

**AUDIT COMMITTEE:18 SEPTEMBER 2018**

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**FINANCIAL UPDATE**

**REPORT OF THE CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 5.1**

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**Reason for this Report**

1. 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.

**Background**

2. This report will advise the Audit Committee on the latest position in relation to budget monitoring in the current year and also provide an update on the preparatory work for the 2019/20 Budget and the medium term.

**Issues**

**Financial Monitoring**

3. The Month Four Budget Monitoring Report is due to be considered by Cabinet on the 20 September 2018. This will include an update on both the revenue and capital position of the Council. Due to the timing of the meetings, details of the financial position cannot be set out in this report, however the Cabinet Report will be available prior to the Audit Committee meeting on the 18 September and copies will be circulated to members of the Committee in advance of that meeting.

**2019/20 Budget Strategy**

4. The Budget Strategy Report 2019/20 was approved by Cabinet in July 2018. It indicated a budget gap of £91.4 million over the period 2019/20 – 2021/22, of which £34.2 million relates to 2019/20. The gap is a result of anticipated funding reductions at the same time as demand and inflationary pressure on services is expected to rise significantly. The strategy to address the gap includes council tax increases, use of reserves and a cap on schools' growth. The largest component of the strategy is directorate savings (including income generation), which are expected to amount to £65.6 million over the three year period.
5. The shape of the Council's budget makes the medium term position even more challenging. Together, schools, social services, capital financing and non-controllable budgets (such as council tax support and levies) now account for 82% of

the Council's overall budget. In the absence of additional grant funding to meet particular pressures in these areas, funds are being diverted from other services. These "other services", equate to just 18% of the Council's overall budget and contain areas of statutory duty.

6. The quantum of savings identified in the strategy will be challenging, particularly given the significant levels of savings that the Council has had to find to date. In order to improve the deliverability of savings, directorates have been requested to accelerate planning and preparatory work where appropriate, to maximise securing a full year saving in 2019/20. A reminder of the voluntary redundancy scheme has been circulated to all staff to enable managers to consider expressions of interest alongside their preparatory work for savings delivery.
7. Over the summer months, directorates have been reviewing their savings proposals as part of establishing a balanced position for approval by Council in February 2019. Savings proposals will be consulted upon in the autumn, once the Provisional Settlement has afforded greater clarity to the funding position for 2019/20. It is of note that the UK budget, which now takes place in the autumn, increases the potential for change between provisional announcement of the settlement in October and its finalisation in December.
8. The position in respect of capital is equally challenging. The Budget Strategy Report indicated that in updating and formulating the five-year capital programme for 2019/20, wherever possible, emerging pressures should be managed and prioritised within the resources allocated in the 2018/19 and indicative future capital programme. For 2023/24, which is the new year covered by the 2019/20 programme, funding requests to undertake additional borrowing will only be considered where they relate to asset renewal for existing assets. Any new capital expenditure pressures that do not relate to existing assets will only be considered if they can be funded externally, or if there is clear evidence that they will pay for themselves.
9. The CIPFA Prudential Code was updated in December 2017. This was primarily to strengthen it in light of some local authorities undertaking activities of a more commercial nature, such as investment in property and companies primarily for financial benefit. The Code requires that by 2019/20, the Council, or a body nominated by it, approve a Capital Strategy that sets out the long-term context in which both capital expenditure and investment decisions are made. The Budget Strategy Report set out the key components of a Capital Strategy, and the extent to which this is already reflected within the Council's approach to setting the budget. Areas for further development are under review and the Capital Strategy will be included as part of the Budget Report for consideration in February 2019.

### **Reason for Recommendations**

10. To inform Audit Committee of the current financial context for the Council.

### **Legal Implications**

11. There are no direct legal implications arising from this information report.

### **Financial Implications**

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

## **RECOMMENDATIONS**

13. That the Audit Committee note the latest position in respect of the Council's budget monitoring for the current year and the work being undertaken in respect of budget preparation for 2019/20 and the medium term.

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**CORPORATE DIRECTOR RESOURCES**  
**September 2018**