

Section 3

Statutory Report by the Director of Finance (Chief Finance Officer)

Local Government Act 2003: Section 25 Report by the Director of Finance (Chief Finance Officer)

Introduction

1. Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and council tax precept, the Chief Finance Officer must report to it on the following matters:
 - The robustness of the estimates made for the purposes of the (budget requirement) calculations
 - The adequacy of the proposed financial reserves
2. The Council is required to have due regard to this report when making decisions on the budget. The law expects Councillors to consider this advice and not set it aside lightly.
3. In expressing my opinion, I have considered the financial management arrangements and control frameworks that are in place, the budget assumptions, the adequacy of the Service & Resource Planning process, the financial risks facing the Council and the level of total reserves.
4. The report is the culmination of the Service & Resource Planning process, which commenced in July 2016 with the report to Cabinet on a revised Medium Term Financial Plan for 2016/17 to 2019/20 and Efficiency Plan 2016/17 to 2019/20.
5. My report last year referred to the significant changes in the methodology used to distribute Revenue Support Grant which was only announced at the time of the Provisional Local Government Finance Settlement on 17 December 2015. This led to the late notification of the need to make additional savings of £22m over the medium term to 2019/20 on top of the worst case planning assumption of £47m¹ over the same period. My advice was that it would not have been prudent to propose further significant savings without proper financial planning and consultation and that recommendations for meeting a £15m savings shortfall should be considered by Cabinet in the early summer 2016 and amendments to the MTFP then approved by Council.
6. The Revised Medium Term Financial Plan 2017/18 – 2019/20 report presented to Cabinet in July 2016 proposed that the £15m further savings would be achieved through a new council wide transformation programme, Fit for the Future. £3.5m of funding was identified to support and enable the programme, £3.0m from the Transition Fund agreed by Council in February

¹ Total additional savings of £69m as per report to Cabinet in January 2016

2016 and £0.5m from the flexible use of capital receipts strategy². Council approved the revised MTFP for 2017/18 to 2019/20 and Efficiency Plan on 13 September 2016.

7. As part of the Provisional Local Government Finance Settlement announced in December 2015, the Secretary of State for Local Government set out an offer to all councils of a four-year funding settlement from 2016/17 to 2019/20. In setting the 2016/17 budget and Medium Term Financial Plan to 2019/20 last year, these published figures were included as forecasts of income over the four year period. The offer of a four-year settlement required councils to publish an Efficiency Plan and notify the Department for Communities and Local Government (DCLG) of its availability by October 2016. Confirmation that the Council is formally on a four-year settlement was received in November 2016.
8. Section 25 of the Local Government Act 2003 concentrates primarily on the uncertainty within the budget year (i.e. 2017/18) rather than the greater uncertainties in future years. However, future uncertainties, particularly around the delivery of savings and the increasing pressures in demand driven services also inform the need for reserves and balances in the medium term.

Financial management arrangements and control frameworks

9. The Council received an unqualified opinion on both the accounts for the Authority and the Pension Fund for 2015/16. In respect of securing value for money, the conclusions are based on whether the organisation has proper arrangements in place for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness. The Council received an unqualified value for money conclusion for 2015/16. In respect of Value for Money, the annual audit letter's key finding was that 'the Council achieved its planned budget for 2015/16, and we considered the assumptions in the Medium Term Financial Plan 2016-2020 to be realistic'. This is a considerable improvement from the statement made in respect of the 2014/15 annual audit letter, which stated 'We have reviewed the process that the Council has in place for preparing and monitoring budgets and the action taken by the Council during 2014/15. Our conclusion is that the Council has taken steps to close the gap in the current year and has clear plans for the coming year or two, however there are continuing financial pressures and the Council needs to take action to ensure that the financial position is manageable in the coming years'.

² local authorities can use new capital receipts from the disposal of property, plant and equipment received in the period April 2016 to March 2019 for projects where incurring up-front costs will generate on-going savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years

10. The Council has strong governance arrangements in place and a robust assurance process that requires a statement at the year-end from the 'corporate lead officer' for various key control areas. The Director of Finance has responsibility for ensuring that an effective system of internal control is maintained to provide an assessment of the current position across the whole council and identifying areas for improvement where appropriate. Areas for improvement are reported to Audit & Governance Committee and monitored in year through the Corporate Governance Assurance Group.
11. All Officers and Members are required to work within an embedded framework of pre-existing financial management arrangements and structures. The Council has a robust system of budget monitoring and reporting and the Council's track record for budget management over recent years has been good.

