

Statement of the Chief finance Officer
Robustness of Estimates and Adequacy of Reserves

1 ROBUSTNESS OF ESTIMATES

The Council process for producing the budget estimates involves responsible budget holders and finance officers reviewing and projecting the Base Budget. The Working Budget Estimates are determined against a background of ongoing quarterly budget monitoring for the current financial year and an evaluation of the outturn position and Budgets carried forward from the previous financial year. The 2023/24 Estimates are determined by evaluating and costing all known changes, including pay and price levels, legislative changes, demands for services and policy developments, together with an assumption about the post pandemic impact of COVID on the Councils finances into 2023/24, projecting inflation has become much more difficult with the Cost of Living crisis. The Council has sufficient reserves to allow a contribution from balances in order to set a balanced budget for 2023/24 and the current Budget Process has rigorously reviewed current budgets to secure another year of necessary Making Your Money Count (MYMC) Savings, the level of which has been compounded by higher inflationary pressures. As part of the 2023/24 Budget process the Council has had to meet the challenge of historic Government Grant reductions, reducing New Homes Bonus, COVID, as well as absorbing inflationary and latterly higher inflation and legislative changes within its Medium Term Financial Strategy. The overall budget process is co-ordinated by the Accountancy Section in liaison with the various Business Units and the council's Strategic Leadership Team. The Budget is recommended by the Executive, for approval by Council after it has been through the Scrutiny process required by the Council's Constitution. The process includes consideration of risks and uncertainties associated with projections of future pay, prices, interest rates and projected levels and timing of other potential liabilities. The challenge to the budget process is provided by the Scrutiny and Overview Committee.

The Council has needed to adapt to the on-going central grant reductions, the transfer of funding risk to local government with the localisation of business rates and welfare reforms. Financial monitoring arrangements provide the Executive with a quarterly update on the performance of the budget, with action plans where significant adverse variances have resulted. The Medium Term Financial Strategy is under constant review to ensure that a clear financial position for the Council can be demonstrated for the next five years aided by the Council's MYMC priority. This is necessary as the significant cuts in public expenditure and funding from the government have been implemented and there is uncertainty beyond 2024/25 on the level of central support. The CFO has identified that further new MYMC savings options are required for 2024/25-2026/27 of £2.38Million to ensure a balanced General Fund budget. This target reflects the impact of COVID on fees and charges and homeless costs plus an increase in inflationary and other pressures as a result of the current cost of Living crisis.

The Council's Financial Regulations require responsible budget holders to ensure that net expenditure does not exceed the total of their Service budgets. Where, despite the assessment of risks that forms part of the budget process, a budget comes under pressure during the course of the financial year, the council's budgetary framework and Financial Regulations lay down appropriate procedures. Where budget variations cannot be contained overall by the use of virements, these have been reported to Members as part of the quarterly budget monitoring process. In addition requests for supplementary estimates have to be submitted to the Executive or Full Council, as appropriate. Supplementary estimates are met from available balances and reserves, subject to the required level of minimum General Fund balances.

The Strategic Director (S151) considers that the Estimates and the processes used to produce them are sound and robust. A further update on the 2022/23 General Fund and HRA budgets will be presented to the March Executive, together with any on-going impacts.

2 ADEQUACY OF RESERVES

The Council's annual budgetary process and the assessment of the adequacy of Reserves are undertaken in the context of robust medium term financial forecasting. Whilst the Council currently has levels of Reserves above the minimum risk assessed level, the Council's Medium Term Financial Strategy acknowledges that the £3.025Million of these will be utilised in the medium term as a result of projected future under funding, COVID losses not refunded and inflation and growth pressures. This is based on the assumption that there will not be a fundamental change to the Council's core funding under any Government funding review, however the Council does not rely on Business Rate gains which under any 'reset' could see gains disappear and they are recommended for one off spend.

The Council has risk assessed the level of General Fund balances required, based on information from service managers and this was presented to Members as part of the January Draft General Fund Budget report, the level of reserves required for 2023/24 was £3,419,753 and remains unchanged.

It is estimated that the council will have General Fund £2,937,873 capital receipts and £3,269,606 regeneration ring fenced receipts and £nil capital reserves as at 1st April 2023 and the Council has a need to borrow in 2023/24 of £31,054,976 including £24,964,256 for the HRA.

It is estimated that the council will have General Fund £354,750 capital receipts, £1,439,856 ring fenced Regeneration Receipts and £nil capital reserve as at 1st April 2024.

It is estimated that the Council will have HRA £1,766,545 capital receipts as at 1st April 2024, (£10,863,706 as at 1 April 2023) and £9,780,058 Major Repair Reserve balances as at 1st April 2024, £16,727,120 as at 1 April 2023). The HRA capital programme is based on the latest stock condition information.

Total available General Fund balances as at 1st April 2023 are estimated to be £4,974,531 (after 2022/23 contribution from balances from the General Fund of £1,932,970). Total General Fund balances as at 1st April 2024 are estimated to be £4,402,260 (after 2023/24 contribution from balances to the General Fund of £572,270). These levels of balances meet the minimum level of risk assessed balances that are needed to meet unforeseen expenditure arising in the year and expenses arising before income is received.

Total available HRA balances as at 1st April 2023 are estimated to be £27,377,689, (after contribution from balances in 2022/23 of £829,590). Total available HRA balances as at 1st April 2024 are estimated to be £29,169,959 (after contribution to balances in 2023/24 of £1,792,270).

In assessing the adequacy of the council's reserves, the robustness of its Budgetary Process and Systems of Internal Control, the assumptions and uncertainties discussed in the Budget report, and the levels of special provision have been considered.

In coming to a view on the adequacy of reserves, risks in the area of litigation, business continuity, civil emergency, failure of information systems, budgetary control and interest rate calculations have been considered in terms of the possible maximum financial impact and their probability of occurrence. Ongoing assessment of the financial risks to the council, its budget and Medium Term Financial Strategy, are embedded as part of the council's overall

Corporate Risk Management processes. On this basis, the Strategic Director (S151) considers the level of general balances to be adequate for the 2023/24 financial year.

3 SPECIFIC RESERVES

As part of the budget preparation process, the current and projected levels of the Council's allocated reserves have been considered. Following this review, the Strategic Director (S151) confirms these reserves are £3,766,709 (General Fund) and £3,422,850 (HRA) as at 1 April 2023, (£4,667,590 (General Fund) and £3,422,850 (HRA) as at 1 April 2024) and continue to be required.