

## **ROBUSTNESS OF ESTIMATES**

1. Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in preparing the budget.
2. The Authority has a policy and expenditure planning process which takes account of the service scenario and financial scenario in some detail for 2018-21. Alongside this, future capital programmes have been produced taking into account forecast Government funding, borrowing limits and council tax. For 2018/19 borrowing levels have also been guided by the prudential indicators for 2018-21.
3. For 2018/19, full consideration of these issues had led to:
  - Policy and expenditure proposals that reflect the Government's Provisional Grant Settlement together with the on-going revenue impact of new capital projects, whilst recognising the outstanding issues and uncertainties.
  - A proposed capital financing budget based on prior years' and the 2018/19 capital programme.
4. When using estimates in preparing the budget every effort is taken to ensure that they take into account the most up to date data. However, it should be noted that there are a number of areas where the actual impact could vary from the estimates used in setting the budget. The main areas are:
  - Pay awards, pension increases, national reviews of pay & inflation
  - Service financial performance (i.e. variances on budgets)
  - Collection of Council Tax and Business Rates
  - Actual Grant Funding
  - Ability to achieve projected savings
  - Operational demands
5. To provide for all potential scenarios that may arise would be prohibitively expensive and result in demands on council taxpayers considerably higher than likely need. For 2018/19 £0.8m has been provided for pay and price increases.
6. There are many factors that can affect financial performance in year including under or over-achievement of efficiency savings, income and other financial targets. The Authority takes a number of steps to minimise the impact including:
  - Seeking wherever possible to explore in full the implications and achievability of policy and expenditure options before the budget is set.

- Promoting a robust approach to financial management requiring budget holders to monitor expenditure against budget and to take early action in reporting and responding to projected variances.
  - Regular reporting of the projected budgetary outturn together with any remedial action if necessary.
7. It should be noted that while every effort is taken to ensure the budget is balanced, there is always the possibility of variances to the budget occurring. This is one of the reasons why the Authority holds reserves against unanticipated cost pressures.
8. The production of the draft budget has involved discussions with senior managers to ensure that the budget assumptions are sufficiently realistic and can be delivered in the financial year. Budget monitoring arrangements will ensure that spending is kept under review and there are appropriate reporting and accountability arrangements to deal with any issues that may arise.