

Report of the Chief Finance Officer

Under the Local Government Act 2003 the Director of Finance (in their 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

The current budget climate and timeframe continues to be the most volatile in the Borough's history. The economic climate and the Local Government Settlement make this budget round particularly challenging. There are significant areas of uncertainty around further cuts, income streams, transfer of responsibilities from central government, Adults and Children's Social Care, homelessness and the degree of change occurring across the Council that needs to be mitigated. In the wider economy there remains 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 have major implications for Harrow residents and businesses and may therefore create additional demand on services.

A three year approach is being taken to address the financial challenges over the MTFS period (2016/17 to 2018/19) to set a clear direction of travel and to allow the time to adequately plan for those saving proposals and initiatives that require a longer lead in time.

The advice of the S151 Officer is that the budget for 2016/17 is robust and there are evidenced proposals in development for 2017/18 and 2018/19. This advice is given, following the consideration of a number of factors:

- Saving proposals have been explored and scrutinised in some detail by various forums and Directorates have confirmed that they are achievable.
- Those proposals in development for 2017/18 and 2018/19 will be subject to further scrutiny before final approval in their respective budget years
- Service managers have made reasonable assumptions about demand led pressures
- Every effort has been made to ensure that the technical assumptions underpinning the budget are robust
- 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 2016/17 includes a general contingency of £1.248m
- There is a commitment within the organisation to robust financial management with any potential adverse budget variations been tightly controlled and where possible contained within service budgets

Adequacy of General Reserves, Ear marked Reserves, Provisions and Contingencies

The level of reserves and provisions is a balance between the risk facing the Authority and the opportunity costs of holding those balances. Reserves can only be spent once and should ideally only be used to support one of expenditure or to allow time for management action to be implemented.

The Council holds a general fund balance of £10m. The risk assessment shows the net risk for 2016/17 as £10m, after applying the general contingency for unforeseen circumstances (£1.248m) and the funds set aside to support homelessness pressures (£1m) both of which are recurrent. With the risk assessment in mind, the general fund reserves are adequate however, taking into account the significant challenges ahead, dependent upon the outturn position, consideration will be given to making a contribution to general balances.

In addition to general balances the Authority holds a number of other suitable reserves and provisions which are set out in Appendix 10.

In conclusion the advice of the Section 151 Officer is that, having considered the need for balances and the budget risks, the level of reserves and provision held are considered adequate but only on the basis that any potential adverse budget variations are tightly controlled and where possible contained within service budgets.

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 which monitor and report the performance of the revenue and capital budget and the progress of all saving proposals and income generation opportunities built into the budget. These arrangements remain continually under review to ensure they keep pace with the requirements of the organisation. The financial position can change relatively quickly and any adverse variations must be identified and addressed promptly by Service Managers and directorates to avoid a call on reserves.