

## **SECTION 25 ASSURANCE STATEMENT**

### **Report of the Acting S151 Officer 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 (Director of Finance) 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 upon which the final budget proposals are based include reasonable assumptions of expenditure and income, based on known commitments, a prudent allowance for pay awards and spending pressures and an appropriate assessment of the potential risks and uncertainties. The S151 Officer has been involved throughout the budget process, working closely with the Finance Team and engaging with Leadership Team and Cabinet. The S151 Officer has also had regard to the availability of external funding, particularly specific Government Grants and partnership funding and income levels from fees and charges.

Assumptions have also been made regarding the continued impact of the COVID-19 pandemic and the Government funding that has been announced to fund this, although it must be noted that there is still much uncertainty around the long-term impact of the pandemic on the Council's services and financial position.

The budget is risk assessed to ensure that the Council has adequate funding identified for known liabilities and to provide sufficient capacity for the Council to carry out the required service redesign and transformation programmes over the Medium-Term Financial Plan period. The risk assessment has highlighted key risks around:

- The potential impact of COVID-19
- Inflationary pressures given the exceptionally high inflation in the UK at the time of setting the budget
- Reductions in income from services
- Increased service demand, specifically in Adults and Children's Social Care
- Future changes to Local Government funding, particularly in relation to Business Rates Retention and the Fair Funding review
- Unachieved savings or lead-in time to deliver future savings

The risk assessment sets out where existing reserve cover exists and concludes that it would be prudent to establish a Financial Planning Reserve of £2.5m, which has been set based on 0.5% of gross spend. This will provide contingency against in-year pressures and capacity to manage savings targets and transformation programmes. This is discussed further in the next section.

### The adequacy of the proposed financial reserves

The table below shows the forecast movement on General Fund reserves, excluding schools as at 31<sup>st</sup> March 2021, 2022 and 2023.

	<b>31/03/2021</b> <b>£m</b>	<b>31/03/2022</b> <b>£'m</b>	<b>31/03/2023</b> <b>£'m</b>
Earmarked Reserve Balances	135.595	113.814	72.870
General Fund unallocated balance	8.431	12.400	12.600
<b>Total</b>	<b>114.026</b>	<b>126.214</b>	<b>85.470</b>

The 2021/22 budget utilised reserves to fund one-off COVID pressures and released earmarked reserves for use in the budget following a review of reserves requirements. The S25 Assurance Statement from 2021/22 noted that reserves would need to be replenished in future years and a longer-term savings plan developed. As such, part of the budget strategy in 2022/23 has been to increase the level of General Fund Unallocated balance and ensure that earmarked reserves are of a sufficient level to cover identified risks and commitments but also provide capacity for the organisation to transform and redesign services.

Whilst reserves are reducing over the next three years, this is largely due to use of COVID-19 funding and Business Rates COVID funding. The earmarked reserve balances as at 31<sup>st</sup> March 2022 and 2023 are sufficient to meet the risks and commitments that the Council faces.

The table above demonstrates that the General Fund unallocated balance will increase to £11.4m as at 31<sup>st</sup> March 2022. This is subject to the outturn position for 2021/22 and whether any forecast underspend is added to the unallocated balance or earmarked for specific commitments.

The Council will always aim is to have a prudent level of unallocated balance of 5% of the total net general fund revenue budget which is approx. £12m based on the 2022/23 net budget.

**The Opinion of the S151 Officer:**

The budget for 2022/23 has been prepared based on reasonable and prudent estimates with a supporting risk assessment. The level of reserves has been assessed as being of a sufficient level to meet the financial risks that the Council faces. I can therefore confirm that:

(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 2022/23.