APPENDIX M

Statement by the Chief Finance Officer

1. The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer, in the Council's case, the Corporate Director (Finance & Operations), must report on:

   (a) the robustness of the estimates made for the purposes of the budget calculations and;
   (b) the adequacy of the proposed financial reserves.

2. In recommending the budget to the Council, the Cabinet must take account of the advice of the Corporate Director (Finance & Operations) in respect of the above.

3. For 2018/19 I can advise that the budget presented to Cabinet for referral to Council is robust in its formulation and that the level of reserves and balances are adequate for the organisation.

Risks to the budget

4. In formulating my opinion the following key risks have been taken into account.

Salaries

5. The budget proposals for 2018/19 have incorporated staffing costs budgeted on a post by post basis. A reduction of 5%, known as a 'vacancy factor' has been applied to all posts with the exception of front-line staff within Waste Services. This reduction has been applied because actual salary costs in previous years have demonstrated that the time taken to recruit to vacant posts leads to underspends of around 5% by the end of the year.

6. Service efficiency improvements in recent years have meant that managers have filled vacant posts more quickly than in the past because the Service is less able to continue providing its Service when carrying a vacant post. However, the forecast outturn position for 2017/18, as at February 2018, indicates that 5% remains an appropriate vacancy factor for the Council. If staff turnover reduces significantly in 2018/19, then there will be increased pressure on the vacancy factor. This will be kept under review throughout the year.

7. There is a number of efficiency initiatives planned for delivery in 2018/19, the success of which will affect budgetary performance over the course of the year. Those relating to salaries are listed on the first page of Appendix B1, and primarily include service reviews of Democratic Services; Neighbourhood Delivery; and, changes to the operating hours of the Council's Adventure Playgrounds. Progress of these projects will be closely monitored throughout the year to mitigate the risk of delays and a resultant budgetary impact.

Key income streams

8. **Car Parking Income** The impact of a nil increase in car parking tariffs has been taken into account in preparing the budget for 2018/19. The budgeted level of income has been increased by £30k over 2017/18 levels, which reflects the forecast outturn performance for the current year. On this basis, the budget-setting process is robust.

However, any impact from change in usage should be kept under review, particularly arising from future severe weather conditions.

9. **Investment Income** The budgeted level of investment income for 2018/19 has been calculated using a detailed cash flow model in conjunction with interest rates forecast from a combination of advice from Capita (the Council's treasury management advisers), and rates available from counterparties permitted within the Council's current Treasury Management Strategy. However, whilst the economy remains uncertain, there is a risk that interest rates may fall, negatively impacting the amount of investment income the Council receives.

10. **Recycling income** The Council currently receives around £500k from Hertfordshire County Council (HCC) related to recycling performance, known as the Alternative Financial Model (AFM). The budgeted level of income has been based on a number of assumptions around recycling tonnage that will be achieved by Dacorum over the course of the year, and any deviation from this could result in reductions in the amount of income from HCC. Monthly monitoring of recycling levels will enable any risks to be identified and addressed early in the financial year. Whilst HCC have confirmed that AFM funding will continue into 2018/19, it has been indicated that there is likely to be a reduction in the amount of funding available in future years. This constitutes a risk to future years' budgets and as such will be kept under review, with the Medium Term Financial Strategy to be updated accordingly.

Capital Programme

11. Based on the profile of projects in the proposed Capital Programme, the Council has no further need to borrow before 2022/23. Any future borrowing will have revenue implications for the Council, which, in the context of continued reductions in government grants, will put further pressure on the Council's ability to protect its front-line services. It is increasingly important therefore that slippage and overspends in the Council's Capital Programme are minimised to enable borrowing decisions to be taken on the basis of accurate information. The Capital Programme will be kept under review throughout the year, and risks highlighted to Members as they occur.

12. The financing of the Capital Programme assumes capital receipts of around £25m over the period 2017/18 – 2022/23. The inherent complexity of the property deals that will deliver these receipts means that they are vulnerable to delays and/or collapse. Regular meetings of the Property Management Board should ensure a concerted approach across Council services that will mitigate this risk.

13. A Revenue Contribution to Capital funded directly from New Homes Bonus, of around £6m, is forecast between 2018/19 and 2022/23. This level of financing assumes that the current method of allocation will continue NHB. Future Government announcements on changes to the model will be monitored, and the Capital programme updated accordingly. The S151 Officer will report back to Members any material changes.

Reserves

14. The reserves statement (Appendix H) shows a projected use of General Fund Earmarked Revenue Reserves of in 2018/19 of c£450k (*net* contribution to reserves of £1m). The use of Earmarked Reserves has been applied for non-recurring and planned expenditure, therefore, usage is considered robust.

15. It is recommended that the Council's current guidelines on the maintenance of Working Balances are retained, i.e. between 5% and 15% of Net Cost of Services on the General

Fund, and at not less than 5% of turnover on the HRA. The General Fund Working Balance is forecast to be at the upper end of this parameter in 2018/19, at 15%, to reflect the risks associated with balancing a budget on the basis of new savings initiatives being delivered in-year.

HRA

16. The Council's highest value contract, valued at around £25m per year, is with Osborne Property Services for the Total Asset Management of the Council's housing stock. The contract includes the management of responsive repairs, planned repairs and void management. Supplier performance under this contract will continue to be monitored closely to mitigate the financial and operational risks of failure.