

Statement of the Chief Finance Officer (CFO) on the 2019/20 Budget

Introduction

The *Local Government Act 2003* places a duty on the Chief Finance Officer to advise the Council on the robustness of the proposed budget and the adequacy of balances and reserves supporting its budget.

This annex, which has been prepared by the Director of Finance & Organisation, fulfils that requirement.

The Council is required to “have regard” to this advice when making its Budget decisions.

Context

Next year will see the Council continue to deliver a wide range of statutory and non-statutory services, with a focus on work streams based around housing, homelessness reduction and family support.

Against this background, we will put our existing work streams on a firmer footing by bringing some existing staff costs into the base budget and thereby reducing reliance on the Corporate Plan Delivery Fund. It is however, essential that the Council continues plan for and deliver changes that allow the development of sustainable budgets.

The Council will further embed a range of commercial activities and investments to support long term financial stability in the next year in line with a developing investment strategy.

As highlighted in the Service and Financial Planning report (Executive, 8 November 2018) both general and specific reserves remain healthy. The planned use of some of our reserves this year is in line with the purpose envisaged at their creation, as we transit to a place where our finances rely less on central government grants.

At a national level, CIPFA is developing a Financial Resilience Index of English councils. This is designed to support the local government sector in forward planning as they face continued financial challenges.

The Financial Resilience Index for each local authority will be published online, and will form a key part of the new Financial Management Code, which CIPFA plan to release in 2019.

Budget Proposals

I consider the budget proposals for 2019/20 to be robust. I am also satisfied that our current levels of reserves and provisions offer reasonable cover to meet commitments and provide a “safety net” for unplanned events.

There remain however a number of significant uncertainties and risks which are identified in the following paragraphs.

Uncertainties & Risks

1. *The Economy:* There is still uncertainty and a lack of confidence about the future of the economy as we get closer to the planned exit from the European Union.

Preparations for our exit continue and may affect investor confidence, whilst the lower value of the Pound may increase inflationary pressures.

Any future economic slowdown nationally or globally - could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recycle prices) and increases in our costs (on benefits and statutory duties such as homelessness).

Any reduction in the number of employers in the Borough could also have an impact on our retained Business Rates income.

2. *Future Government Funding:* The future of business rates funding is uncertain and an area of concern. Any further reductions in New Homes Bonus payments over the coming years will have an impact on reserves but no direct budget impact.

The Homelessness Reduction Act requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has committed ring-fenced funding towards this new duty but there remains a question mark over the longer term funding.

Funding reductions to County Councils are having an impact on Boroughs and Districts. Significant income streams received from upper-tier Councils are being reduced, having an ongoing impact on local residents.

3. *Future Year Savings:* following the significant budget reductions in recent years, it has become increasingly difficult to generate additional ongoing savings. If we are to deliver financial sustainability then we will need to continue our efforts to become a more commercial organisation and fully explore income generating opportunities involving – for example - property investment, partnership working and providing services for other organisations.

4. *Our Five Year Plan 2015-2020:* our Plan sets out our vision and objectives over the medium term and will enable the Council to target its resources in the most efficient and effective way.

The main challenge, as ever, will be balancing our ambitions as a high performing Council with our ability to resource those ambitions. A combination of careful stewardship and an innovative approach to service delivery will be required to ensure that we achieve our goals. It will be important that these

principles continue to be reflected as a new corporate Plan for 2020-2025 is developed.

5. *Reserves and Liabilities:* our recent ability to generate fixed term or one-off resources has provided some flexibility in the General Fund Reserve. Given the uncertainty over future economic conditions and the Business Rates regime, it is prudent to maintain our capacity to protect services from unforeseen financial pressures. Once used, however, it may prove difficult to replenish our reserves.

Despite improvements in recent years the Pension Fund remains a risk over the longer term as the future economic downturns will impact on the value of investments.

The purpose of our investment strategy is to provide security of investment, liquidity when it is needed and yield. Our Capital Investment Strategy will be put before the Executive in March and Full Council in April 2019.

Overall, I am satisfied that the Council has made realistic budgetary provision for its commitments for the 2019/20 financial year, within the legislative framework that governs our operations and within other constraints such as the Council's policy framework.

Joss Convey
Director of Finance & Organisation