

## **SECTION 151 OFFICERS STATEMENT ON THE ROBUSTNESS OF THE BUDGET AND ADEQUACY OF BALANCES –YEAR 2023/24**

1. Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and the Council Tax precept, the Chief Finance Officer (Section 151 Officer) must report to it on the following matters:
  - The robustness of the estimates made for the purposes of the Council Tax requirement calculations
  - The adequacy of the proposed financial reserves
  - The Council is required to have due regard to this report when making decisions on the budget.
2. In determining the opinion, the Section 151 Officer has considered the financial management arrangements and control frameworks that are in place, the underlying budget assumptions, the adequacy of the business planning process, the financial risks facing the Council and the level of reserves.
3. The external auditors gave an unqualified opinion on the accounts for the Council for 2020/21. This reflects the fact that the authority had proper and robust financial management and controls in place for that year. This has again been reinforced by the External Auditor in the Audit Completion Report for 2021/22. The Annual Auditors Report for 2021/22 will be produced by the External Auditor, following the resolution of two external factors, outside of the Council's control. The National Audit Office issues guidance to auditors that underpins the work they carry out and sets out the reporting criteria that they are required to consider. The reporting criteria are: Financial Sustainability; Governance and Improving economy, efficiency and effectiveness.
4. The Director of Finance, Development & Regeneration and Deputy Chief Executive has responsibility for ensuring that an effective system of internal control is in place and identify any areas for improvement where appropriate. The Audit and Governance Committee receives regular updates on internal controls as well as the Annual Governance Statement which clearly identifies the strength of the governance arrangements in place on an annual basis.
5. There is a rigorous system for budget monitoring and reporting, with Cabinet receiving regular reports throughout the financial year.
6. The MTFP has been reviewed in full and updated for future years. It includes all known changes to funding levels as well as estimates for those funding streams for which we have not received confirmation.
7. All current savings have been tested for deliverability and where adjustments have been required these have been made.
8. Financial risks have been quantified where appropriate and either provision has been made or mitigations have been identified. There are a number of external factors which are posing key risks to the Medium Term Financial Plan including interest rate rises, pay award and construction costs. The growing impact of inflation on the cost of delivering services, in particular on energy, remains volatile. We are continuing to see significant growth in demand for Children's Social Care Services which results in greater costs incurred. Additional resources for these areas are recommended for inclusion in the budget to reflect this. A programme of transformation has been outlined in the report to consider alternative ways of delivering services across the Council, which

will help to prepare the Council for the uncertain financial position in later years of the Medium Term Financial Plan.

9. The construction of the budget for 2023/24 and examination and validation of the budget proposals has been subject to challenge by the Council's Corporate Management Team.
10. The Local Government Finance Act 1992 requires a local authority to have due regard to the level of balances and reserves needs for meeting future estimates of future expenditure when calculating the Council Tax requirement.
11. Balances and reserves are held for three primary purposes:
  - A working balance to help cushion the impact of cash flows
  - A contingency to cushion the impact of unexpected events and emergencies
  - Earmarked reserves to meet known and predicted liabilities
12. As part of the annual budget setting process, the levels of balances and reserves are reviewed to ensure that the level is appropriate in the context of local circumstances. In February 2022, Council approved an increase in General Fund balances to a revised level of £8,000,000, which is reflective of the level of risk the Council faces. The Section 151 Officer (Director of Finance, Development & Regeneration and Deputy Chief Executive) has reviewed the level of general fund balances and earmarked reserves in light of the latest financial climate described in the report. This review views the current level of general fund balances to be prudent and reflective of the current levels of risk facing the Council. Earmarked reserves are held to provide resources for specific, identified purposes. The review of these reserves has identified some that can be released to support the current financial position facing the Council as described in section 2 of the report, however the intention is to replenish this reserve throughout the transformation programme.