

APPENDIX D

SECTION 25 RESERVES STATEMENT

Report of the Executive Director - Resources as required by Section 25 of the Local Government Act 2003

Section 25 of the Local Government Act 2003 requires the designated Chief Finance Officer of the Authority (the Executive Director - Resources) to report to it on the following matters:

- (a) the robustness of the estimates for the purposes of the statutory budget calculation;
- (b) the adequacy of the proposed financial reserves;

and the Authority must then have regard to that report when making decisions about the statutory budget calculations.

Robustness of estimates

The estimates which comprise the budget proposed in this report have been completed by my staff and staff in Directorates, based on known commitments, a prudent allowance for pay awards and spending pressures and an appropriate assessment of the potential risks and uncertainties. We have also had regard to the availability of external funding, particularly specific Government Grants and partnership funding and income levels from fees and charges. Any savings assumptions are the result of a detailed review of existing spending and a realistic estimate of the savings that can be made.

The adequacy of the proposed financial reserves

The table below shows the forecast movement on General Fund reserves, excluding schools as at 31 March 2020.

	31 March 2019 £m	Movement	31 March 2020 £m
Earmarked Reserves	51.058	(11.366)	39.692
Service Carry forwards	22.204	(9.894)	12.310
Free Balances	12.105	0.000	12.105
Total General Fund Reserves - excluding schools	85.367	(21.260)	64.107

Information compiled by CIPFA shows that Sandwell's level of reserves ranks in the mid-range of Metropolitan authorities and that we have a low risk rating for our 'reserves depletion time' (a measure of how long in years it will take for a council to completely denude its reserves, if they continue to use reserves at the same rate as in the previous three years).

However, General Fund reserves are continuing to reduce, largely because of the need to stabilise the financial position of Sandwell Children's Trust. I am happy to report that the ongoing negotiations about the Children's Trust finances have now reached a satisfactory conclusion and that a plan has now been agreed that is affordable to the council and delivers a financially viable Children's Trust.

While it has been appropriate to utilise reserves in this way there is now a need to seek options to replenish reserves in order to avoid potential longer-term problems.

It is important to ensure that reserves are only used to fund ongoing expenditure as a last resort. I can confirm that the proposed budget for 2020/21 does not utilise reserves to fund on-going revenue expenditure.

Our longstanding and continuing aim is to have a prudent level of free balances of between 3% and 5% of the total net general fund revenue budget. The level of 'free' reserves at 31 March 2020 is forecast to be £12.105m which is at the upper end of this scale.

The Opinion of the Executive Director - Resources

In my professional opinion:

(a) the estimates made for the purposes of the calculation of the Council's budget requirement under Section 32 of the Local Government Finance Act 1992, contained in this report, are robust;

(b) the financial reserves that will remain available to the Council as a result of agreeing the proposals contained in this report are adequate to enable the setting of a lawful budget for 2020/21.