

Appendix 8: Section 25: Report of the CFO - Robustness of the Estimates

In line with Section 25 of the Local Government Act 2003, this report of the Chief Financial Officer (CFO) sets out the robustness of estimates included in the budget and the adequacy of the Council's reserves.

The Chief Financial Officer's opinion is that the estimates are robust.

Relevant budget holders are responsible for individual budgets and their preparation. All estimates are then scrutinised by Financial Services staff and the Corporate Management Team prior to submission to Members.

All budget assumptions have been reviewed and reconsidered – including those related to inflation, business rate growth and interest rates.

The Council's revenue and capital budgets are 'joined up', both for next year's budget and for the longer term. This means that the full cost of the proposed Capital Programme is reflected in the revenue estimates. Both revenue and capital budgets include the funding needs of the Council.

There are however a number of risks and uncertainties as set out below.

The main risks in the 2021/22 budget relate to:

- General levels of uncertainty regarding the outcome of the fair funding review, the future of business rates and the local government financial settlement, COVID-19, Brexit and the state of the local and national economy. This has been mitigated by prudent business rate growth assumptions and by close monitoring of the Covid Grant account.
- The delivery of income and managing the impact of savings proposed. Mitigating actions are in place within departmental to ensure managers are aware of budgeted savings.
- Business Rate Income – whilst this is essentially part of Central Government funding, the actual income received will vary depending on actual Business Rates growth. It is difficult to precisely predict this growth. It is also difficult to predict the level of appeals by ratepayers against their rating assessments. That said, prudent assumptions in this area have been applied.
- Central Government Funding – the MTFP shows income from NHB continuing in 2022/23, however the longer term future of this income stream remains unclear.

- Costs associated with the delivery of the Council's Towns Fund programme. The Council holds some risk on this programme – including the cost of overruns. As the Accountable Body close monitoring will take place to manage effective delivery (to time and to budgeted cost).
- General inflationary pressures – particularly in relation to pay costs and utility bills. This budget therefore includes significant additional pressures for these matters.
- The impact of Covid and Leisure Services. The Council's management fee in relation to Rubicon Leisure will be impacted by Covid-19 and its ongoing impact on that area of business. This will continue to be mitigated through working closely with Rubicon Leisure to oversee its progress, operations and cost.
- The impact of Covid on the capacity of management to deliver change, efficiencies and associated savings. This continued to be a watching brief. Budget proposals include an investment in Business Improvement capacity and an 'Invest to Save' Earmarked Reserve.

Adequacy of Reserves

Budget and MFTP proposals forecast the level of General Fund balances to remain above minimum set levels of £1.5m in 2022/23 and the majority of 2023/24 (with flexibility identified to reallocate earmarked reserves as set out in the budget report) and Housing Revenue Account balances to remain over minimum set levels of £0.6m over the medium term.

The reserves position, alongside the General Covid Grant account, will allow the Council to be robust and make coordinated plans to address the deficit position.

Taking account of the above, and the level of risk within the budget, the Chief Finance Officer judges that reserves are at an appropriate level throughout the period of the MFTP. This will be subject to ongoing review.

That said, further work must be undertaken to ensure that expenditure levels are sustainable and matched by income over the medium to long term. Plans are therefore in place to continue to review budgets and identify further savings opportunities.

The Chief Financial Officer's opinion is that the estimates are robust.

Report by: James Howse, Executive Director of Resources (Chief Financial Officer / Section 151 Officer)

Executive Committee
2022

7th February
