

Statement by the Chief Finance Officer

Under Section 25 of the Local Government Act 2003 the Head of Finance & Commercial (in his capacity as Chief Finance Officer under S151 of the Local Government Act 1972) is required to comment on the robustness of the budget and the adequacy of reserves.

The funding position for 2019/20 looks better than in previous years and has clarified a number of uncertainties from last year. There are two reasons for this. The first is that the reduction in the overall envelope is less than expected, and the second is that we anticipate additional business rates income of approximately £1.2m due to the selection of the Council's in the new Buckinghamshire wide Business Rates retention pilot.

2019/20 is the fourth and final year of the 2015 Local Government Settlement period, and the Council will receive funding of £3.3m, a reduction of 1.3% from 2018/19. This fall is less than expected because the government has provided one-off funding to prevent authorities like Wycombe experiencing negative RSG.

In the context of the delivery of the Council's services, there is uncertainty around potential changes in areas such as the roll-out of Universal Credit and potential impacts on Homelessness. This has been mitigated through prudent and established processes used in building the budget for 2019/20 – see section below.

In the wider economy there remains considerable uncertainty about the impact of Brexit, inflation, interest rates, the property market, employment levels and the impact of the macro economic climate. All these issues affect the Council's own finances and have major implications for residents and businesses and may therefore create additional demand on services or affect material income streams.

The financial impact of the transition to the new Unitary authority has been considered, and an estimated cost impact of £3m is included in the budget proposals. The final amount will need to be determined as the implementation proceeds and will be kept under review and reported back to members.

As a preliminary to the 2019/20 budget setting process the existing MTFS was refreshed to allow a review of the proposals in development, and was approved by Cabinet in July 2018.

The Head of Finance & Commercial is able to give positive assurances on the robustness of the budget for the coming year. This view is based on number of factors detailed below:

- The use of an established, rigorous process for developing the budget through the Medium Term Financial Strategy (MTFS) process.
- Service managers have made reasonable assumptions about demand led pressures and taken a prudent view of volatile areas. Any arising pressures are monitored closely through the year, and budget variance well managed.
- Prudent assumptions made around pay and price inflation.
- Prudent assumptions made about main income streams such as Car Parking, Planning, Recycling Credits and Commercial Rents.
- Prudent assumptions made about interest rates and investment income.

- Prudent assumptions made about the delivery of the capital programme and the funding of the programme from Capital receipts and the New Homes Bonus.
- Financial monitoring is undertaken during the year and reported to Cabinet on a quarterly basis. This incorporates budget variations tightly controlled against the agreed recovery plan and contained within service budgets where possible.
- Procedures in place to capture and monitor efficiency plan
- The inclusion within the base budget of a £0.540m contingency.

Reserves

There is no statutory definition of a minimum level of reserves and it is for this reason that the matter falls to the judgement of the S151 Officer. The level of reserves is a balance between the risk facing the Authority and the opportunity costs of holding those balances. Reserves can only be spent once and should ideally only be used to support one-off expenditure or to allow time for management actions to be implemented.

RESERVES	Minimum Balance	Balance 31/03/2018	Projected Balance 31/03/2019
	£m	£m	£m
General Fund	7.500	9.848	9.952
Special Expenses	0.150	1.033	1.048

The Council projects a General Fund balance of £9.952m as at 31 March 2019. This represents the balance of last resort in the event of any major and unforeseen event that compromises the delivery of the council's budget. This balance represents 58% of the council's budget requirement for 2019/20 (£16.961m).

To assess the adequacy of general reserves, the Section 151 Officer has taken into account the strategic, operational and financial risks facing the Council. This assessment covers the following:

- The robustness of the financial planning process (including the treatment of inflation, interest rates and the timing of capital receipts).
- How the Council manages demand-led service pressures.
- The treatment of planned efficiency savings / productivity gains.
- The financial risks inherent in major capital projects and significant new funding partnerships.
- The strength of the financial monitoring and reporting arrangements.
- Cash-flow management and the need for short term borrowing.
- The availability of reserves, Government grants and other funds to deal with major contingencies and the adequacy of provisions.
- The general financial climate to which the Council is subject and its track record in budget and financial management.

In conclusion the advice of the Section 151 Officer is that, having considered the need for balances and the budget risks, the level of reserves held is considered sufficient and adequate, but only on the basis that potential adverse budget variations are tightly controlled and, wherever possible, contained within service budgets.