

AUDIT COMMITTEE: 26 June 2018

FINANCIAL UPDATE

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7.1

Reason for this Report

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.

This report has been prepared to provide the Audit Committee with an outline of the initial work being undertaken in relation to budget preparation for 2019/20 and to advise the Committee on the current position in relation to the Council's outturn report for 2017/18.

Background

The Council's accounts for 2017/18 have been closed and work has been undertaken in relation to the preparation of the statement of accounts. The Outturn position for 2017/18 is likely to follow through on the position outlined in the 2017/18 monitoring reports and will be reported to the Cabinet Meeting on the 5 July 2018. This report will be issued to Audit Committee at the point of publication. Work in relation to the in-year financial monitoring position for 2018/19 is still at an early stage and updates will be provided to the Committee as the year progresses. Initial work has also begun in relation to budget preparation for 2019/20 and a report outlining the proposed budget strategy will be presented to Cabinet in July. A brief summary of the key issues and areas for consideration is set out below. Further information on the 2019/20 budget process will be provided to the Committee later in the year.

2019/20 Budget Strategy

The 2018/19 Budget Report identified a likely budget reduction requirement of £91.4 million over the period 2019/20 - 2021/22. This is a combination of increasing pressures (£75.9 million) and potential funding reductions (£15.5 million.) The pressures reflected within the gap include pay and price inflation, demand increases and the revenue costs of financing the capital programme. The funding component of the gap assumes there may be annual AEF reductions of 1% over the next three years. This assumption will need to be revisited once the 2019/20 Provisional Settlement is received in October 2018.

The 2018/19 Budget Report also contained the outline strategy to address the £91.4 million budget gap. The strategy combined council tax increases, use of earmarked reserves, a cap on schools' growth and savings. At an estimated requirement of £66 million over the three-year period, savings are the largest element of the strategy. Delivering savings of this scale will be extremely challenging, especially building from a position where £200 million has been saved over the last decade, of which 70% was over the past five years.

Since approval of the Budget Report in February, work has been ongoing to review and refresh key components of the budget gap and to develop the outline strategy. As well as providing an update in this regard, the 2019/20 Budget Strategy Report which is due to be received by Cabinet in July 2018, will also outline the approach with regards the Council's Capital Strategy.

Reason for Recommendations

To inform Audit Committee of the reporting arrangements for the Council's final outturn position for 2017/18 and to outline the work being undertaken in relation to the budget strategy for 2019/20.

Legal Implications

There are no direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

To note the current position in respect of the out-turn report for 2017/18, and the work being undertaken in relation to the budget strategy for 2019/20.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
June 2018