

SECTION 25 LOCAL GOVERNMENT ACT 2003 - SECTION 151 OFFICER'S STATEMENT ON THE ROBUSTNESS OF THE BUDGET AND ADEQUACY OF BALANCES –YEAR 2022/23

1. Section 25 of the Local Government 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 2019/20 (the latest set of audited accounts). This reflects the fact that the authority had proper and robust financial management and controls in place for that year. Further to this, the external auditors were satisfied that Middlesbrough Council had proper arrangements in place for securing financial resilience, going concern, and for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.
4. The Director of Finance has responsibility for ensuring that an effective system of internal control is in place and identify any areas for improvement where appropriate. The Corporate Affairs and Audit 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 Leadership Management Team, Executive and Overview and Scrutiny Board receiving regular reports throughout the financial year.
6. The Medium Term Financial Plan 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 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. The key risks in the budget are mainly in relation to increasing inflation, uncertainty around the level of pay

APPENDIX 6

awards, the continued potential for increased demand and costs in Children's and Adults Social Care, and the degree of uncertainty in the financial and economic climate for local government due to a number of factors. There are mitigation plans in place to manage these pressures.

9. The construction of the budget for 2022/23 and examination and validation of the budget proposals has been subject to challenge by the Council's Leadership Management Team.
10. It is the opinion of the Director of Finance that medium term uncertainty is the key risk to the Council's future finances, this is because of the lack of information on the impact of Local Government Finance Reform in 2023/24 and of Social Care Reform over the next decade. In the interests of prudent budget planning the Director of Finance considers that a Council Tax increase of 2.99% is key to ensuring that the Council will have sufficient funds to meet its obligations in the medium term should the impact of external factors be more negative than currently assumed.
11. 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.
12. Balances and reserves are held for three primary purposes:
 - working balances to help cushion the impact of uneven cash flows and to avoid unnecessary temporary borrowing;
 - general fund reserves to provide a contingency for the impact of unexpected events or emergencies; and
 - specific earmarked reserves to meet known or predicted liabilities.
13. As part of the budget setting process, the levels of balances and reserves have been reviewed to ensure that the level is appropriate in the context of local circumstances. The Section 151 Officer (Director of Finance) has reviewed the level in order to ensure a prudent level of balances that reflects a risk assessment commensurate with the level of risk that the Council faces and the context within which the authority operates. The level of the General Fund Reserve will be approved by Council alongside the level of Council Tax. Earmarked reserves are held to provide resources for specific, identified purposes.