

Statement by the Chief Finance Officer

Under Section 25 of the Local Government Act 2003 the Head of Finance & Commercial (in their capacity as the 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 Council has already signed up to the 4 year settlement funding offer made by the Government in 2016. For 2018/19 this has meant a reduction of £0.500m. The remaining year of the 4-year settlement will, if no further Government announcements are made, see the Council's funding continue to reduce further, from £3.342m in 2018/19 to £2.878m in 2019/20.

There are significant areas of uncertainty around further cuts, the 100% retention of business rates, income streams, universal credits, homelessness and the degree of change occurring across the Council that needs to be mitigated. 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 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.

In response to this challenge, the Council has adopted a rolling 5 year efficiency plan programme in order to plan savings initiatives several years in advance, thereby enabling longer lead-in times to be incorporated within a more robust programme.

As part of the budget setting process for 2018/19 the existing MTFP was refreshed to reflect the Council's changing financial position and to allow for a review of the proposals in development in the MTFP to assess whether they were robust enough to remain within the budget or needed to be reversed and replaced.

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 Planning (MTFP) process.
- Service managers have made reasonable assumptions about demand led pressures and taken a prudent view of volatile areas. Such pressures are monitored closely throughout the year with variations being tightly controlled.
- Prudent assumptions made around pay and price inflation.
- Prudent assumptions made about main income such as Car Parking, Planning, Recycling Credits and Commercial Rents.
- The inclusion within the base budget of a £0.540m contingency.
- 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 New Homes Bonus and potential capital receipts which is inherent to volatility.
- 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.

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.

Recommended Minimum Working Balance Levels

	Minimum Balance	Actual Balance 31/03/2017	Expected Balance 31/03/2018
	£m	£m	£m
General Fund	7.500	9.738	9.700
Special Expenses	0.150	0.934	0.898

The Council holds a general fund balance of £9.738m as at 31 March 2017. 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. At current levels, this balance represents 67% of the council's budget requirement for 2018/19 (£14.490m).

To assess the adequacy of general reserves, the Section 151 Officer has taken into account the strategic, operational and financial risks facing the Council. The assessment includes 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 any major capital projects, outsourcing arrangements or 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 are considered sufficiently adequate but only on the basis that any potential adverse budget variations are tightly controlled and wherever possible contained within service budgets.