



AUDIT COMMITTEE REPORT

Report Title	Risk Review of 2018/19 Budget
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	15 January 2018
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 2018/19 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.

3.2 Issues

3.2.1 The 2018/19 budgets have been developed in the context of the Efficiency and Medium Term Financial Strategy (EMTFS) 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, we have made ourselves more efficient and are also making tough choices and putting forward proposals for savings and additional income generation.

- 3.2.2 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.
- 3.2.3 The summary 2018/19 GF Budget and Medium Term Financial Plan (MTFP) is set out in Appendix 1. This includes a significant increase in costs for Environmental Services, which has been forecast for several years and reserves have been built up to mitigate this increase. The Council proposes to purchase the vehicles and other equipment required for delivery of these services, and lease these to the successful contractor, utilising the lower borrowing costs available to the Council. The cost of repaying this borrowing will be met from an earmarked reserve set aside for the purpose, although the Council may utilise capital receipts for this purpose if they become available in the future. This utilisation of an earmarked reserve reduces the net cost of the new contract by an estimated £1m per annum
- 3.2.4 The MTFP shows a forecast further savings requirement of £1.2m 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 Efficiency and Medium Term Financial Strategy.
- 3.2.5 Proposed budgets for HRA revenue and capital are shown in Appendices 4, 5 and 6. This shows a balanced positions over the period from 2018 to 2023.
- 3.2.6 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 2018 with a balanced budget and reasonable levels of reserves
Conflict between Corporate Plan priorities and Efficiency and Medium Term Financial Strategy savings targets	The workstreams of the Corporate Plan and EMTFS are aligned. Cabinet approval of EMTFS, 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

3.2.7 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 £5.5m 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.

3.2.8 The Governance Action Plan includes actions designed to deliver improvements directly affecting financial governance, risk management and project management. All of these improvements will reduce the risks associated with the Council's revenue and capital budgets.

3.3 Choices (Options)

3.3.1 The Audit Committee is asked to consider the risk issues in relation to the draft budget for 2018/19 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 2018.

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

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