Budget Assumptions

12. The formation of the 2017/18 budget and indicative budgets for the following three years to 2020/21 have allowed for best estimates of the total financial envelope over the medium term taking into account anticipated unavoidable pressures and the savings then required to match the funding available. In forming the estimates various assumptions have been made. The main assumptions together with an assessment of their risk are set out below:
 - a) Government grant – in accepting the government's offer of a four-year settlement through the publishing of an Efficiency Plan, funding through revenue support grant and business rates top-up grant for 2017/18 to 2019/20 has been confirmed in line with that announced as part of the final Local Government Finance Settlement in February 2016. The figures reduce revenue support grant to zero by 2019/20 and reduce the top-up grant by £6.2m in 2019/20. To neutralise "as far as is practicable" the impact of the 2017 revaluation in the business rate retention scheme, DCLG have reset the scheme's system of tariffs and top-ups. The impact of this for the Council is a reduction in income of £0.3m in 2017/18.
 - b) Council Tax – an increase in Council Tax of 4.99% is proposed for 2017/18 and 2018/19 with a 1.99% increase planned for 2019/20 and 2020/21; within the referendum limits confirmed by the Local Government Minister as part of the provisional Local Government Finance Settlement announced in December 2016. The increase for 2017/18 and 2018/19 comprise a 1.99% general increase and 3.00% for social care. This reflects the decision as part of the proposed MTFP to take the 6.00% increase in the adult social care precept over two years rather than over three years to 2019/20. The current MTFP assumed a 2.00% increase in each year up to 2019/20.

- c) Non-Domestic Rates – business rates income for 2017/18 is based on the forecasts provided by the District Councils, with future years assuming growth in line with RPI. This is a cautious assumption given the expected growth in Oxfordshire, particularly when the Westgate redevelopment opens in autumn 2017. The 2017/18 budget takes account of a £0.5m deficit on collection for 2016/17. This is the fourth year of the operation of the business rates retention scheme and each year has seen a deficit on collection particularly linked to the impact of appeals. A new reserve with an annual contribution of £0.5m was created in 2015/16 to cushion the impact of collection fund deficits. This will meet the shortfall in 2017/18, meaning there will be no impact on the budget.
- d) Council Tax base & surpluses/deficit on collection – the core spending definition set out as part of the provisional Local Government Finance Settlement in December 2015 included assumptions to 2019/20 on both council tax rate increases and also increases in the taxbase. The assumptions included an annual increase in taxbase of 1.63% and this is reflected in the existing MTFP. Taxbase increases for 2016/17 were 2.05% and for 2017/18 are 2.14%. As substantial house growth is expected to continue over the medium term, the proposed MTFP includes an increase of 2.00% in 2018/19 returning to 1.63% thereafter, although this will be reviewed again next year.

Surpluses on Council Tax collection have been high in recent years and have not been less than £4.8m since the localisation of council tax support in 2013/14. The existing MTFP assumes £4.0m per year from collection fund surpluses and there is no proposed change to this. The actual figure for 2017/18 is £7.3m.

- e) Inflation – pay inflation for 2017/18 has been applied to budgets in-line with the national pay offer for Local Government agreed in May 2016 for both 2016/17 and 2017/18. The award was based on the announcement in the 2015 Spending Review that the average public sector pay increases up to 2019/20 would be 1.0%. Inflation on income from fees and charges is assumed at 2% in each year of the MTFP. General inflation on non-pay budgets has been assumed as zero in each year of the MTFP continuing with the approach introduced in 2013/14. Inflation has remained low over the past year although it is expected to rise considerably over the coming months. In December 2016, RPI and CPI were at 2.5% and 1.6% respectively (compared to 1.2% and 0.2% respectively in December 2015). Given this forecast, there is some risk of inflationary pressures in the 2017/18 budget. However, this is taken into account in reaching the risk assessment for balances and some provision is also included in the corporate contingency. Contract inflation is provided for, dependent on the index applied to the contract up to a maximum of 3%.

