

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 level of usable reserves as at 31 March 2018.

	£'000
Earmarked Central Items	36,142
Service Carry forwards	24,883
Revenue contribution to capital	2,965
Free Balances	11,219
General Fund reserves	21,546
Total General Fund Reserves - excluding schools	96,755
Schools	33,551
Total General Fund Reserves	130,306
HRA	35,281
Capital Receipts	7,816
Capital Grants	16,690
Total Usable Reserves	190,093

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).

The budget approved by Council in March 2018 included the use of general fund reserves to fund one-off items of expenditure including a collection fund deficit plus the use of £5m of reserves to meet increasing demand pressures in Children's Social Care. As a result, it is expected that total General Fund reserves will reduce significantly by 31 March 2019. While it is 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 2019/20 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 2019 is forecast to be £10.9mm which represents 4.5% of the net general fund revenue budget.

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 2019/20.