 The Audit Committee is asked to consider the risk issues in relation to the draft budget for 2020/21 and make comments or recommendations to the Chief Finance Officer.

3.3.2 The Audit Committee may consider that the risk issues in relation to the draft budget require comment and therefore make their comments to Cabinet for consideration when agreeing the final budget proposals.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy issues arising from this report.

4.2 Resources and risk

4.2.1 This report outlines measures taken to identify and mitigate risks in relation to the General Fund and HRA budget proposals, both revenue and capital.

4.3 Legal

4.3.1 There are no specific legal issues arising from this report.

4.4 Equality

4.4.1 Equality and diversity are considered as a part of the budget build process, and a final impact assessment will be completed for the relevant budget proposals before they are brought to Council for final decision later in February 2020.

4.5 Consultees (internal and external)

4.5.1 Internally Heads of Service and Corporate Management Board, have been consulted, and involved in the budget risk assessment process. Cabinet reviewed the budget in public on 23 December 2019. Overview and Scrutiny Committee publicly reviewed their selected items on 9 January 2020.

4.5.2 Externally, the public are being consulted as part of the budget consultation exercise.

4.6 Other implications

4.6.1 There are no other specific issues arising from this report.

5. Background papers

5.1 Cabinet draft budget reports, 23 December 2019.

5.2 Appendices: [Note A is the Cabinet Report itself, B-G Appendices to that report and H is a new document]

Appendix A General Fund Cabinet Budget Report

Appendix B General fund budget summary

Appendix C General fund savings and growth list

Appendix D General fund capital programme and funding

Appendix E Special Expenses

Appendix F Housing Revenue Account Cabinet Report

Appendix G Housing Revenue Account Cabinet Report Appendices

Appendix H Draft extract O&S Budget Scrutiny Meeting Jan 2020

Stuart McGregor, Chief Finance Officer (S151 Officer)