- f) Interest Rates – all existing debt is under fixed interest rates so is not subject to interest rate variation and the MTFP assumes an extension of the strategy to borrow internally for prudential borrowing schemes. Prudent returns of 0.3% above the Bank Rate are assumed for 2017/18 beyond which returns diminish to 0.15% in 2018/19 and 0.05% in 2019/20 and 2020/21. The reducing returns reflect the consequence of longer-term deposits with higher rates maturing. As inflation is rising and is expected to exceed the government's target of 2%, the Bank of England may be minded to increase the Bank Rate during 2017. However, this is not certain, and if rates do rise they are not expected to rise quickly.
- g) Capital Programme – the four-year capital programme has been developed based on estimates of future capital funding allocations from government grants in addition to use of reserves, capital receipts and S106 funding. At the time of writing this report, we were still waiting for confirmation of the School Condition allocations for 2017/18. All of the funding for major infrastructure schemes is now allocated via the Local Growth Fund through the LEP. As the accountable body for OxLEP, all of the funding is administered by the Council and included in the Capital Programme.

Service & Resource Planning Process

13. The Service & Resource planning process is well established. The approach for setting the budget for 2017/18 and MTFP to 2020/21 has however been very different to the approach taken in recent years. In part this is due to the considerably sounder financial footing of the Council, with a four year funding settlement already agreed with government, a robust MTFP and the difficult decisions of previous years now standing the organisation in good stead for the future.
14. The approach has also been informed by the recent work undertaken on the Council's future role and direction, the Fit for the Future transformation programme and of particular significance, the work that has been undertaken on a single unitary structure of local government in Oxfordshire. Much of this thinking can also be applied to the role of the Council within the current two tier arrangements for local government, which has also been used to inform the new senior management structure which was agreed by Cabinet in December 2016.
15. The construction of the budget and examination of the budget proposals has been subject to challenge by the Council's Leadership Team and the Director of Finance. Councillors have had the opportunity to question and challenge the approach to savings as part of this years' Service & Resource Planning process through an engagement session in October, Performance Scrutiny Committee in December and an all member presentation on the budget in January. The approach was also discussed with the Political Group Leaders

ahead of the process commencing. In addition, a briefing session was held with union representatives. Scrutiny of the budget savings has also been considered from an equalities perspective.

Financial Risks

16. Given the reductions in government grant funding, the limitation on the level of Council Tax increases, the growing unavoidable pressures and the scale of savings required, the budget will inevitably contain a degree of risk. The key risks include:

- a) Achievement of savings plan – the Council has a good track record of successfully delivering significant savings, having achieved £247m savings by the end of 2015/16. Further savings of £53m planned to be delivered in 2016/17 taking the total savings achieved to £300m. The Delivery Board, chaired by the Cabinet Member for Finance, which was established towards the end of 2015, has responsibility for driving the delivery of savings in the MTFP and tracks progress on a monthly basis.

Of the £52.5m savings required in 2016/17, as at the end of December 2016, 89% or £46.7m had been achieved or were on track to be achieved. A further 5% or £2.7m are still expected to be achieved, but not until 2017/18. This means that only 6% or £3.0m of the £52.5m savings will not be achieved and have been reflected in the proposed MTFP.

There are further savings in the existing MTFP still to be delivered up to 2019/20 totalling £60m, which includes the £15m from the Fit for the Future Programme. As set out in paragraph 6 above, funding is available to enable transformation; further one-off funding is available through the Efficiency Reserve which stands at £1.1m. In addition, there is £4.5m available as a corporate contingency in 2017/18. These should be sufficient to meet the short-term costs of the delivering savings, which lessens the risk that one-off costs will need to be the first call against the savings and delay the timing of achieving the savings.

- b) Demand led pressures – There are some budgets where client numbers for statutory services are notoriously difficult to control and where a degree of judgment has to be applied to estimate the level of risk to the budget. We have seen a significant increase in demand in both children's and adults' social care over the last few years. An additional £7.4m was built into the children's social care budget from 2015/16. However, demand has continued to rise and an overspend of £3.6m is forecast in 2016/17. At the end of March 2016, there were 592 looked after children, an increase of 179 (43%) from April 2013. At 31 December 2016, the number had increased to an all-time high of 651. The average number for our statistical neighbours (the authorities most similar to Oxfordshire in terms of need for children's social care) would

be 600. £5.3m is built into the proposed budget for 2017/18 (including £0.7m for legal costs) as well as further increases of £1.0m per year to 2019/20 recognising that growth is expected over the medium term. In 2020/21, an allowance of £6.0m for all demographic pressures across the Council is included in the proposed MTFP; some of this will be allocated to children's social care. Work is currently underway as part of the Fit for the Future programme to understand, manage and reduce demand. If the programme does deliver on its ambition, then it is expected that the funding in the proposed MTFP should be sufficient to meet current and future demand. However, it remains a risk.

