

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)

Background

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 (council tax 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. Section 25 of the Local Government Act 2003 concentrates primarily on the uncertainty within the budget year (i.e. 2019/20). 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

5. The Council received an unqualified opinion on both the accounts for the Authority and the Pension Fund for 2017/18. 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 2017/18. In respect of Value for Money, the external auditors undertook an assessment of the Council's medium term financial plans to ensure planned savings are achievable and the usable reserves position is appropriate. The assessment confirmed 'the Council are in a position to achieve their medium term financial plans'.
6. 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.

7. Financial management remains a key focus and is subject to on-going improvement. As part of this, the CIPFA Financial Management self-assessment has been completed across the organisation and whilst the outcome positively reaffirmed that overall, we have an adequate system of Financial Management, the response from stakeholders highlighted that there are a few areas to be improved that would provide a better customer experience for them as financial managers. A Financial Management Action Plan is on track to be completed by 31 March 2019 in the keys areas identified for improvement, including reporting, training strategy and plans, clarity over roles and responsibilities, and updated regulations, procedures and guidance.

Budget Assumptions

8. The formation of the 2019/20 budget and indicative budgets for the following three years to 2022/23 have allowed for best estimates of the total financial envelope over the medium term taking into account anticipated unavoidable pressures plus investments 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) General Government Grant – The Council took up the Government’s offer of a four-year settlement, thereby providing greater clarity over government funding streams. 2019/20 is the final year of this deal. The Final Local Government Finance Settlement confirmed the removal of the negative revenue support grant of -£6.2m in 2019/20. Beyond 2019/20, there is extreme uncertainty around the future of local government finance. This makes it difficult to plan for the medium term. Details and assumptions have been set out in the Financial Strategy at Section 4.6.
 - b) Specific Government Grants – Where specific government grants have been notified, these are reflected in the Medium Term Financial Plan (MTFP). The most significant grants being Dedicated Schools Grant (including Pupil Premium) and Public Health. There remain, at the time of writing, a number of smaller grants which have yet to be confirmed including Extended Rights to Free Travel, Fire Revenue Grant, Local Reform and Community Voices grant. These have been assumed to continue at the same level as 2018/19.

In 2019/20 the council expects to receive £10.4m improved Better Care Fund (iBCF) Grant funding. This is made up of elements announced in the 2016/17 and 2017/18 Local Government Settlements, plus a further £2.3m for 2019/20 which needs to be used to help alleviate winter pressures on the NHS. The

2017/18 and 2019/20 elements are one-off funding but it is currently unclear whether the 2016/17 element will continue to be available after 2019/20. The £2.3m iBCF funding announced in November 2018 has been used to support the adult social care MTFP on a one-off basis in 2019/20 and a further £3.1m is required to fund the on-going cost of implementing the National Living Wage from 2017/18 onwards, additional inflation in 2019/20 and additional hospital social work capacity. Because the future funding is uncertain the balance will be agreed for use on a one-off use in 2019/20 to reduce the risk of creating an on-going pressure to continue to fund that activity from 2020/21. Oxfordshire Clinical Commissioning Group is the accountable body for the Better Care Fund which totals £37.4m in 2018/19.

- c) Council Tax – an increase in Council Tax of 2.99% is proposed for 2019/20 within the referendum limits confirmed by the Local Government Minister as part of the Final Local Government Finance Settlement announced in January 2019. There is no adult social care precept for 2019/20, as the Council took the maximum increase of 6% over the period 2017/18 to 2019/20, over the two years 2017/18 and 2018/19. Beyond 2019/20, increases of 1.99% are planned.
- d) Non-Domestic Rates – business rates income for 2019/20 is based on the forecasts provided by the District Councils. Growth is £3.7m above the 2013/14 baseline in 2019/20, and £0.2m higher than MTFP assumptions (including section 31 grant). It is assumed that all growth will be removed when the business rate baseline is reset in 2020/21 when the 75% Business Rates retention scheme is introduced. The 2019/20 budget also takes account of a £0.3m surplus on collection for 2018/19. This is the sixth year of the operation of the business rates retention scheme and the first year that has seen a surplus on collection. Previous years have been particularly impacted by appeals. A reserve with an annual contribution of £0.5m exists to cushion the impact of collection fund deficits. This will not be needed in 2019/20.
- e) Council Tax base & surpluses/deficit on collection – the increase in the taxbase for 2019/20 is 1.79% compared to 2.00% in the MTFP. 2.0% is also assumed for 2020/21 and 2021/22, with a lower increase of 1.75% in 2022/23. Before the predicted trajectory of new houses as part of the Housing & Growth Deal, increases for 2020/21 and beyond were in the range of 4,272 (1.63%) to 4,556 (1.77%) and with the deal the range is 5,714 (2.18%) to 6,379 (2.48%). Given the range of growth expected, it is realistic to assume a 2.0% increase in taxbase beyond 2019/20.

