

REPORT OF: FINANCIAL SERVICES MANAGER (Section 151 Officer)

TO: COUNCIL

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ROBUSTNESS OF BUDGET ESTIMATES 2018/19 & ADEQUACY OF RESERVES

PURPOSE OF REPORT

1. The purpose of this report is to report on the robustness of the Council's budget estimates for 2018/19 and the adequacy of financial reserves in accordance with Section 25 of the Local Government Act 2003. Section 25 (2) of the Act states that:
"an Authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made".
2. Councillors should therefore have regard to this report when making decisions on the 2018/19 Budget (Revenue Budget and Capital Programme) and the associated level of Council Tax.

RECOMMENDATIONS

3. The Council is recommended to consider and have regard to the statements from the Financial Services Manager (as the Council's Section 151 Officer) as provided at [Appendix A](#) when determining the Budget and level of Council Tax for 2018/19.

REASONS FOR RECOMMENDATIONS

4. To inform Councillors of the assessment by the Financial Services Manager of the robustness of budget estimates for 2018/19 and to ensure that Councillors fully appreciate the implications of the proposed budget on the Council's financial position.

ISSUE

Background

5. Under Section 25 of the Local Government Act 2003, the Council's Section 151 Officer (Financial Services Manager) has a duty to report to Council, when it considers the budget for the forthcoming financial year, on the following matters:-
 - a) the robustness of the estimates made for the purposes of the calculations; and
 - b) the adequacy of the proposed financial reserves.

6. In deciding on the Budget Requirement (and Council Tax Requirement) for 2018/19, the Council is required to take into consideration this report. The purpose of this is to acknowledge the risks and uncertainties faced by the Council and that adequate provision has been made for these both as part of the budget estimates and also in determining the adequacy of reserves.
7. The statements from the Financial Services Manager are provided at [Appendix A](#).
8. *Councillors are asked to note that these statements are predicated on Management Team's proposed budget as presented elsewhere on the agenda for this meeting. Should there be material changes to the proposed budget that impact on the robustness of the estimates or the adequacy of reserves, it may be necessary for the Financial Services Manager to amend the statements provided at [Appendix A](#).*
9. Whilst this report is focused primarily on 2018/19 it is worthwhile highlighting that, in relation to the Council's medium-term financial position, there is an increased level of uncertainty associated with any forward projections beyond 2019/20. This is due to the forthcoming Fair Funding Review of local government finance and the implementation of 75% local retention of business rates. More information on these aspects is contained in the report on the revenue budget for 2018/19.

IMPLICATIONS

Policy

10. There are no policy implications arising directly from the contents of this report.
11. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report to Councillors on the robustness of the Council's estimates and adequacy of the financial reserves. Councillors should have regard to the statements from the Financial Services Manager as provided at [Appendix A](#) when determining the Budget and level of Council Tax for 2018/19.

Financial

12. There are no direct financial implications arising directly from the contents of this report although Councillors are asked to have regard to this report in their deliberations on the Council's Budget and Council Tax for 2018/19.

Legal

13. The Council must calculate and approve its Council Tax Requirement for the forthcoming financial year in accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA 1992), annually
14. Section 25 of the Local Government Act 2003 also requires the officer having responsibility for the administration of the Council's financial affairs (the Financial Services Manager), to report to the Council on the robustness of the budget estimates and adequacy of financial reserves when determining its budget requirement under the LGFA 1992. This report has been produced to discharge this responsibility.

Risk Management

15. The development of the Council's budget is a complex task and is based on estimates of future income and expenditure. These estimates are made on the basis of the best information available at the time and can include a range of assumptions on factors like pay inflation, interest rates and demand for services.
16. Whilst efforts are made to ensure these estimates are robust, Councillors should be aware there is a risk that both internal and external factors may have an impact on budgetary performance. To help mitigate this the Council has in place various mechanisms including for example, financial and contract procedure rules, budgetary control and monitoring arrangements to ensure that it can take pro-active action should it be necessary.
17. The budget for 2018/19 includes a range of proposals for service savings. The risk of not approving these proposals is, subject to compensating savings not being identified, an increased reliance on finite reserves. The current medium-term financial plan already assumes the use of £3.3m from reserves over the three year plan period 2018 – 2021 (£2.9m from the Budget Support Reserve and £0.4m from other specific reserves). Any savings agreed must also be implemented effectively and on time and progress on this will be monitored throughout the year.
18. Whilst the budget recommended for 2018/19 is balanced, the medium-term financial plan indicates a significant deficit that is unsustainable in the medium term. Even using reserves as outlined above to smooth the effect of expected reductions in funding, substantial budget savings need to be made to maintain a balanced budget. Using reserves in excess of the amounts referred in the budget strategy proposed would, in the absence of any increase in Government funding, present a real risk to maintaining basic levels of service and require significant savings to be identified in later years of the plan period.
19. The adopted Financial Strategy retains the key themes of 'growing', 'charging', 'saving' and 'stop'. The budget report elsewhere on this agenda outlines the requirement for further substantial savings to be made and the importance of starting work on these early to ensure solutions can be implemented to achieve a balanced budget over the medium term

Health and Safety

20. There are no health and safety implications arising directly from the contents of this report.

Climate Change

21. There are no climate change or sustainability implications arising directly from this report.

Community Safety

22. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

23. There are no direct equality and diversity issues arising from the contents of this report.

APPENDICES

Appendix A Statement from the Council's Section 151 Officer on the Robustness of Estimates for 2018/19 and the Adequacy of the Council's Reserves and Balances.

LIST OF BACKGROUND PAPERS – None.