In relation to adult social care, the total number of people receiving on going long term support from adult social care rose by 3.5% last year to 6,718 in line with our statistical neighbours. Demographic increases are built into the budget each year and client numbers during 2016/17 appear to be in line with expectations. There is the risk that demand starts to rise at a faster rate than assumed and this will put pressure on the adult social care budget. In addition to the social care precept, a one-off adult social care grant of £2.3m was announced as part of the provisional settlement. Including £5.0m demography in each year, this means that additional funding of £11.9m will be available for adult social care in 2017/18 and a further £8.4m in 2018/19.

Over the last two years there has also been a significant increase in demand in services for children with special educational needs and disabilities. The cost of most services is met from the Dedicated Schools Grant, which is forecasting to overspend by £1.8m in 2016/17 due to significant increases in the number of out of county placements and statementing requirements. This is offset by one off funding in 2016/17, however the issue remains in 2017/18 and beyond. £0.3m funding has been agreed by Schools Forum to undertake a review of High Needs provision, but with the ringfencing of DSG blocks, this remains a real risk to the Council. In relation to special educational needs home to school transport, there is also a combination of growth in the demand for services and an increase in the cost of passenger journeys. £1.9m has been built into the proposed budget for 2017/18 and £0.8m each year thereafter to reflect expected demographic changes. Work on managing and reducing demand is also underway in this area as part of the Fit for the Future programme. It is expected therefore that the additional funding over the medium term should be sufficient to meet costs.

- c) National Living Wage – At this time last year, the impact of the implementation of the National Living Wage last year on contract cost increases was very uncertain. In setting out the risks, modeling of the possible impact on adult social care suggested additional costs up to £13m in 2016/17 alone. However, contract cost increases were at the lower end of the scale at around £3.0m to reflect pressure on the rates paid for care homes and a further £1.0m for the

impact of increasing home support rates to £8.59 per hour in the Council's model, which is used to drive the rates we pay providers. Because hourly rates are already above this in many cases, it is difficult to forecast whether there will be an increased impact from the rise to £7.50 in April 2017. Current modeling and pressures on services does suggest that there will be a need to increase both the rates paid to care homes and home support providers to ensure that each sector is sustainable. Funding is included in the Adult Social Care budget to reflect the potential increased cost, but there are risks. There has also been an increase in costs charged by providers in both children's agency placements and special educational needs, but the impact of these are less quantifiable. It is possible that the impact in terms of pay differentials will also start to materialise. As the national living wage increases, the pay rates just above this will need to increase to keep them in proportion. This will then affect the pay rates further up the scale. An indirect impact could be seen as employers across Oxfordshire push up wages to secure employees in an economy with almost no unemployment. This could mean that for adult social care providers (and other relevant providers to local government) they would have to match the pay rate offered in other sectors, irrespective of the national living wage, to secure staff.

- d) Implications of proposed Sustainability and Transformation plan – In January 2017, NHS partners launched a consultation on phase 1 of Oxfordshire's health and care services. The consultation sets out the overall future direction of healthcare and contains specific proposals in five key service areas including changing the way hospital beds are used and increasing care closer to home. The consultation document feeds into an over-arching five-year Sustainability and Transformation plan covering Oxfordshire, Buckinghamshire and West Berkshire which sets out how the changes being consulted upon will be achieved. Linked to this, the Oxfordshire Clinical Commissioning Group (OCCG) is also currently consulting on the first part of a plan to transform local services. The consultation closes in April and the council is currently assessing the information. These proposals, and those expected later in the year as part of phase 2, are likely to have a financial impact on the council, particularly on Adult Social Care. The position is expected to become clearer as the year progresses, but we will need more information about future proposed changes to community services and the potential impact on the wider care workforce, before the impact can be fully assessed. In addition to this, there remains a possible risk about the Better Care Fund as at the time of writing this report neither the guidance or the 2017/18 allocation to OCCG had been announced.
- e) Implications of Britain leaving the EU - The economic impact of Britain exiting the EU remains difficult to determine, as it will depend on formation of government policy, negotiations and decisions being made in the UK, Europe and the rest of the world. In addition to impacts on growth, trade and foreign

investment, there will be implications for immigration and jobs. Whilst financial markets are relatively stable and growth forecasts for this year have just been revised up to 2.0%, uncertainty will become increasing acute once Article 50 has been triggered and we move closer towards the date of exit, which is expected to be April 2019.

