STATEMENT BY THE CHIEF FINANCIAL OFFICER

I am required to make this report by the Local Government Act 2003.

Robustness of Estimates

The preparation of the estimates started back in July. As the Head of Finance, and being a qualified and experienced accountant, I have overseen the process. The estimates have used the current year as their base. Budget monitoring has shown where these do not form a reasonable basis for the following year, as set out in paragraph 8. There has been a high level of scrutiny to the budget this year from:-

- Senior Officers, the Senior Management Team (SMT) and Corporate Management Team (CMT)
- Portfolio Holders
- The Executive through the various preceding reports set out in the background papers
- Scrutiny Committees

Consequently I am satisfied that the estimates are prepared on a robust basis.

Service managers should also confirm the robustness of the estimates. Officers in all Services have been actively involved in preparing the estimates with the accountants. SMT members agreed the base budget and all service managers will be asked to sign off their final budgets to confirm acceptance of the final decisions by members on the budgets they are responsible for.

Adequacy of Reserves

The Chartered Institute of Finance and Accountancy (CIPFA) has issued a paper on local authority reserves and balances. They do not consider it appropriate or practical for the Institute to give prescriptive guidance on the minimum level of reserves. Guidance in the previous CPA marking said that in order to meet a good ranking

" The aggregate of

- *General Fund balance;*
- *Other earmarked General Fund Revenue Reserves; and*
- *Liabilities not recognised in the financial statements (excluding unfunded pension fund liabilities)*

Should be in surplus at 31 March, and the General Fund Balance should be at least equal to 5%, but not more than 100% of forecast net operating expenditure. There are plans agreed by members on how to use reserves, which link to the council's strategic aims"

The aggregate figure for this Council for net expenditure for District Purposes as at 31 March 2011 is estimated to be approximately 8% for the General Fund balance only taking into account known appropriations. However the Council also has several earmarked reserves, some of which are committed. When the uncommitted reserves are included, the Council is in a very strong position for 2011/12.

APPENDIX 2

In the Audit Commission's Value for Money Guidance (December 2010) the following is stated:-

"Financial planning
An annual budget is not enough to secure financial resilience. Organisations should set the budget in the context of a longer-term financial strategy and a medium-term financial plan (MTFP) covering for example, a three-to five-year horizon. The MTFP needs to be realistic. Assumptions around inflation, income levels, demographics and future demand for services need to be modelled and based on reasonable predictions.

The financial position of an organisation will depend on a number of factors including the level of borrowing, receivables outstanding, investment risks, council tax collection rates and levels of reserves."

The Council's budget and financial planning regime can be demonstrated to be robust.

The Code of practice on local authority accounting requires the purpose, usage and basis of transactions of earmarked reserves to be identified clearly. This was set out in Appendix 5 of this report and Finance and Audit Scrutiny Committee have been asked to pay particular attention to this. In accordance with best practice on reserves and balances these have therefore been reviewed as part of the annual budget preparation. In addition there are forecasts for future years which are reflected in the medium term financial strategy. In considering the level of reserves in addition to the cash flow requirements CIPFA recommends that the following factors are considered: -

Budget assumptions	**Financial standing and management**
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates).
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management.
The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures.
The treatment of efficiency savings/productivity gains	The strength of financial information and reporting arrangements.
The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level.
The availability of other funds to deal with major contingencies	The adequacy of the authority's insurance arrangements to cover major unforeseen risks.

I have considered these matters and can advise members that they currently have a satisfactory level of reserves and balances, but need to address the medium term financial forecast in order to deliver balanced budgets in future years. Risks and arrangements for monitoring are set out in Paragraph 11, and a risk assessment against the general fund reserve is set out in Appendix 7. The Council has self-insurance for small items but generally relies on external insurance for claims above £25,000, so there is no major risk in this area.

In making this assessment I have taken into account the additional uncommitted contingency within the budget of £220,000. The contingency provision reduces the possibility of the Council calling upon its general fund balances

The immediate in-year budget risks to which the Council is exposed are low. However, there are currently additional risks in relation to the uncertain state of the economy (including on how this may impact upon the Council's partners), the current volatility of the Council's income sources, and the risks associated with capital schemes.

The medium term financial strategy has been prepared on a prudent basis given the uncertainties that face local government at the present time. Compared to twelve months ago, the Council is able to consider the 2011/12 Budget with greater confidence about the following risks:-

- The level of Revenue Support Grant for 2011/12 and 2012/13 as discussed in section 9.5 of the report.
- Confirmation that the national Concessionary Fares scheme will become the responsibility of county councils from 1 April 2011, with confirmation of the financial implications thereof.
- The impact of the triennial revaluation at 31 March 2010 of the pension fund on employer contribution rates from 2011/12 (paragraphs 9.2.4 and 10.5.2.).

Members will need to address the underlying budget deficit in future years, and will need to ensure that proposals are brought forward in good time to balance the budget in later years. Within fit For the Future, there is a major programme of projects aimed at reducing costs and ensuring service provision meets customer expectations. The Council is reliant on this programme of work to release the required savings so as to be able to set balanced budgets in future years. Members need to be mindful of the underlying budget situation throughout their decision-making .

Mike Snow

Head of Finance and Responsible Finance Officer

January 2011