



Report to Council

Date:	24th February 2021
Reference number:	N/A
Title:	Chief Finance Officer's Statutory Report
Relevant councillor(s):	Cllr Martin Tett - Leader
Author and/or contact officer:	Richard Ambrose, S151 Officer
Ward(s) affected:	All
Recommendations:	Council is asked to note the content of this report

1. Purpose of Report

- 1.1 Under Section 25 of the Local Government Act 2003 I am required to report to the Council on:
- a) the robustness of the estimates made for the purposes of the calculations [of the budget], and
 - b) the adequacy of the proposed financial reserves.
- 1.2 This report is the culmination of the budget process in which detailed work has taken place with Officers and Members. The Council is required to have due regard to this report when making decisions on the budget.

2. Introduction

- 2.1 Buckinghamshire Council is in a unique position in that it came into existence under lockdown conditions and the whole of its first year has been dominated by the impact of Covid-19.

- 2.2 Due to it being in its first year it means that there is no historic performance that can be used as a measure of assurance over the financial performance of the new Council. However, it should be noted that all five legacy authorities had a good track record of financial management and in delivering services within approved budgets.
- 2.3 Likewise, there is little historic evidence to support the robustness and efficacy of the governance and control arrangements for the Council. The arrangements in place for the Council are based on professional advice and recognised best practice. The internal audit reports for the five legacy authorities have been followed up to ensure that any gaps in control have been addressed.
- 2.4 Given the emergency the Council found itself in on vesting day and the pressures to support the Covid-19 response only limited audit activity has taken place so far in order to provide assurance that these arrangements are working efficiently and effectively, although this is partly mitigated by detailed risk management activity. There has been a significant audit focus on the financial arrangements supporting the Covid-19 response and associated risk management activity.
- 2.5 Given the levels of uncertainty around government funding levels beyond 2021/22 and the difficulties with accurately forecasting the longer-term implications arising as a result of the pandemic the revenue budget proposed is for 2021/22 only. This ensures that the Council does not make decisions based on assumptions which are impossible to estimate at this stage given the global, national and local fiscal impact of the pandemic.
- 2.6 Despite, and in response to this situation, a balanced revenue budget for 2021/22 has been prepared together with a funded capital programme for the period to 2024/25.
- 2.7 As at the end of quarter 3 the forecast outturn for the year 2020/21 is broadly breakeven and, through our monthly monitoring process, those pressures which will be ongoing into future years have been incorporated into the budget proposed.

3. Robustness of the Budget

- 3.1 Last year setting a balanced budget for a new Council presented some unique challenges. The second budget set for the Council was expected to be a less complex task. However, the impact of a global pandemic and the associated economic and societal impacts have made this far more complex and dynamic than ever could have been imagined.
- 3.2 Changes to the revenue budget are largely focussed around resolving legacy budget issues, responding to increases in demand and dealing with losses of income (both service and corporate) as a result of the Covid-19 pandemic, together with the mitigation of risks relating to the wider impact of the pandemic.

- 3.3 These plans, and the changes made in response to developments over the last year, have undergone frequent and rigorous review by:
- a) Myself, as the S151 Officer;
 - b) The Corporate Management Team;
 - c) The Cabinet;
 - d) Management teams from all Directorates;
 - e) Member Priority Groups (administration);
 - f) The Budget Scrutiny Task & Finish Group.
- 3.4 Furthermore, our current year budget monitoring and risk management processes have ensured that all ongoing pressures and risks are explicit, understood and considered within the budget development process.
- 3.5 Throughout the development of the budget these groups have been made aware of the current and future risks both on service income and expenditure, local taxation receipts and in the wider Local Government funding environment.
- 3.6 Key amongst the current and future risks are:
- a) The impact of Covid-19 on the local and national economy;
 - b) The impact of societal change on service demand and income;
 - c) The continued growth in demand and complexity of cases managed in Social Care services;
 - d) The sustainability of providers within the Social Care market;
 - e) The yet unknown impacts of Brexit across all aspects of the Council's operations;
 - f) The continued uncertainty in Local Government funding as a result of spiralling government debt together with delays to the Fair Funding Review, 75% Business Rate Retention proposals and Adult Social Care funding.
- 3.7 It is in this context that the budget contains additional specific contingencies to ensure that the Council is adequately planning for and mitigating the impact of any such risks which may become real.
- 3.8 Financial sustainability will be a critical consideration for the Council going forward and the financial strategy will require a strategic approach to ensure that the Council can deliver its core services sustainably whilst maintaining the adaptability required to respond to changing levels of resources. Fully delivering the £18m of unitary savings through the Council's Better Buckinghamshire Programme will be key to achieving this.
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4. Adequacy of Reserves

- 4.1 Alongside the development of the budget proposals there has been consideration of the level of reserves held by the council and the likely balances going forward.
- 4.2 The opening reserves position could not be finalised until the audit of the accounts had been completed for all the predecessor Councils, which was delayed due to Covid-19. A review has since been undertaken of the current position. General Fund reserves (unallocated) are currently circa £47m (approximately 10% of the net operating budget) and earmarked reserves (excluding Dedicated Schools Grant) are sufficient to cover all expected commitments against them, including approximately £17m for the cost of transformation as the new Council further develops its future operating model.
- 4.3 We remain committed to using reserves only for one-off purposes, as using them for ongoing costs does not reflect sustainable financial management.
- 4.4 Since 2019-20 the Department for Education (DfE) has set the principle that the DSG is ring-fenced and any deficit is to be carried on the reserve and not met from a Local Authority's General Fund. The DfE has formalised this position. Should the deficit be more than 1% of the DSG allocation, the Local Authority is to formally set out recovery plans to bring DSG back into balance. The deficit for Buckinghamshire Council is projected to be £3.8m (0.8%) at the end of 2020-21. A DSG Recovery Board has been established in order to develop and monitor recovery actions.

5. Conclusion

- 5.1 Despite the prevailing risks and uncertainties identified within the budget papers, the process for the formulation of budgets, together with the level of challenge, provides a reasonable assurance of their robustness.
- 5.2 The provision of contingency budgets enables those broad-ranging risks and uncertainties to be managed as part of the Council's risk management arrangements.
- 5.3 The level of the Council's total reserves is sufficient to provide:
- a) a working balance to cushion the impact of further unexpected events or uneven cash flows (general reserves), and
 - b) the setting aside of funds to meet known or anticipated liabilities (earmarked reserves).
- 5.4 **Therefore, I consider that the budget proposals recommended by the Cabinet are robust and sustainable.**