- f) Employment capacity – Oxfordshire is approaching full employment and recruitment of care workers in both adults and children’s services as well as other key service areas is already difficult. It is forecast that 750 new care workers will be required each year for the next ten years to meet the needs of a growing population of older people and those living longer with complex conditions, and turnover amongst existing care staff including loss to other sectors. In addition, the opening of the new Westgate Centre in Autumn 2017 will create an additional 3000 jobs in an area of low unemployment and there are also risks relating to workforce arising from Britain leaving the EU. The Council will need to ensure it develops robust strategies to attract and retain staff to meet this risk. As many of these staff are not necessarily employed by the Council, there is also a need to work with providers to ensure they also have policies and strategies to mitigate this risk.
- g) Unfunded New Burdens – Where new duties, policies or initiatives are passed onto local authorities, central Government has agreed that all new burdens should be properly assessed and fully funded. The new burdens doctrine has been in place since 2011 and Government departments are required to adhere to it. One area where the Council feels it is not receiving sufficient funding to meet costs is in relation to Unaccompanied Asylum Seeking Children (UASC). The grant received is insufficient to meet costs as it is based on a national average and costs are much higher in the South East. The Council has been lobbying Government to fund the estimated shortfall in 2016/17 of £1.0m, but it is unclear that this will be met. It is expected this cost will continue into 2017/18, and will rise if further UASCs are placed in Oxfordshire. However, as this is a new burden, the Council will not be making provision in the budget for 2017/18 for any shortfall. If the full funding is not received, then it will need to be met from either balances or contingency.
- h) Changes to local government structures in Oxfordshire – The Council has recently launched a discussion paper on proposals for a new unitary council in Oxfordshire. Significant local engagement activity is currently underway to seek the views of the public and partners, with a view to strengthening the proposals that will be considered by Cabinet in March 2017, when it takes a decision about submission to the Secretary of State, who is responsible for the final decision. There is growing local support for this proposed change, including from two district councils. This debate is also playing out in other parts of the country, with Buckinghamshire having already submitted a proposal for a county unitary council and significant work underway in

Dorset. If the proposals are implemented an Implementation Executive, formed of all existing authorities will be established to lead the work on transition. A key risk that will need careful management is the potential for a loss of focus on business as usual - delivering services, implementing the Fit for the Future programme and delivering on the other savings already in the MTFP.

In addition, the Policing and Crime Act 2016 will enter statute on the 3 April 2017, which may create a risk that Oxfordshire Fire and Rescue Service will be required to transfer under the governance of the Police and Crime Commissioner. This will require significant work to de-couple the revenue streams, assets and liabilities from the Council and to set a separate Fire and Rescue budget prior to any statutory instrument being enacted.

- i) Borrowing undertaken on behalf of Oxfordshire Local Enterprise Partnership (OxLEP) – part of the City Deal agreement with central government is to deliver £40m of infrastructure schemes using growth in business rate yield from the Science Vale Enterprise Zone. As the accountable body for OxLEP, the council will need to borrow from the PWLB³ in 2017/18 when the majority of capital expenditure is incurred and repay the loan (principal and interest) from annual business rate income⁴. However, there is a risk that income from business rate growth is not sufficient to meet the cost of the loan repayments and if this happens, the council will need to bear the cost until business rate income is sufficient to meet the cost of the repayments.

Level of total reserves

17. As well as holding a contingency budget to enable those more volatile budgets to be managed, general balances are also held to ensure that a major incident or emergency can be managed without impacting on other services. In reaching a decision on the level of balances I feel are appropriate to be held for 2017/18, I have considered the strategic, operational and financial risks facing the authority including the ability to deliver planned savings, as well as external risks such as the impact of flooding. The recommended level of balances for 2017/18, based on the risk assessment included in Section 4.6.1 of this report, is £17.6m.
18. A further consideration in setting a prudent level of balances and setting a robust budget is the underlying trend of under/over spending against the budget each year. As budgets are reduced more and more, the flexibility to manage pressures arising in one area against underspends elsewhere becomes increasingly more difficult. An overspend of £0.7m on Directorate budgets was reported at the end of 2015/16. This was after the use of £1.5m of corporate contingency and, contained within the outturn position were

³ Public Works Loan Board (or its replacement body)

⁴ above the baseline at the date of creation of the enterprise zone in 2011

underlying overspends relating to staffing within children's social care, special educational needs home to school transport and waste disposal. The underlying pressures were addressed as part of the 2016/17 budget, and with the exception of special educational needs home to school transport, appear to be sufficient to meet the rising demand.

