

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 2018/19 Estimates are determined by evaluating and costing all known changes, including pay and price levels, legislative changes, demands for services and policy developments. The council has sufficient reserves to allow a contribution from balances in order to set a balanced budget for 2018/19 and the current Budget Process has rigorously reviewed current budgets to secure another year of necessary Financial Security Savings. In addition costs associated with Business Unit Reviews (BUR's) has been included in the 2018/19 budget to facilitate the unlocking of future Financial Security savings. As part of the 2018/19 Budget process the council has had to meet the challenge of reductions in Government Grant as well as absorbing inflationary 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 both the Leader's Financial Security Group and the Scrutiny and Overview Committee and also in the case of the HRA the Housing Management Advisory Board.

The Council has needed to adapt to the on-going central grant reductions, the transfer of funding risk to local government and changes to welfare. 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 Financial Security priority. This is necessary as the significant cuts in public expenditure and funding from the government have been realised and likely to extend beyond the current parliament.

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.

The Assistant Director (Finance and Estates) considers that the Estimates and the processes used to produce them are sound and robust. A further update on the 2017/18 General Fund and HRA budgets will be presented to the March Executive.

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 reasonably significant levels of Reserves, the Council's Medium Term Financial Strategy acknowledges that the £3.656Million of these will be utilised in the medium term as a result of projected future under funding and grant reductions.

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 2018/19 was £2,790,089. This has been reviewed and recalculated as £2,760,570.

Total available General Fund balances as at 1st April 2018 are estimated to be £4,883,389 (after 2017/18 contribution to balances from the General Fund of £1,543,395). Total General Fund balances as at 1st April 2019 are estimated to be £4,059,408 (after 2018/19 contribution from balances to the General Fund of £823,981). 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 2018 are estimated to be £22,551,821 (after contribution to balances in 2017/18 of £2,802,250). Total available HRA balances as at 1st April 2019 are estimated to be £19,795,191 (after contribution from balances in 2018/19 of £2,756,630).

It is estimated that the council will have General Fund £133,556 capital receipts and £738,000 capital reserve as at 1st April 2019 (this includes an assumption that under spends of £350,000 have been realised for 2017/18 and 2018/19 totalling £700,000) and the Council has a need to borrow in 2018/19 of £7,636,700. There has been challenge to capital bids by the Leaders Financial Security group and Senior Management Board (SMB) and the current Strategy is an affordable programme. However there is a need to build up future capital resources to meet further capital schemes.

It is estimated that the council will have General Fund £4,390,793 capital receipts and £350,000 capital reserve as at 1st April 2018, (this includes an assumption that under spends of £350,000 have been realised for 2017/18).

It is estimated that the Council will have HRA £11,848,740 capital receipts, (£10,455,572 as at 1 April 2018) and £3,776,574 Major Repair Reserve balances as at 1st April 2019, (£12,051,306 as at 1 April 2018). The HRA capital programme is based on the latest stock condition information updated from the Business Plan approved at the September 2017 Executive.

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 Assistant Director (Finance and Estates) considers the level of general balances to be adequate for the 2018/19 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 Assistant Director (Finance and Estates) confirms these reserves are £1,796,659 as at 1 April 2018 (£1,784,976 as at 1 April 2019) and continue to be required.