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 actual figure for 2019/20 is £7.3m. The existing MTFP assumes £4.5m per year from collection fund surpluses.

- f) Inflation – pay inflation for 2019/20 reflects the agreed national pay award of 2.0% with a higher increase for those on lower pay points to reflect the increase in the National Living Wage. Beyond 2019/20, pay inflation is included in the proposed MTFP at 2.5%. The July 2018 pay award for Firefighters was agreed at 2.0%. It is assumed that the July 2019 award will also be 2.0%.

The Government have announced that the National Living Wage will increase by £0.38 per hour in April 2019. Work is continuing to review responses to the council's recent consultation about rates that the council will pay for care in 2019/20 but it is anticipated that an increase at that level can be managed within existing funding for inflationary uplifts included in the MTFP. £1.5m of that funding has been supported by the Adult Social Care precept.

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 and inflation on income from fees and charges is assumed at 2% in each year of the MTFP. Contract inflation is provided for dependent on the index applied to the contract, based on inflation rates in September 2018 of 2.4% for CPI, 3.3% for RPI and 3.3% for RPIX.

Inflation has been reducing over the last year. In December 2018, RPIx and CPI were at 2.7% and 2.1% respectively (compared to 4.2% and 3.0% respectively in December 2016). Given the latest figures are lower than the increases built in for contracts, there should be no inflationary pressure on the 2019/20 budget.

- g) Demographic/Demand Growth - Funding for demographic growth is built into the budget each year. Older people service user numbers in adult social care during 2017/18 and 2018/19 have remained broadly in line with expectations and funding available. Funding to meet forecast ongoing pressure on budgets for adults with learning disabilities and physical disabilities has also been included in the MTFP. Growth in demand in special educational needs home to school transport and is reflected in each year of the MTFP and in relation to waste disposal, demographic growth is built in from 2021/22. In relation to children's social care (including children with disabilities and leaving care allowances), demand increases have been built into the proposed budget and MTFP at the mid-point of growth projections. For both adult social care and children's social care projected demographic and growth increases at the high of forecast increases are built into the corporate contingency budget.
- h) Treasury Management – 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. The proposed MTFP assumes the bank rate will increase by 0.25% to 1.00% in October 2019 and that in-house returns will be 0.10% higher than the bank rate for 2019/20.

The MTFP assumes the bank rate will remain at 1.00% until 2022/23, when a further increase of 0.25% is assumed. No return above the bank rate is assumed for in-house returns beyond 2019/20.

Externally managed funds have recently been increased from £58m to £100m. The aim has been to move away from lower yielding short dated funds and to invest in longer dated strategic funds with the aim of a more balanced portfolio with a higher return. The funds have a variable net asset value which means that the value of the funds can decrease as well as increase depending on the performance of the instruments in the fund. However, MHCLG recently confirmed a statutory override regarding the pooled fund investments under IFRS 9. This override allows for any movement in the value of pooled funds to be held on the balance sheet until the asset is sold, thereby not impacting on the general fund. An estimated return of 3.75% is assumed for 2019/20 and beyond compared with a target return on the funds of 4.50%. Therefore, there is no optimism bias in the income forecasts.

- i) Capital Programme – a longer term approach to capital programme planning was introduced last year, extending the programme from four to ten years. This allows for a longer-term approach offering strategic choice and options around developing community assets, responding to issues such as rising demand in adults and children’s services and allows for a planned methodology to the replacement of assets. Estimates of future capital funding allocations from government grants have been assumed across the programme period in addition to use of reserves and S106 funding. Prudent assumptions have been made about future capital receipts and reflect only those for which there is an agreed approach in terms of disposal. As with any longer-term planning, assumptions will need to be reviewed each year to endure they are still appropriate.

The report to Cabinet in September 2018 which approved the inclusion of significant investment in the Council’s assets as part of the proposed Capital Programme to 2029, set out that the funding would be included in the proposed budget for 2019/20 and MTFP to 2022/23. The report refers to the housing growth trajectory arising from delivery of the Housing & Growth Deal that will see council tax revenues rise beyond that which has been included in the MTFP. The report sets out that this increase in council tax revenue could be used to fund additional borrowing for capital investment, through external borrowing, from internal borrowing, or a combination of both. Whilst the taxbase increase for 2019/20 has not exceeded the planned levels, cash balances are forecast to remain high over the medium term. The council will therefore use internal borrowing to meet the costs over the medium term and the interest earned on the cash foregone is built into the proposed MTFP. Therefore, despite not achieving extra income from council tax revenues to pay for the borrowing, the investment is affordable.

