

ROBUSTNESS OF ESTIMATES

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.

The Authority's planning process takes account of service demands and financial scenario in some detail for 2019-22. Alongside this, future capital programmes are planned taking into account forecast Government funding, borrowing limits and council tax. For 2019/20 borrowing levels have also been guided by the prudential indicators for 2019-22.

For 2019/20, 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 2019/20 capital programme.

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)
- Ability to achieve projected savings
- Operational demands

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 2019/20 £877k has been provided for pay and price increases.

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 by:

- 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;
- Quarterly reporting of the projected budgetary outturn supplemented by monthly exception reports to prompt remedial action if necessary; and
- Creation of appropriate and proportionate contingencies.

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

Based on the above, the estimates used are robust and compliant with regulations.