19. The Financial Monitoring report for Cabinet in February 2017 sets out a forecast overspend, based on nine months of actual expenditure of £6.6m. Although this forecast is after £1.0m use of earmarked reserves in Children's Services, it does also include £1.0m of costs relating to UASC which have not been funded by grant as described in paragraph 16(g) above. The main areas of overspending are all reflected in the proposed MTFP and described in the financial risks section of this report. They include; agency placements £3.6m (though this partly caused by the completion of the new Children's Homes being behind schedule thereby delaying the savings which will arise from reducing the number of external placements); legal costs relating to children's social care £0.7m; special educational needs home to school transport £1.3m. After use of the remaining corporate contingency of £1.0m, at this stage the remaining overspend of £5.6m will need to be met from balances. As balances are currently £3.0m more than the risk assessed level of £17.6m, meeting the overspend will reduce balances to £15.1m by the end of 2016/17. With this in mind, the budget proposals include a contribution to balances in 2017/18 of £2.7m which will increase them back to the risk assessed level.
20. Earmarked reserves are also held for specific planned purposes. They fall into several categories; those retained for departmental or service use; reserves for unspent grants; insurance and capital reserves and schools balances.
21. In assessing the appropriate level of reserves, a review is undertaken annually to determine if they are both adequate and necessary. £2.0m of earmarked reserves, which are not required for their intended purpose, are being used towards setting a balanced budget for 2017/18. At the end of 2015/16, earmarked reserves were £85.4m (excluding school reserves). By the end of 2016/17, they are estimated to reduce to £66.9m; to £55.3m by the end of 2017/18; and to reduce steadily to £42.8m by 2020/21. The expected levels of reserves remaining by 2020/21 are adequate for the purposes intended.
22. School reserves are expected to remain at the same level at the end of 2016/17 as they were at the end of 2015/16. Now that schools hold budgets for all repairs and maintenance works, it is expected that reserves could increase as schools will need to put maintenance funding aside to meet costs when work is needed. Despite this, the level of reserves is expected to fall considerably over the medium term as further schools convert to academies. At the point of conversion from a maintained school to an academy, any

balances also transfer reducing further the amount held by the Council. Schools balances are projected to fall from £20.7m at the end of 2016/17 to £9.4m by the end of 2020/21.

23. The Budget Reserve enables cash flow movements to be managed over the medium term and ensure the Council can set a balanced budget each year. This need arises as the pressures and savings profile is different over the medium term. The existing MTFP assumed a surplus of £1.2m at the end of 2016/17 and a contribution to the reserve of £7.2m in 2017/18. The new budget proposals require a contribution from the reserve of £7.1m in 2017/18. Taking these into account, the reserve is expected to be in surplus by £1.3m at the end of 2017/18 and is planned to increase to £17.4m by 2020/21. However, each year as part of the Service & Resource Planning process, the Budget Reserve is used to manage the differences in timing between pressures and savings and it is expected to be utilised in full over the medium term.

Robustness of the budget

24. The proposed budget and Medium Term Financial Plan addresses the demand pressures that are expected to continue into the medium term. It includes agreed reductions in funding to 2019/20 and sets out a plan to ensure that the Council can deliver the 2017/18 budget within estimated available resources.
25. As set out in paragraph 5, savings of £15m from the Fit for the Future Programme need to be delivered in 2018/19. Whilst there is funding set aside to deliver the programme, both the investment funding and savings plan will require close monitoring to ensure the savings are delivered within the resources available. Overall, the budget and MTFP set a clear direction for the future and place the Council in a sensible position to meet the challenges ahead.
26. There are risks in the budget largely in relation to certain demand led budgets such as children's social care and SEN home to school transport, both of which are under significant pressure in the current financial year. There is also a range of pressures and uncertainties in adult social care, particularly in relation to growing demand and the potential consequences of the Health STP. To help mitigate these risks, a contingency budget of £4.5m (0.6% of the gross budget excluding schools), has been built into 2017/18, which will provide some degree of a safety net.
27. The level of the Council's total reserves is sufficient to provide both general balances to manage the impact of unexpected events in line with the risk assessment; and the setting aside of earmarked reserves to meet known or anticipated liabilities.

28. Therefore, I am satisfied that the budget proposals for 2017/18 recommended by the Cabinet are robust.

Lorna Baxter
Director of Finance

3 February 2017