The proposed Capital Programme has a funding shortfall of £6.4m over the ten-year period to 2028/29. However, given the programme exceeds £1bn, a shortfall of this size is expected to be managed as funding levels are confirmed. Alternatively, the capital programme contingency, held at 3% of the programme value, could be used to manage the position if required.

Service & Resource Planning Process

9. The financial planning principles for the budget and medium-term plan set out the Financial Strategy are the critical elements to ensure the Council can succeed in long term sustainability and financial resilience. These set out the framework in which the budget for 2019/20 and MTFP to 2022/23 have been proposed.
10. The Service & Resource planning process is well established. 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. There has been significant engagement with the Political Group Leaders as well as a number of member engagement and briefing sessions. A briefing session was also held with union representatives.
11. Performance Scrutiny Committee considered the revenue proposals as well as the capital programme allocations, the review of charges and the Capital & Investment Strategy at their meetings in both December 2018 and January 2019 and commented back to Cabinet. A public consultation on the budget was also held over a five-week period which closed in early January 2018.
12. The Cabinet considered both the comments from Performance Scrutiny Committee and the public consultation in proposing its budget in January 2019. Scrutiny of the budget savings has also been considered from an equalities perspective.

Financial Risks

13. 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 are set out in the following paragraphs. However, to help manage the impact of financial risk, the corporate contingency budget is held to cover;
 - the risk that demographic pressures are at the higher end of forecasts, rather than the mid-range forecast assumed in the service budgets;
 - any unfunded elements of government grant; and
 - the risk that proposed savings are not achieved in full, based on the performance targets set out in the Financial Strategy.

14. The proposed level of corporate contingency has been increased from £5.5m as set out in the report to Cabinet in January 2019, to £7.6m providing additional cover for the recent rising demand in special educational needs home to school transport.

a) Achievement of savings plan – the Council has a good track record of successfully delivering significant savings as set out below. Progress against delivery of savings is reported to Cabinet as part of the Financial Monitoring and Medium Term Financial Plan Delivery report and Political Group Leaders.

<u>Achievement of savings (as a %)</u>	Achieved	Total	% achieved
	£m	£m	
2018/19 (latest)	37.3	41.0	91%
2017/18	58.2	61.1	95%
2016/17	47.4	52.5	90%
2015/16	41.0	42.8	96%
2014/15	31.8	34.0	94%
2013/14	26.1	30.0	87%

There are further savings and funding increases in the existing and proposed MTFP which are still to be delivered up to 2022/23 totalling £63.7m. Of this, £44.8m savings relate to transformation, and £18.9m relating to non-transformation savings and funding increases. Funding of £13.5m has been made available to support the costs associated with delivering transformation savings from 2019/20. This is not sufficient to meet the full implementation costs over the programme period, including costs of redundancies, therefore further funding will need to be considered as part of the Service & Resource Planning process for 2020/21 and will need to be found from reserves, other one-off funding sources, or as a first call against expected 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 both nationally and locally. Growth in demand in Children's Social Care continues to be issue and comparing to statistical neighbours, Oxfordshire is within the range expected based on population size and characteristics. The number of looked after children has increased from 691 in March 2018 to 794 at the end of December 2019, an increase of 14% (mainly in mainstream looked after children). The 2018/19 budget was sufficient to meet growth of 6%. Assuming a mid-range forecast of 10% growth in 2019/20, it is estimated that the number of looked after children will be 880 at the end of March 2020. This gives rise to a new pressure of £4.7m in 2019/20 for mainstream looked after children (in addition to £1.4m built into the existing MTFP) and a further £10.5m over the medium term (in addition to £3.0m in the

existing MTFP). Work is currently underway as part of the Children's transformation programme to manage and reduce demand. The programme has a target saving of £9.1m allocated to children's social care over the medium term. This will be achieved through reconnecting families which aims to move young people in to family based placements or successfully reunify these with their families. In addition, a review of commissioning arrangements, and fostering will reduce third party spend. The service is also looking to redesign the way services are delivered. If the programme does deliver on its ambition, then it is expected that the funding in the proposed MTFP, taking into account the sum available in the corporate contingency, should be sufficient to meet current and future demand. However, given experience in recent years it remains a high risk.

