

Report to the Council

Committee: Cabinet

Date: 28th October 2021

Subject: Finance and Economic Development Portfolio Holder

Portfolio Holder: Councillor J Philip

Recommending:

That the report of the Finance and Economic Development Portfolio Holder be noted.

Finance

The Cabinet received a paper in October on the Medium-Term Financial Plan which highlighted that next year is likely to be a very challenging budgetary year.

Financial pressures, caused largely by COVID-19, have created both cost pressures and reduced income streams. Added to this, higher inflationary factors resulting from supply issues are also creating strain on service budgets. To a large extent, the government covered the financial impacts of Covid-19 last year (with further support this year) but all Government support looks set to end from 31st March. Consequently, the council will need to set a budget which accommodates these pressure factors without any external support. Combined, these factors amount to a real and significant gap between the Council's predicted income and expenditure.

Alongside the known challenges there are still many factors on which lower certainty exists, including Government revisions to Grant support (for which the revised allocation methodology is still not resolved), the lasting impact of Covid-19 on income sources and running costs and the actual pressure to be exerted from rising inflationary factors.

Closing this gap is the largest financial issue facing the council at this moment and the officers are working closely with cabinet portfolio holders to find solutions. All potential options that protect key council services are being explored, but the challenge is both structural and large and is therefore likely to result in some difficult choices for Cabinet and Council.

The revision downwards of General Fund Balances, as a result of the Audit for 2019/20, further reduces the options available to the Council.

Further papers on the budget for the Housing Revenue Account and the Capital Programme also went to Cabinet in October and draft proposals will also appear for these functions alongside those for the General Fund in the December report to Cabinet.

The paper to cabinet in December will set out the Cabinet's draft proposals for scrutiny by the Stronger Council Select Committee.

The Audit of the Council's financial accounts for 2020/21 was not completed by the 30th September 2021 deadline. A number of factors have contributed to this situation including the late publication by the Council of its draft accounts. Reviewing the regional and national position, the situation has been replicated widely. More than a quarter of all councils missed the draft publication deadline and a much larger proportion were not been signed-off by their auditors ahead of the September deadline. This points to the position that has been emerging over the past couple of year around increasing complexity, additional requirement being placed upon the auditors and staffing shortages across the sector. The PSAA has recently commenced the exercise of re-procuring audit contracts for 2023 and this issue will feature heavily in their discussions with potential bidders.

Qualis

The financial performance of Qualis is being regularly reported to the Council. Qualis has just completed its second full trading year and the Council awaits its trading results. It is not expected that these will deviate far from the position reported in Quarter 3.