

Report for:	Shadow Authority
Meeting Date:	27 February 2020

Title of Report:	Chief Finance Officer's Statutory Report 2020-2023
Responsible Officer	Richard Ambrose – Shadow S151 Officer
Recommendation	That the Shadow Authority note this report

1. Purpose of Report

- 1.1 Under Section 25 of the Local Government Act 2003 I am required to report to the Shadow Authority on:
- the robustness of the estimates made for the purposes of the calculations [of the budget], and
 - 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 Shadow Authority is required to have due regard to this report when making decisions on the budget.

2. Introduction

- 2.1 This year is an unusual year, in that it is difficult to use historic performance as a measure of assurance over the financial performance of the new Council. I have utilised the CIPFA Resilience Index to support my opinion on the financial stability of the Council.
- 2.2 Likewise there is no historical evidence to support the robustness and efficacy of the governance and control arrangements for the new Council. There is likely to be some change to these as the organisation develops.
- 2.3 As with other local authorities we have received a one year funding settlement only and future funding arrangements are unknown. This means that there is significant uncertainty in the period for which the budget is being agreed.
- 2.4 Despite, and in response to this situation, we have prepared a balanced revenue budget and funded capital programme which covers the period 2020/21 to 2022/23.

3. Robustness of the Budget

- 3.1 As the first budget set for a new Council, there have been unique challenges to the budget process this year. Securing a safe and legal budget for the Council has been central to the preparation of this budget.
- 3.2 Given the historic performance of the five predecessor Councils, and the robust planning processes undertaken by each in previous years, I am content that existing budget plans for 2020/21 to 2022/23 were as robust as practicably possible when they

- were set. These existing plans were used as the basis of the budget planning process for the Buckinghamshire Council.
- 3.3 These plans, and the changes made in response to developments over the last year, have been developed on existing practice and designed to ensure proposals have undergone frequent and rigorous review by:
- The predecessor councils S151 Officers.
 - The Chief Executives Implementation Group.
 - The Shadow Executive.
 - Management teams from services across the 5 councils.
 - The Finance teams of the 5 councils.
 - Programme Boards.
 - Shadow Authority Portfolio Holders (and their Deputies).
 - Member Portfolio Groups.
 - The Budget Scrutiny Task & Finish Group.
- 3.4 In addition I have instigated processes for reporting the current years budget position across all five councils to ensure that all ongoing pressures are explicit, understood and considered within the budget development process.
- 3.5 Future risks, both on service expenditure and in the wider Local Government funding environment, are as follows:
- The continued growth in demand and complexity of cases managed in Social Care services;
 - The sustainability of providers within the Social Care market;
 - The continued uncertainty in Local Government funding as a result of delays to the Fair Funding Review, 75% Business Rate Retention and the Social Care Green Paper;
 - The future impact of Brexit on national and local tax receipts, and on staffing availability in key service providers;
 - New pressures arising as a result of the creation of the new council.
- 3.6 It is in this context that the budget contains some contingencies to mitigate the impact of any such risks which may become real.

4. Adequacy of Reserves

- 4.1 Alongside the development of the budget proposals there has been a consideration of the level of reserves held by the 5 predecessor councils, and the likely balances which will transfer to the Buckinghamshire Council.
- 4.2 Whilst these values will not be fully known until the accounts have been audited for the predecessor Councils, it is expected that general reserves will be approximately £45.1m (10.3% of the net operating budget or 3.8% of the gross budget) and that earmarked reserves (excluding Dedicated Schools Grant) are sufficient to cover all expected commitments against them, including the costs of transformation as the new Council further develops its future operating model.
- 4.3 The Department for Education (DfE) has recently set the principle that the Dedicated Schools Grant (DSG) is ring-fenced and any deficit is to be carried forward and not met from the Local Authority's General Fund. Should the deficit be more than 1% of the DSG allocation, the Local Authority is to formally set out recovery plans to bring the DSG back into balance. For Buckinghamshire the 1% is a deficit of £4.4m. It is expected that our Dedicated Schools Reserve will have a slight deficit as of vesting day; however outline plans to reduce this deficit in 2020/21 are in development.

5. Conclusion

- 5.1 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 a contingency budget enables those areas where there might be additional pressures 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 working balance to cushion the impact of unexpected events or uneven cash flows (general reserves), and
 - 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 Shadow Executive are robust and sustainable.

