

Statutory Report of the Chief Finance Officer on setting the 2020/21 Budget

1. Purpose of this Appendix

1.1 In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:

- i) The formal advice of the statutory responsible financial officer on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;
- ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

2. Robustness of Estimates

The 2020/21 Budget has been prepared at a time of uncertainty with a General Election, the UK's withdrawal from the EU and a delay in the Government's plans for changes to local government funding. There is still some uncertainty around the impact this will have on budgets. It remains important to adhere strictly to the Council's Financial Procedure Rules and its Treasury Management Strategy while keeping a tight rein on budget monitoring so that adverse trends are identified quickly and acted upon promptly.

The budget estimates include assumptions on spend pressures, inflationary pressures, interest rate forecasts and current trends on demand for services. The latter is kept under constant review, especially for income generating services. The estimates also reflect the Local Government Finance settlement 2020/21 as well as the most up to date forecast of business rates income. Savings proposals have been assessed to ensure they are realistic and achievable.

The Council's revenue and capital budgets are integrated in that the financial impact of the proposed capital programme is reflected in the revenue estimates.

Areas of specific risk in the current five-year period under consideration are:

- The Government delayed its expected 2019 Spending Review with a one-year Spending Round announced mid-2019 and the Budget announced for 11 March 2020. Changes are expected to local government funding but the amount and distribution are not currently known.
- The Council will become increasingly reliant on income from business rates as the proportion retained locally increases to 75% from April 2020. In a system where the level of income is largely influenced by external factors the balance of risk and income will shift substantially. The timing and mechanism of the first reset are still not finalised.
- The Council has implemented a large-scale change in its operating model, known as Customer Connect. The majority of staffing changes have now been implemented. Close performance management will be required during 2020/21 to ensure Council Plan priorities and the Council's Budget are delivered.
- Managers are continuing to review the efficiency of the services that fall outside that programme, which will be reviewed as part of the Commissioning framework currently being developed. These will be reported to Members to consider as part of the ongoing financial management process. Options are being developed to enable any increases to the deficit position due to external funding or internal pressures to be offset.
- The estimated level of income generated from fees and charges has been set at a prudent level to take account of actual levels of income being generated in 2019/20.

- The implications of the Welfare Reform Changes and the introduction of Universal Credit to replace Housing Benefit will continue to be closely monitored and planned for as information is forthcoming.

3. Adequacy of Financial Reserves

The level of and usage of the Council's reserves is undertaken annually as part of the Medium Term Financial Plan.

In preparing the 2020/21 Revenue Budget I have reviewed the level of reserves and balances and assessed their adequacy against a range of factors, including;

- the potential impact of unexpected events or emergencies;
- the predictability of cash flows demand-led pressures, inflation and interest rates;
- estimates of the level and timing of capital receipts and grants;
- the overall financial standing of the Council and its track record in budget management and capacity to manage in-year pressures;
- the adequacy of the Council's insurance arrangements;
- the financial risks in the medium term plans, including the robustness of those plans;
- expected changes to the Council's funding arising from Government decisions.

As part of my review of the adequacy of reserves, an assessment of financial risks and financial exposure has been carried out, including the risks set out in brief above and in more detail in the Risks and Opportunities Log in **Section 6c** of the Draft Budget Book. **Section 6b** of the Draft Budget Book shows the risks taken into account in the assessment of the desired level for the General Fund Working Balance and the Council's General Reserve.

The Council's key financial reserves are summarised at **Section 6a** in the Council Draft Budget Book. In total, general reserves are forecast to total circa £5m as at 31 March 2021. General Reserves remain in a sound position when taken together with the £1.5m General Fund Working Balance.

The Budget provides sufficient reserves for major repairs and IT replacement, with foreseeable expenditure allocated from these funds.

No significant recurring expenditure is funded from reserves, consistent with Council policy.

4. Advice

In respect of the General Fund, the proposed reserves and the £1.5m working balance place the Council in a sound financial position for 2020/21 and are adequate for the medium term. The Council will continue to review the medium and longer term pressures projected as part of its Medium Term Financial Plan. It is important that reserves are maintained at robust levels in order to respond to these challenges and as a cushion against forecast risks and unforeseen events.

5 Determination of Borrowing

The Prudential Accounting regime enables the Council to borrow subject to meeting criteria of affordability. The draft Prudential Indicators have been established and are presented for Council approval elsewhere on this agenda. The level of investment in the 2020/21 Draft Capital Programme has been maintained at a level that does not require borrowing other than for the Vehicle and Plant replacement programme, revenue generating projects and loans to third parties. A capital prioritisation process was applied to proposed capital projects which is consistent with the Council's Capital Strategy and strengthens the assessment of the financial impacts of the investment.

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