

**Statement of the Chief finance Officer Section 25 Statement including Robustness of Estimates and Adequacy of Reserves**

**1 ROBUSTNESS OF ESTIMATES**

The Council process for producing the budget estimates involves responsible budget holders and finance officers reviewing and projecting the Base Budget. The Working Budget Estimates are determined against a background of ongoing quarterly budget monitoring for the current financial year and an evaluation of the outturn position and Budgets carried forward from the previous financial year. The 2025/26 Estimates are determined by evaluating and costing all known changes, including pay and price levels, legislative changes, demands for services and policy developments, projecting inflation has become much more difficult with fluctuating utility costs and pay inflation. The Council has sufficient reserves in order to set a balanced budget for 2025/26 and the current Budget Process has rigorously reviewed current budgets to secure another year of necessary Balancing the Budget (BTB) Savings, the level of which has been compounded by inflationary pressures. As part of the 2025/26 Budget process the Council has had to meet the challenge of historic Government Grant reductions, reducing New Homes Bonus, legacy post COVID issues with fees and charges and in particular parking income, as well as absorbing inflationary and legislative changes within its Medium Term Financial Strategy (MTFS). The overall budget process is co-ordinated by the Accountancy Section in liaison with the various Business Units and the Council's Strategic Leadership Team. The Budget is recommended by the Cabinet, for approval by Council after it has been through the Scrutiny process required by the Council's Constitution. The process includes consideration of risks and uncertainties associated with projections of future pay, prices, interest rates and projected levels and timing of other potential liabilities. The challenge to the budget process is provided by the Scrutiny and Overview Committee.

Financial monitoring arrangements provide the Cabinet with a quarterly update on the performance of the budget, with action plans where significant adverse variances have resulted. The MTFS is under constant review to ensure that a clear financial position for the Council can be demonstrated for the next five years aided by the Council's BTB priority. This is necessary as the significant cuts in public expenditure and funding from the government between 2010/11- 2024/25. The 2025/26 funding settlement was higher than the MTFS projected and more than the 2024/25 funding. Multi-year settlements beyond 2026/27 will improve projecting the level of annual savings required. The revised MTFs assumes that the level of Recovery grant funding will continue into the future and has improved the level of General Fund reserves from the September MTFS position. The CFO has identified that further new BTB savings options are required for 2026/27-2028/29 of £2.4Million to ensure a balanced General Fund budget. This target reflects the impact of a projected £2.4Milion inflation over the three year period and other known pressures a small annual allowance for growth and a 1.99% increase in council tax beyond 2025/26.

The Council's Financial Regulations require responsible budget holders to ensure that net expenditure does not exceed the total of their Service budgets. Where, despite the assessment of risks that forms part of the budget process, a budget comes under pressure during the course of the financial year, the council's

budgetary framework and Financial Regulations lay down appropriate procedures. Where budget variations cannot be contained overall by the use of virements, these have been reported to Members as part of the quarterly budget monitoring process. In addition, requests for supplementary estimates have to be submitted to the Executive or Full Council, as appropriate. Supplementary estimates are met from available balances and reserves, subject to the required level of minimum General Fund balances.

The Strategic Director (S151) considers that the Estimates and the processes used to produce them are sound and robust. A further update on the 2024/25 General Fund and HRA budgets will be presented to the March Cabinet, together with any on-going impacts.

## **2 ADEQUACY OF RESERVES**

The Council's annual budgetary process and the assessment of the adequacy of Reserves are undertaken in the context of robust medium term financial forecasting. Whilst the Council currently has levels of Reserves above the minimum risk assessed level, the Council's Medium Term Financial Strategy acknowledges that there will be a return to balances of £1.02Million (2024/25-2028/29) if the £2.4Million savings are made beyond 2025/26 and the 2025/26 savings are delivered. This is based on the assumption that Recovery grant at 2025/26 level will be maintained during the period. The anticipated 'reset' of business rates from 2026/27 may impact the Council however the Council only uses £200K of business rates gains in anyone year and transfer the rest to a reserve for recommended for one off spend and financial resilience. The Council has not budgeted for any future New Homes Bonus as this is also due for reform from 2026/27.

The Council has risk assessed the level of General Fund balances required, based on information from service managers the level of reserves required for 2025/26 is £3,421,625, (see also Appendix C to the main report).

Total available General Fund balances as at 1st April 2025 are estimated to be £5,900,168 (after 2024/25 contribution to balances of £596,801). Total General Fund balances as at 1st April 2026 are estimated to be £5,906,221 (after 2025/26 contribution to balances of £6,053). (See also paragraph 4.9.2 and paragraph 4.10.1 of the main report). These levels of balances meet the minimum level of risk assessed balances that are needed to meet unforeseen expenditure arising in the year and expenses arising before income is received.

Total available HRA balances as at 1st April 2025 are estimated to be £10.818Million (after 2024/25 contribution to balances of £233K). Total HRA balances as at 1st April 2026 are estimated to be £10.150Million (after 2025/26 contribution from balances to the HRA of £668K). These levels of balances meet the minimum level of risk assessed balances that are needed to meet unforeseen expenditure arising in the year and expenses arising before income is received.

The HRA also has an earmarked reserve for the repayment of debt which is estimated to be £17.2Million as at 1st April 2025 and £16.7Million as at 1 April 2026.

It is estimated that the Council will have General Fund £33,684 capital receipts and £1.408Million regeneration ring fenced receipts and nil capital reserves as at 1st April 2026 and the Council has a need to borrow in 2025/26 £32.784Million including £14.335Million for the HRA.

In assessing the adequacy of the council's reserves, the robustness of its Budgetary Process and Systems of Internal Control, the assumptions and uncertainties discussed in the Budget report, and the levels of special provision have been considered.

In coming to a view on the adequacy of reserves, risks in the area of litigation, business continuity, civil emergency, failure of information systems, budgetary control and interest rate calculations have been considered in terms of the possible maximum financial impact and their probability of occurrence. Ongoing assessment of the financial risks to the council, its budget and MTFS, are embedded as part of the Council's overall Corporate Risk Management processes. On this basis, the Strategic Director (S151) considers the level of general balances to be adequate for the 2025/26 financial year.

### **3 SPECIFIC RESERVES**

As part of the budget preparation process, the current and projected levels of the Council's ringfenced reserves have been considered. Following this review, the Strategic Director (S151) confirms these reserves are £9,420,450 for the General Fund as at 1 April 2025 and £9,439,073 as at 1 April 2026 and continue to be required, (see also paragraph 4.10.4 of the main report for the individual reserve balances and need).

### **4. STATEMENT OF ACCOUNTS**

At the time of publishing this report the Council's last set of published and audited accounts were for the financial year 2022/23 and officers are finalising with the council's auditors Azets the 2023/24 accounts.

Supported by the Financial Reporting Council, The Ministry for Housing Communities and local government (MHCLG) set a backstop date of 13 December 2024 for Local Authorities to publish their audited financial accounts for all financial years up to and including 2022/23. This approach is anticipated to enable Local Authorities and auditors to focus on the most recent year of accounts as quickly as possible and the Council complied with this.

A backstop for 2023/24 audits has been set as 28 February 2025. Backstop dates will also be set for the subsequent four years, with 2027/28 audits expected to be completed by 30 November 2028. Auditors will issue a "disclaimed" or "modified" audit opinion where they are not able to complete audits and for SBC this was for the 2021/22-2022/23 accounts and in all likelihood the 2023/24 accounts. However, the Council has strong financial management and the CFO is confident in the position presented within Budget report.

