

Budget Strategy – Risk Assessment Update

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report provides an update on the budget risks facing the Council. The two principal budget risks continue to be uncertainty about future local government funding arrangements and the potential financial consequences of a disorderly exit from the EU.

This report makes the following recommendations to this Committee:

That the Audit Governance and Standards Committee notes the updated risk assessment of the Budget Strategy provided at Appendix A.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	16 September 2019

Budget Strategy – Risk Assessment Update

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Director of Finance and Business Improvement
Cross Cutting Objectives	The cross cutting objectives are reflected in the MTFS and the budget.	Director of Finance and Business Improvement
Risk Management	Matching resources to priorities in the context of the significant pressure on the Council's resources is a major strategic risk. Specific risks are set out in Appendix A.	Director of Finance and Business Improvement
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process.	Director of Finance and Business Improvement
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Director of Finance and Business Improvement
Legal	The Council has a statutory obligation to set a balanced budget and development of the MTFS and the	Director of Finance and Business Improvement

	strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	
Privacy and Data Protection	No implications.	Director of Finance and Business Improvement
Equalities	The Council's budgeted expenditure will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community. It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities.	Director of Finance and Business Improvement
Public Health	None identified.	Director of Finance and Business Improvement
Crime and Disorder	None identified.	Director of Finance and Business Improvement
Procurement	None identified.	Director of Finance and Business Improvement

2. INTRODUCTION AND BACKGROUND

2.1 The remit of the Audit Governance and Standards Committee includes consideration of risk. Members have requested that the Budget Risk Matrix and Risk Register be updated and reported to each meeting of the Committee, so that it continues to be fully briefed on factors likely to affect the Council's budget position.

Delivering the revenue budget

2.2 The immediate risks to delivering the revenue budget include:

- failure to contain expenditure within agreed budgets

- failure to deliver planned savings
- shortfall in fees and charges against budgeted income
- failure of commercial initiatives (eg property investment, income generating activities in parks).

The Council's track record in recent years on delivering against its revenue budget has been good, so whilst the above risks are highlighted in the risk register, their likelihood is generally assessed as low.

Delivering the capital budget

- 2.3 The capital programme plays a vital part in delivering the Council's corporate objectives and helps to secure revenue income generation. The Council will have to borrow to fund the capital programme, for the first time, this year. The availability of funding is therefore important, and whilst funding is currently readily available through the Public Works Loan Board, the risk that funding may no longer be available in the future is included in the risk register.

External factors

- 2.4 The main source of risk to the Council arises from factors that are outside its direct control. Firstly, the adverse financial consequences from a disorderly Brexit have been highlighted as a 'red' risk.
- In the short term, there may be direct financial costs arising from Brexit that are not fully covered by government grants. The Council has now been notified of three separate tranches of funding from central government, totalling £122,000. This is welcome, but if (for example) traffic congestion causes serious disruption to the delivery of Council services, this sum may not be adequate.
 - In the longer term, the impact of Brexit on the UK economy is difficult to predict. If it leads to a downturn in the economy, the Council would face increased service pressures (eg homelessness) and a reduction in income from Council Tax, business rates and fees and charges.
- 2.5 The other 'red' risk in the budget risk register is the potential for an adverse impact from changes in the local government funding regime. Although we are now largely dependent on locally generated resources, the amount of business rates that we are allowed to retain at a local level is a key variable in budget setting. There is also a risk that negative Revenue Support Grant, which was due to be levied on the Council in 2019/20 before political pressure forced it to be withdrawn, may be resurrected, even if in another guise.
- 2.6 The government has indicated that there will be a one year spending review covering 2020/21, and this is not expected to incorporate major changes in the local government funding regime. However, there are a number of variables that are still uncertain even within the existing arrangements, including the Council Tax referendum limit, the Business Rates baseline (which determines the level of Business Rates that we retain locally), future

specific grants, and the potential for the Council to suffer negative Revenue Support Grant.

- 2.7 In summary, it can be seen that the Council has been successful in managing risks over which it has some control locally, but it remains subject to further risks arising in the wider economic and political environment. The Budget Risk Register has been reviewed in light of developments since it was last reported to members. No changes are proposed to the assessments of risk likelihood and impact but Members are invited to consider further risks or to propose varying the impact or likelihood of any risks.
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3. AVAILABLE OPTIONS

- 3.1 Option 1 - The Committee may wish to consider further risks not detailed in Appendix A or vary the impact or likelihood of any risks. This may impact the Council's service planning and/or be reflected in the developing Medium Term Financial Strategy.
- 3.2 Option 2 - The Committee notes the risk assessment set out in this report and makes no further recommendations.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Option 2 – It is recommended that the Committee notes the risk assessment.
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5. RISK

- 5.1 Risk is addressed throughout this report so no further commentary is required here.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Each year the council as part of the development of the MTFS and the budget carries out consultation on the priorities and spending of the council. A Residents' Survey was carried out as part of the consultation on the new Strategic Plan and the updated MTFS 2019/20 – 2023/24.
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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The Audit, Governance and Standards Committee plans to continue keeping the budget risk profile under review at subsequent meetings.
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8. REPORT APPENDICES

The following document is to be published with this report and forms part of the report:

- Appendix A: Budget Strategy Risks

9. BACKGROUND PAPERS

None.