

Appendix 5

Financial Administration (S25 report)

When a local authority is calculating its budget requirement and consequent council tax, the Chief Financial Officer is now required under Section 25 of the Local Government Act 2003 to report on:

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.

The emphasis is to ensure that the estimates are sufficient to cover regular recurring costs plus any reasonable risks and uncertainties and, in the event of unexpected expenditure, that there are adequate reserves to draw on. The calculations relate to the budget for the forthcoming year and the legal requirement may, therefore, be interpreted as reporting only on the 2018-19 estimates and the reserves up to 31 March 2019.

At South Cambridgeshire District Council, the Executive Director – Corporate Services as the Chief Financial Officer considers the estimates for the financial year 2018/19 to be sufficiently robust and the financial reserves up to 31 March 2019 to be adequate.

The main areas of risk are with regard to Retained Business Rates, introduced in 2013-14. On 5 October 2015 the Chancellor of the Exchequer set out plans for local government to gain new powers and retain local taxes so that, by the end of Parliament, local government will be able to retain 100% of local taxes including all revenue from business rates. Latest indications are that retention will be limited to 75% and that the baselines within the business rates system will be reset in 2020/21 following the Fair Funding Review. It is therefore difficult to forecast future income with any certainty, especially with high levels of outstanding appeals and the unquantifiable impact of the Fair Funding Review.

Other risks include the actual realisation of savings which have been included in the estimates and the risk that the underlying growth in the number of dwellings may not be achieved.

As at the end of March 2019, the estimated balances are £9.8m and £7.6m on the General Fund and Housing Revenue Account respectively. The prudent minimum balance for the General Fund is £2.5m due to the present period of local government changes and economic uncertainty. The target balance as at 31 March 2024 is £3.0m. The minimum balance for the Housing Revenue Account is £2m as in future years any unexpected capital works may have to be financed from revenue and to provide cover for uninsured losses in excess of the insurance reserve.