

STATEMENT ON THE GENERAL FUND BUDGET PROPOSALS BY THE CHIEF FINANCIAL OFFICER

1. Background

- 1.1. Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their precepts. Authorities are required to consider their Chief Financial Officer's report when setting precepts.

2. Summary Opinion

- 2.1. Having taken into account the issues detailed in the report, I am able to give a positive opinion on the robustness of the estimates and the adequacy of financial reserves for 2017/18. This opinion is based on the budget scenario presented to Cabinet on 8th February 2017. Should any of the assumptions change which require the identification of significant additional savings then this opinion will be reviewed.
- 2.2. The inclusion of property investment income and savings achieved through service transformation that have been captured in the budget are both innovative and challenging. There is a risk that, should these targets not be achieved, the Council will need to draw on its reserves during 2017/18, although this is not anticipated. The Council has sufficient reserves to mitigate this risk in 2017/18 but use of reserves would not be sustainable in the medium term.
- 2.3. The medium term financial plans of the Council have been prepared on the basis of estimates for retained Business Rates income and the Council Tax Support Scheme. These assumptions will need to be monitored throughout the year.

Robustness of the Estimates

3. Estimates Procedures and Processes

- 3.1. The Annual Audit letter for 2015/16 reports the Council is performing well and is effective in managing its finances. It has a robust budget setting process and a financial strategy that is comprehensive including future financial pressures and an analysis of key risks.
- 3.2. In giving a positive opinion on the robustness of the Estimates and Council Tax procedures I have relied on the factors summarised in the Budget report. These include well established and tested procedures and the identification of risk. I confirm that in my view the Council has robust procedures in place. These procedures will need to be reviewed and revised for future years particularly in the light of continuing public sector spending constraints and the strategy to invest in property.

4. Determination of the level of resources available.

- 4.1. The 2017/18 Revenue Support Grant settlement, announced in December 2016, was, in line with expectation, and New Homes Bonus for 2017/18 exceeded expectation by £185,000. Indicative settlement figures for 2018/19 to 2019/20 have been provided and these figures inform the Medium Term strategy.

5. Affordability of Spending Plans.

- 5.1. In assessing this issue the following factors have been taken into account:

- The level of Council Tax considered acceptable both locally and nationally - the Government has confirmed that increases in Council Tax deemed to be excessive will be subject to a local referendum. Although the Government has assumed 2% increases in Council Tax in its settlement, the Council has made an assumption in its medium term strategy to maintain 0% Council Tax increases over the period of the MTFS.
- The budget process for 2017/18 has been based on costed business plans to ensure the estimates are robust.

6. Advice on the level and use of reserves

- 6.1. The estimated level of the General Fund Balance at 31 March 2016 is £6.6m. The General Fund Balance is set aside to mitigate the impact of unexpected events and emergencies. In order to assess the adequacy key financial risks have been identified. It should however be noted that this is not a precise science and that local circumstances, the strength of financial reporting arrangements and the Council's track record in financial management will also be a key influence on the actual potential of any individual risk materialising.
- 6.2. An analysis of earmarked reserves held by the Council has revealed that the level of individual reserves is appropriate. The reserves are adequate to meet the commitments and forecast expenditure facing the Council.

7. Key Budget Risks

- 7.1. There are two key risks to which attention should be drawn. The first relates to the income streams that have been anticipated against borrowing funds to purchase investment properties of up to £10m per annum at 5% yield. The Council will have a significant amount of work to undertake to build resource and knowledge to support this income. The second relates to cost reduction challenges and efficiency savings that have been assumed within MTFS cost base.

- 7.2. The Government is consulting on the 100% localisation of business rates by 2020/21. Full local retention of business rates scheme will place a higher risk for Havant Borough Council because it will leave us more vulnerable to fluctuations in rateable value, business rate appeals and the sustained growth of our local businesses in the future.
- 7.3. In summary, therefore, it is my view the estimates presented are robust for 2017/18 and that all reasonable steps are being taken to mitigate the associated risks. The medium term financial position of the Council is challenging and will require concerted effort in the current climate to achieve.

8. **Conclusion**

- 8.1. Based on the assessment included in this report I have concluded that the 2017/18 budgets as proposed and the associated systems and processes are sound. The level of the General Fund Balance and other reserves are adequate to meet the Council's medium term financial commitments as I see them today. However, as the risks in section 7 explain, it will be necessary to closely monitor the achievement of income challenges and service efficiencies during the course of 2017/18 and the potential impact on the General Fund Balance during future years as these matters become clearer. My conclusion is subject to no amendments being made to the budget proposals that would impact on this assessment.

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Havant Borough Council