In relation to adult social care, the council has focused on preventative services such as equipment to ensure people can remain independent as long as possible. This meant that in 2017/18 22% of all initial requests for adult social care services in Oxfordshire were responded to with the provision of equipment, compared to 17% nationally, 16% in the south east and 11% amongst most similar authorities. At the end of 2018 the number of people receiving on-going services with a weekly financial commitment was 6,265 – this was 1% lower than at the end of previous year, however the average weekly cost was £627 compared to £601 at the end of 2017. This reflects an increase in the average level of need of individual people who are needing on-going care which has particularly impacted on the cost of packages of care for adults with learning disabilities in 2017/18 and ongoing into 2018/19. Additional funding is included in 2019/20 to meet the estimated on-going cost of current packages, as well as demographic growth to respond to future increases in assessed need. There is a continuing risk that if the combined effect of demand and the level of assessed need starts to rise at a faster rate than assumed this will put pressure on the adult social care budget.

Over the last few 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 £8m in 2018/19 due to significant increases in the number of out of county placements and statementing requirements. This is partially offset by one off funding in 2018/19, however the underlying issues remain. With the approval of the SEND Sufficiency Strategy and the related £20m capital investment, the additional places created should help to reduce the pressure over the longer term. However, this remains a real risk to the Council in the medium term and funding is proposed to be set aside to meet the majority of the projected deficit of £18.4m by 2022/23 should the Department for Education not provide additional resources or the recovery plan required to be produced to address the underlying pressure is not successful. 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. An additional £0.8m is built into the existing MTFP for 2019/20 to reflect expected demographic changes. A further £0.8m per year from 2019/20 is included in the proposed budget and MTFP. Work on managing and reducing demand is also underway in this area as part of the Children's transformation programme, but there remains a risk, particularly given current forecasts of spend in 2018/19 and expectations of further rising demand in the short term, that the additional funding over the medium term may not be sufficient to meet costs. To manage this, the proposed corporate contingency has been increased by £2.2m to £7.6m in 2019/20.

- c) The Health and Social Care system – Oxfordshire Clinical Commissioning Group is the accountable body for the Better Care Fund which totals £37.4m in 2018/19. £21.9m of this funding is being used to support on-going adult social care expenditure packages of care, carers services, equipment and prevention. The use of the BCF and iBCF funding has to be agreed with health partners through the Better Care Fund plan so there is a risk that the future funding may be impacted by national or local changes.

Health and social care services for the Oxfordshire population are delivered or commissioned by the four system partners (Oxfordshire County Council, Oxfordshire Clinical Commissioning Group, Oxford University Hospitals NHS Foundation Trust and Oxford Health NHS Foundation Trust) and by primary care. There is a shared intention to transition to an integrated system within the wider Buckinghamshire, Oxfordshire and Berkshire West Sustainability and Transformation Partnership. The outcome, and financial impacts of this, remain unclear, but there is a risk that there will be direct or indirect financial implications for adult social care services.

The Government has indicated that it will publish a green paper on care and support for older people in 2019. This is expected to set out plans for how the government proposes to improve care and support for older people and tackle the challenge of an ageing population. It is likely that over the medium term this will have implications for the funding of adult social care but as yet the impact remains unclear.

- d) Implications of Britain leaving the EU - At the time of writing the detail of the withdrawal agreement for the UK's exit from the European Union is still unclear. There remains the risk of impacts on growth, trade and foreign investment, as well as implications for immigration and jobs (although in principle the mutual right to remain has been agreed). Whilst financial markets are currently relatively stable there may be a period of uncertainty before confidence rises once an agreement is reached.

- e) 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 to respond to turnover amongst existing care staff and loss to other sectors. There are also on-going risks relating to the care workforce arising from Britain leaving the EU. The Council is working jointly with health partners to develop robust strategies to attract and retain staff to meet this risk. There is also a need to work with local care providers to ensure they also have policies and strategies to mitigate this risk.
- f) 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 since 2016/17, but it has not been successful in securing additional funding. It is expected that the unfunded cost of £1.0m in 2018/19 will continue into 2019/20 and will rise if further UASCs are placed in Oxfordshire. As this is a new burden, the Council will not be making provision in the budget for 2019/20 for any shortfall. If the full funding is not received, then it will need to be met from contingency.
- g) Accountable body status – Oxfordshire County Council is the accountable body for both OxLEP and the Oxfordshire Housing & Growth Deal. Consequently, all government funding for these passes to the Council and as recipient of funding from central government is responsible for compliance with the grant conditions which include the obligation to repay, in whole or in part, grants in the event of non-compliance with grant conditions. The Council will enter into appropriate legal agreements or contracts where project or scheme delivery is being carried out by an organisation other than the Council to ensure compliance with grant conditions, accounting policies, financial procedure rules and contract procedure rules.

