

ROBUSTNESS OF THE ALTERNATIVE BUDGET STRATEGY PROPOSED BY THE IT'S OUR COUNTY GROUP FOR 2019/20.

The Council is required to set a balanced budget and under section 25 of the Local Government Act 2003, the Council's Chief Financial Officer, S151 officer, is required to give a view on the robustness of the Council's financial strategy including the use of balances and of the financial planning process.

The alternative budget put forward by the It's Our County Group will be considered by full Council and it is therefore appropriate that a view on the robustness of the alternative budget proposals is provided.

The proposals put forward by the It's Our County Group are substantially similar as those put forward by the administration including the same assumptions on:-

Income generated from council tax, including council tax increases, and from implementing the social care precept. Investments, pressures and the delivery of the 2019/20 savings are generally the same as the administration's.

The main area of difference is the treatment of the additional one off revenue funding allocated to Herefordshire Council via the draft settlement announcement made in December 18. Along with the additional recurring Council Tax revenue arising from the slightly larger than expected growth in the Council Tax base.

The alternative budget seeks to increase some service income targets. The proposal makes it clear that this is an increase in targets, and to mitigate any delivery risks, the proposal does not seek to commit these increases to fund expenditure, by stating all additional income is added to reserves.

Chief Financial Officers Statement

As Chief Financial Officer, I consider the budget strategy adopted by the administration to be sound and entirely reasonable. Clearly, there are risks in delivering services in a demand driven environment, especially as many of these demands are outside of the council's direct control. There are ongoing financial risks in managing many aspects of the Council's Budget. The issue is to ensure on-going effective management of these risks across the organisation and the record of accomplishment of the Council to date of robust financial management, in an extremely volatile period of major reductions in Government funding, is very strong. Despite very significant financial challenges the administration have consistently delivered financial outturn within the overall budget for many consecutive years and the Council's accounts continue to receive an unqualified external audit opinions as well as unqualified value for money opinions. All reports considered by Cabinet include details of financial implications and major projects are effectively managed – including the management of risks.

There is considerable uncertainty around longer term funding streams from Government and both the administration and the alternative budget's make prudent and reasonable

assumptions in respect of funding streams from Government. The main difference between the administration and alternative budget is the deployment of the one off additional sums of money allocated as part of the draft settlement in December 2018. A number of the proposals in the alternative budget are to fund pilots or investigations into business cases, further decisions would be required in due course to respond to the outcomes of the pilots and investigations, however the alternative budget strategy is clear that the budget allocations are not made on the assumption that the funding will be recurring.

Turning to the capital budget the administration's capital budget is aligned to previous medium term financial strategies and they include reasonable assumptions about the activities of the Council's two development partners. The alternative budget does not seek to amend the overall capital program proposed by the administration therefore this does not impact on the costs of servicing the capital budget included in the revenue budget. The alternative budget seeks to change the priorities of individual elements within the administration's capital program and therefore does not require any amendments to the capital program.

I am content that the alternative budget proposals for 2019/20 are very likely to balance and can therefore be considered as robust.

Andrew Lovegrove,
Chief Finance Officer.