

Statement by the Chief Finance Officer on the budget and balances

1. Under Section 25 of the 2003 Local Government Act I am required to comment on the adequacy of the budget calculation and the level of balances proposed within a budget. The two issues are related. The less prudent the revenue provision and forecasts of demand and risk, the higher the level of balances required to justify the budget calculations. This budget has been carefully prepared, risks have been identified and quantified and, while excessive provision has not been made in the budget, a prudent and cautious approach has been taken. The council also has adopted rigorous budget monitoring arrangements during the year and a policy of restoring balances once used. The combined approach means that a minimum prudent level of balances is £12.0m, which will cover the General Fund revenue budget risks identified over the medium term. As the forecast level of balances as at 31 March 2016 is at this level, no further increase is required for 2016/17.
2. Whilst the approach is prudent, including due allowance for contingency the council will be required to deliver savings with an aggregate value of some £23m in 2016/17. This reflects the financial constraints imposed by the local government settlement. The Scrutiny Committee have reviewed these proposals, and raised concerns as to whether they can all be delivered. A balance must be struck between an excessively cautious approach and an unduly optimistic one. It would be surprising if issues did not arise in the delivery of some of these proposals, given that the overall package is valued at over £23m and consists of over 50 separate proposals.
3. In my view the right balance between risk and prudence has been struck to help ensure that the budget is sufficiently challenging to spur the right financial and managerial discipline within the organisation, whilst not setting unreasonable targets. Within this it is worth highlighting those proposals where the risk of under delivery is more significant. These are:
 - a. Proposal CYP3, which requires savings of £0.9m from a complex reorganisation of youth services
 - b. Proposal R&G1, which requires a further reduction in TA costs of £0.5m in 2016/17 and a further £0.5m in 2017/18. This reflects the complex demographic and legislative pressures in this area.
 - c. R&G25f, which requires a surplus, over time, of £0.35m p.a. from the Lettings Agency, although none of this is budgeted for in 2016/17
 - d. ACE2, which plans to reduce the council's contribution to the London Boroughs Grant Committee by £0.34m in 2017/18, which cannot be achieved without securing a two-thirds majority in London Councils
 - e. HR1 & L&P1, which collectively require further savings of £1.6m in the council's legal services and human resources departments
 - f. PH3, where savings of £1m against the public health grant are required
 - g. R&G32, where savings of £1.5m are required through implementation of the customer access strategy.
4. This is not to imply that none of these savings will be delivered: if that were the case they would not be included in the budget. It merely reflects the inevitable risks in setting a budget in a large and complex organisation, and those proposals on which particular management attention should be focused.
5. Of the new proposals for 2017/18 and beyond, there is clearly a longer lead-in time to deliver these, but it is important to stress now the significant managerial

challenges posed in delivering some of these, particularly the procurement and civic enterprise targets. As work progresses in developing these during 2016/17 these issues will be reported to Members as appropriate.