



AUDIT COMMITTEE REPORT

Report Title	Risk Review of 2019/20 Budget
---------------------	--------------------------------------

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	28 January 2019
Policy Document:	No
Directorate:	Resources
Accountable Cabinet Member:	Cllr Brandon Eldred

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 2019/20 and comments appropriately.

3. Issues and Choices

3.1 Report Background

3.1.1 The Chief Finance Officer is required to make a statement on the Robustness of Estimates when the proposed budget is brought to Council for approval.

3.1.2 This reassurance of financial stability and sustainability is particularly relevant against the background of the delayed finalisation of the Statement of Accounts for 2016-17 and 2017-18. The issues that have caused delays are of a technical accounting nature (valuation of assets and system coding) and not as the result of funding issues or financial control weaknesses.

3.2 Issues

- 3.2.1 The 2019/20 budgets have been developed in the context of the Medium Term Financial Strategy for 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, greater 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 2019/20 General Fund Budget and Medium Term Financial Plan (MTFP) is set out in Appendix 1. 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 NBC will cease to exist in its current form beyond 2019/20, the budget set for that year must be sustainable. Therefore, forecasts are prepared for three financial years beyond 2019/20 on a no-change basis.
- 3.2.3 The MTFP shows a forecast further savings requirement of £1.1m from 2020/21 onwards. 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 2. These are currently out for public consultation prior to final decisions to be made in February.
- 3.2.5 Appendix 3 sets out the planned General Fund capital programme for 2019/20 to 2022/23.
- 3.2.6 Proposed budgets for HRA revenue and capital are shown in Appendices 4, 5 and 6. This shows a balanced position over the period from 2019/20 to 2022/23.

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	NBC are in a good financial position as at January 2019 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 MRP
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 2019/20 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 Housing Revenue Account 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 being considered as a part of the budget build process, and an equalities assessment will be completed for the relevant budget proposals before they are brought to Council for final decision later in February 2019.

4.5 Consultees (Internal and External)

4.5.1 Internally Heads of Service and Management Board have been consulted, and involved in the budget risk assessment process.

4.5.2 Externally, the public are being consulted as part of the budget consultation exercise and specific consultation exercises, aimed at affected groups, will have been and will be undertaken in respect of specific budget proposals.

4.6 Other Implications

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

5. Background Papers

5.1 Appendices

Appendix 1 General Fund Budget Summary

Appendix 2 General Fund Savings and Growth List

Appendix 3 General Fund Capital Programme and Funding

Appendix 4 Housing Revenue Account Summary Budget

Appendix 5 Housing Revenue Account Capital Programme and Funding

Appendix 6 NPH Total Fee Schedule

Stuart McGregor, Chief Finance Officer (S151 Officer)