

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

1. Background

In accordance with Section 25 of the Local Government Act 2003 requires the Chief Finance Officer, in recommending this Budget to Cabinet for approval and 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 Finance Officer's report when making decisions on budgets and setting precepts.

2. Summary Opinion

Having reviewed and taken into consideration the issues detailed within the report, I am able to give a positive opinion on the estimates and the adequacy of financial reserves for 2022/23.

However, I must draw to the attention of Members a number of concerns which I have raised within the main body of my report regarding financial risk and future financial sustainability. Primarily the proposition agreed by Council to withdraw from the Joint Management Agreement with East Hampshire District Council and the impact of that decision of the Shaping our Future Programme.

This opinion is based on the draft budget proposals being presented to Cabinet in February 2022. Should any of the assumptions currently included within the proposals change substantially then this opinion will require review.

3. Robustness of the Estimates

Estimates Procedures and Processes

In providing a positive opinion on the robustness of the Estimates and Council Tax procedures I have relied on the assumptions and factors as detailed within the Budget report. These include well established and tested process and procedures and in this financial year a further layer of challenge and risk analysis has been introduced with the review of key processes as part of the Shaping our Future programme. I can therefore confirm that I am satisfied that the Council has robust procedures in place.

These procedures are reviewed regularly, in particular in light of the continuing public sector spending constraints.

In determining the opinion, as the Chief Finance Officer (CFO) I have considered the financial management arrangements and control frameworks that are in place, the underlying budget assumptions, the adequacy of the business planning process, the financial risks facing the Council and the level of reserves.

In the context of this opinion section 25 of the Local Government Act 2003 focusses primarily on the forthcoming budget year 2022-23 and the risks and uncertainties within that timeframe. However, there are future uncertainties particularly relevant to longer term delivery of services and recurrent transformation savings which must also be considered alongside the need to maintain adequate reserves and balances in the medium term.

The Council's current financial position has been for some time fragile with year-on-year pressures within the revenue budget being dealt with on an annual basis through prudent financial management, annual efficiency savings and income growth targets.

The pandemic has highlighted the ongoing fragility of the revenue budget with the revenue budget for 2021/22 and this financial year relying on one-off central government funding to produce a balanced revenue budget and not draw downs from reserves which would have been required without these grants.

The Council approved in 2021 the progressing of an organisational transformation programme in partnership with East Hampshire District Council to move towards a single workforce with fully shared service, this represented a robust and credible plan to address the ongoing fragility of the revenue budget and growing MTFP deficits.

The programme has been developed significantly over the past 12 months the initial primary focus has been on gathering and developing the data and evidence base that is required to undertake and deliver the transformation of the authorities. This has also included a full review of all corporate planning and processes with the creation of an Applied Programme of Service Redesign which will take each service through the necessary steps to move to the Target Operating Model for each authority.

The new processes developed as part of the Shaping our Future Programme has set a platform for the Council to continue to develop more efficient ways to provide services to residents.

The Council on 26th January 2022 agreed in principle to withdraw from the current Joint Management Agreement with East Hampshire District Council (EHDC) and requested that a report to be brought back to Full Council as early as possible.

With the decision pending to withdraw from the current JMA and the Shaping our Future Programme effectively not progressing it once again places Havant in a very fragile position with no current plans on how to address the ongoing forecast deficits within the MFTP and relying on reserves to balance annual revenue budgets.

The current reserves position is adequate, but I do not believe them to be sufficient to provide the necessary long term financial stability and support without a credible plan in place to tackle the deficits and pressures within the revenue budget.

4. Determination of the level of resources available.

Confirmation of central Government funding as follows:

- New Homes Bonus: £0.474M
- Lower Services Tier Grant: £0.150M
- New Services Grant £0.231M

5. Affordability of Spending Plans

In assessing this the following factors have been taken into account:

- The level of Council Tax considered acceptable both locally and nationally – the Government has agreed Councils can uplift Council Tax by the higher of 2% or £5 and the Cabinet is making the recommendation for 2022/23 of implementing a £5 uplift.
- The budget process for 2022/23 has been based on council strategic priorities
- The budget has removed any future benefits that had been incorporated of the Shaping our Future Programme

6. Advice on the level of reserves

Sections 32 and 43 of the Local Government Finance Act 1992 requires a local authority to have due regard to the level of balances and reserves needed for meeting future estimates of future expenditure when calculating the Council Tax requirement. Further to this a local authority is not permitted to allow its spending to exceed its available resources which would result in a deficit.

The estimated level of the General Fund Reserve at March 2023 is £3.5M. The General Reserve is set aside to smooth the impact of unexpected events and emergencies. The Council has robust monitoring and reporting in place and this is key to managing any future financial risk however there is a need

to put in place urgently a robust plan to bring back into a annual balanced position the revenue budget.

The delivery of the 2021/22 budget is monitored closely, and Cabinet received regular updates on the financial position. It remains vitally important that all approved savings plans are delivered as not delivering services would add to the level of savings required in 2022/23 budget setting process.

An analysis of earmarked reserves held by the Council has shown that the level currently held in these reserves remains adequate to meet the immediate commitments and forecast expenditure.

7. Key Budget Risks

There are a number of risks which have been highlighted within the main report, the majority of these are associated with cost reductions and efficiency savings by departments. Robust monitoring and reporting will help to mitigate any risk of failing to deliver these financial targets.

The most significant risk to the authority is the ongoing pressures on the revenue budget. Without the Shaping our Future Programme which would have addressed these and the withdrawal from the JMA with EHDC which will bring without doubt further pressure on the revenue budget it is imperative that the Cabinet and the new senior management team produce a credible and robust plan to replace the SoF and mitigate the additional financial risk arising from the withdrawal from the JMA.

8. Conclusion

The budget presented in the report to Cabinet is based on the best information available and sets a balanced Budget for 2022/23 only.

This represents a significant financial risk in future years which needs to be addressed urgently.