

**Section 25 statement**

**1. Introduction**

- 1.1. The Local Government Act 2003 requires the Chief Finance Officer (section 151 officer) to report on the adequacy of reserves and provisions, and the robustness of budget estimates, as part of the annual budget setting process.
- 1.2. Best practice guidance does not advise on the actual level of unallocated general reserves, but on the processes that should be in place. There is a broad range within which a council might reasonably operate, depending on its particular circumstances and each council should make its own judgement, based on the advice of its Chief Finance Officer. In making this decision the Chief Finance Officer takes account of strategic, operational and financial risks. The financial risks are assessed in the context of the council's overall approach to risk management.
- 1.3. CIPFA best practice guidance suggests that a Council should hold a strategic reserve to mitigate the financial impact of major events of between 3% and 5% of its net budget. This guidance has been adopted by the Chief finance Officer for the period of the proposed medium term financial strategy.

**2. Adequacy of Proposed Financial Reserves and Robustness of Estimates**

- 2.1. The Chief Finance Officer must ensure that the budget setting process, and the information provided is sufficient, to allow council to come to an informed view regarding the 2019/20 council tax requirement, revenue budget, capital investment budget and Treasury Management Strategy.
- 2.2. While the council continues to operate within the financial constraints arising from increasing financial pressures and reductions in central government financial settlements, robust budget monitoring and a thorough financial planning process should determine the required level of reserves. The overall level of reserves will be reviewed at least annually to ensure they are relevant, appropriate and prudent.
- 2.3. Financial and operational risks need to be considered within the context of the Council's overall approach to risk management and account taken of key budget assumptions and existing financial management arrangements.
- 2.4. The council's financial planning process should be sufficient to identify issues with a significant financial impact in order for these to be highlighted to senior officers in a timely manner.
- 2.5. The Council makes appropriate financial provisions for known future liabilities or losses of uncertain timings or amount. These are detailed in the annual Statement of Accounts.
- 2.6. The council continues to work with the chartered institute of public finance and accountancy (Cipfa) and its external auditors, Grant Thornton, in assessing the financial resilience index indicators ahead of the adoption of the Financial Management Code.

### **3. Conclusion**

- 3.1. The Chief Finance Officer is satisfied that the Council's ongoing approach to its reserves and provisions is robust. The council's strategic reserve is maintained between 3% - 5% of the net budget requirement, at the end of March 2018 the balance was £7.9m (5% of net budget). In addition the council holds specific earmarked reserves sufficient to ensure the council is able to respond to financial pressures that may arise.
- 3.2. This is sufficient to ensure that the council has adequate resources to fund unforeseen financial liabilities, and that the council's approach to general balances for 2019/20 is deemed appropriate. The level of reserves and expected movement in reserves are set out as part of the annual budget setting process.