

## Report of the Chief Finance Officer

Under the Local Government Act 2003 the Director of Finance and Assurance (in his capacity as the Chief Finance Officer under S151 of the Local Government Act 1972) is required to comment on the robustness of the budget and the adequacy of reserves. The Directors report is set out below.

### Robustness of the Budget

Clearly the economic climate and the Local Government Settlement make this budget round particularly challenging and there is considerable uncertainty about inflation, interest rates, the property market, employment levels and the impact of the economic climate. All these issues affect the Council's own finances and every effort has been made to ensure that the technical assumptions underpinning the budget are robust. The economic climate also has major implications for Harrow's residents and businesses and may therefore create additional demand on services.

In my view the budget is robust.

I have taken a number of factors into account in arriving at my opinion:

- Reasonable assumptions have been made in relation to inflation
- Service managers have made reasonable assumptions about demand led pressures and taken a prudent view of volatile areas
- Savings proposals have been explored and scrutinised in some detail by varied audiences forums and Directorates have confirmed that they are achievable. The MTFS has been extended to cover the four period 2015/16 to 2018/19 in line with the Capital Programme. was re-freshed and Officers were asked to review approved investments and savings for 2013/14 and 2014/15 to ensure they are financially robust and deliverable and that they are in line with the current administrations priorities
- The final 2015/16 Local Government Financial Settlement was announced on 3 February grant settlement for 2014-15 has been published (with some grants still to be announced)
- Prudent assumptions have been made about capital financing costs and investment income
- The recommended increases in fees and charges are in line with the assumptions in the budget
- A risk assessment has been conducted
- The budget for 2015/16~~4-15~~ includes a general contingency of £1.248m

A sensitivity analysis for the key assumptions is attached.

### Adequacy of Reserves

The Council has suitable provisions and some earmarked reserves to deal with particular issues such as insurance claims, bad debts, litigation and employment matters.

General balances are adequate and, dependent upon the outturn position, consideration will be given to making a contribution to general balances in view of the significant financial challenges ahead.

## Budget Monitoring

The Local Government Act 2003 also introduced requirements in relation to budget monitoring and management action. Budget monitoring arrangements are in place in Harrow. These arrangements are continually being developed, and the risk areas identified in the assessment will be kept under review. The financial position can change relatively quickly and any adverse variations must be identified and addressed promptly by service managers to avoid further calls on reserves.

### **2015/16-15 Budget Sensitivities**

Steve to update

Budget area	Assumption in 2015/16-15 budget	Change	Impact
Pay	Increase of 1%	+ 0.5%	+ £475k
General Prices Inflation	Increase of 1.3%	+/- 0.5%	+/- £465k
Energy Inflation	Increases in gas and electricity prices of 10%	+/- 1%	+/- £22k
Investment Income	Base rate is 0.5% for the year	+/- 0.5%	+/- £250k
Council Tax Collection Rate	Collection rate of 97.5%	+/- 0.25%	+/- £243k
Business Rate Collection Rate	Collection rate of 98%	+/- 0.25%	+/- £36k
Homelessness	Cost per year for family	+/- 1	+/-£2k

Note that a variation in the collection rates for council Tax and Business Rates would be managed within the collection fund in-year and have an impact on the revenue budget the following year