Furthermore, in relation to 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 PWLB¹ in 2020/21 when most capital expenditure is incurred and repay the loan (principal and

¹ Public Works Loan Board (or its replacement body)

interest) from annual business rate income². 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.

- h) Market capacity and stability - The care market in Oxfordshire continues to be fragile, but there have been fewer provider failures to date this year than in the previous two. We have increased rates paid to providers through the Improved Better Care Fund grant funding and through that sought to stabilise the market locally. However, because of workforce issues there remains a lack of home care provision which is impacting on the council's ability to source home support.

Following the liquidation of Carillion PLC in February 2018, the Council undertook a significant number of surveys to fully understand the known defects arising from construction projects and the statutory compliant condition of its estate. The statutory compliance audit programme was completed in January 2019, and a maintenance programme is now being devised, to be managed within existing resources minimising any financial risk to the Council. Construction projects have been reviewed and known defects valued, with funding secured within the capital programme. Unknown or latent defects resulting from the construction projects linked to the Carillion contract, will be rectified and funded through the capital programme. There is still a financial risk to the Council in relation to unknown defects, however some additional funding has been set aside in the capital programme and if further resources are required beyond this, it will be managed through the Council's normal capital governance arrangements.

- i) Sleep-in Care backdated pay obligations – Further to an employment tribunal decision about payment for overnight sleep-in care which ruled that Royal Mencap should have paid the full minimum wage for each hour of night-time shifts, this was subsequently appealed and in July 2018 the original decision was overturned by the Court of Appeal. A decision is awaited on whether a further appeal to the Supreme Court will be allowed so the final position on whether sleep-in shift workers are entitled to back-payments from employers could potentially remain unclear for some time. While the Council has responded to the cost of funding sleep-in care at the National Living Wage on an on-going basis in the MTFP, there is on-going uncertainty in the market, and there remains a risk that care providers may still be required to meet backdated pay obligations at some future point. That might then mean that they either seek to raise contract prices to remain viable and/or seek retrospective funding from commissioning authorities. In the worst case there is also a potential risk of provider collapse.

² above the baseline at the date of creation of the enterprise zone in 2011

Level of total reserves

15. The Earmarked Reserves and General Balances Policy Statement at Section 4.7 sets out the Council's policies underpinning the maintenance of a level of general balances and earmarked reserves. As well as holding a contingency budget of £7.6m in 2019/20 set out in paragraphs 13 & 14, general balances are also held to ensure that a major incident or emergency can be managed without impacting on other services. In reaching the decision on the level of balances I feel are appropriate to be held for 2019/20, 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 2019/20, based on the risk assessment included in Section 4.7 is £19.3m.
16. Earmarked reserves are also held for specific planned purposes. In assessing the appropriate level of reserves, a review is undertaken annually to determine if they are both adequate and necessary. The Earmarked Reserves and General Balances Policy Statement sets out the details of that review. The policy also introduces a new requirement for changes to planned contributions to, or use of reserves above a threshold of £0.25m requiring Cabinet approval.

Assurance Statement of the Chief Finance Officer

17. The proposed budget and Medium Term Financial Plan addresses the demand pressures that are expected to continue into the medium term. It includes known funding for 2019/20 and sets out a plan to ensure that the Council can deliver the 2019/20 budget within estimated available resources.
18. Whilst the 2019/20 budget is balanced, there remains a significant gap between estimated spend and funding streams for 2020/21. This is predominantly due to the uncertainty of funding under the new fair funding formula and as a result of the next spending review. However, the Council needs to maintain focus on financial sustainability and producing a balanced budget over the medium term.
19. As set out in paragraph 14a, savings of £44.8m from transformation need to be delivered over the period 2019/20 to 2022/23. Whilst funding has been identified in 2019/20 for a significant proportion of the expected costs, further funding will need to be identified as part of the Service & Resource Planning process in 2020/21.
20. There are risks in the budget largely in relation to the demand led budgets in particular children's social care, high needs and special educational needs home to school transport which are all 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 pressures on the health system. To help mitigate these risks,

a contingency budget of £7.6m has been built into the budget in 2019/20, which will provide some degree of a safety net.

21. The control environment and associated processes in place are robust. Financial management has been reviewed and actions are in place to strengthen them.
22. I believe 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.
23. Therefore, I am satisfied that the budget proposals for 2019/20 recommended by the Cabinet are robust.

Lorna Baxter
Director of Finance

1 February 2019