Appendix 1 – Section 25 Statement

Robustness of budget and adequacy of reserves

1. Introduction

This Section 25 statement has been prepared in line with CIPFA's guidance note and the S151 Officer's assessment of the current position and framework that the council operates within, noting that the council remains in government intervention and that there is ongoing work through the finance improvement programme and overall recovery and improvement still required.

CIPFA, the accounting body for the public sector remind councils of the following legislative requirement:
The Local Government Act 2003 (Section 25) requires that the Chief Finance officer reports the following matters to members when agreeing its annual budget and precept:

- The robustness of the estimates made for the purposes of the budget calculations; and
- The adequacy of the proposed financial reserves.

An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made.

2. Strategic challenges

Local government and public sector

Uncertainty in local government funding in recent years has remained a topical point of discussion within the public sector mainly receiving single year funding settlements and no conclusion to funding reforms. Councils including organisations representing local government have continued to lobby government on more funding following years of austerity measures and funding not keeping pace with increased demand for services and rising costs. This has made it challenging for councils to budget beyond a one-year horizon robustly.

Government have announced as part of the Spending Review that it has committed to multi-year settlements which if implemented will provide the council with greater clarity of funding over future years.

The government also published the English Devolution White paper on 16 December 2024 outlining their approach to future reforms within local government.

The government on 3 January 2025 announced an independent commission on building a National Care Service. The commission will make recommendations for how to rebuild the adult social care system to meet the current and future needs of the population.

Whilst this provides a future direction of travel within local government, this does provide both opportunities and challenges for a council in intervention and with ongoing challenges to maintain financial resilience and develop future sustainability.

Strategic landscape of the council

Since the first section 114 notice was issued on 2 July 2021 and an external assurance review announced by government on 30 June 2021 which led to government intervention; it is well documented on the government's website and therefore not laid out fully here in this report, but the council remains in intervention until 30 November 2026 with new Directions issued. The Directions require the council to:

1. Prepare, agree and implement an Improvement and Recovery Plan to the satisfaction of the Commissioners, with resource allocated accordingly. This may include or draw upon improvement or action plans prepared before the date of these Directions. The plan is to set out measures to be undertaken, together with milestones and delivery targets against which to measure performance, in order to deliver rapid and sustainable improvements in governance, finance and commercial functions, thereby securing compliance with the best value duty. There must be a focus on deliverable milestones within six months and the Plan should include at a minimum:
    a. Implements a new Target operating Model (TOM) that enables both financial stability and the delivery of core services and priorities;
    b. A refreshed rolling Medium-Term Financial Strategy, Capital Strategy, and Treasury Management Strategy, aligned with the new TOM and transformation plan and demonstrating the Authority's financial sustainability and resilience, over the period of the strategies.
    c. A review of the Authority against the CIPFA Financial Management Code to demonstrate its compliance, with recommendations to Commissioners to improve this activity within the first six months and implementation of improvements thereafter.
    d. A high-performance culture programme to rebuild trust between staff and the Authority, to include the development of a comprehensive workforce strategy focused on development, retention, and permanent recruitment.
    e. A review of the Authority's progress to risk maturity and how well its functions and processes enable risk-aware decisions that support the achievement of strategic objectives.
    f. Re-examining the review by the Authority of their companies that considered the roles and case for continuing with each subsidiary company of the Authority (except Slough Children First), to make proposals in relation to financial viability and improving company governance.
    g. Improving the systems and processes to enable better and evidence-based decision making, including enhancing the data and insight functions, undertaking benchmarking.
    h. An appropriately resourced digital strategy that supports effective business operations and links to the Authority's future operating model.
    i. Improving resident and public engagement.

2. Best Value To secure as soon as practicable that all the Authority's functions are exercised in conformity with the best value duty thereby delivering improvements in services and outcomes for the people of Slough, focussing in the first six months on an effective internal audit function, with organisational independence, objectivity, separate administrative reporting and a strong functional reporting relationship to the Audit and Corporate Governance Committee, and a review of the action plan for the scrutiny function and Audit and Corporate Governance Committee to accelerate any improvements required in these areas.
3. To report to the Commissioners regularly, as directed by the Commissioners, on the delivery of the Improvement and Recovery Plan and Transformation plan and adopt any recommendations of the Commissioners with respect to these.
4. To undertake in the exercise of any of its functions any action that the Commissioners may reasonably require to avoid so far as practicable incidents of poor governance or financial mismanagement that would, in the reasonable opinion of the Commissioners, give rise to the risk of further failures by the Authority to comply with the best value duty.
5. To provide the Commissioners, at the expense of the Authority, with such reasonable amenities and services and administrative support as the Commissioners may reasonably require from time to time to carry out their functions and responsibilities under these Directions.
6. To allow the Commissioners at all reasonable times, such access as appears to the Commissioners to be necessary:
    a. to any premises of the Authority;
    b. to any document relating to the Authority; and
    c. to any employee or member of the Authority.
7. To pay the Commissioners' reasonable expenses, and such fees as the Secretary of State determines are to be paid to them;
8. To provide the Commissioners with such assistance and information, including any views of the Authority on any matter, as the Commissioners may reasonably request; and
9. To co-operate with the Secretary of State for Housing, Communities and Local Government in relation to implementing the terms of these Directions.

This report therefore takes into consideration the Directions and also other notable challenges in preparing this report as follows:

1. The council's financial position is supported by exceptional finance support of £348.045m including an assumption of £15.709m in 2025/26 which is yet to be confirmed by government. This announcement is expected later in February 2025;
2. The continuing work on the backlog accounts. At the time of preparing this report, 2021/22 and 2022/23 draft accounts are out for public inspection, 2023/24 completion of draft accounts are due for completion during February;
3. The council still has outstanding external and internal audit recommendations outstanding including the 2023/24 Annual Governance Statement action plan;
4. Wholly owned companies GRE5 and Slough Children First have filed their 2023/24 accounts at Companies House with JEH Limited still to file. The council does have liabilities with each company through company loans and intercompany transactions; and
5. Whilst the presented budget 2025/26 presents a balanced budget, the future MTFS is not balanced. Reserves remain low.

Based on where the council is on its recovery journey and the Finance Improvement Programme, it is highly likely that further risks, issues and opportunities will present during 2025/26 to be managed effectively. If financial implications arise that cannot be managed within the budget, it will be necessary to implement further internal controls including the budget.

3. Financial environment and framework

The current financial environment and framework taking into consideration the strategic challenges have been considered in shaping the 2025/26 budget and preparing the MTFS as follows:

Exceptional financial support

The exceptional financial support proposed is as follows:

	Up to 2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Exceptional Finance Support	298.645	23.078	15.709	9.151	1.460	0	348.045

The council's approach to funding the Capital Direction was through disposing of assets, thus generating capital receipts to mitigate the need for additional borrowing. Previous assumptions were that some £200m General Fund capital receipts would be generated to 2027/28. Following the outcome of the asset review, as reported in November 2024, those assumptions have had to be revised. Over the same period, it is now anticipated that some £39m of net capital receipts will be achieved, and this means that only 63% of the Capitalisation Directions will be funded through asset disposals, compared to the 91% previously assumed.

Previous and current performance

Previous and current financial performance is a key consideration in providing historical trend data and how the council has managed financial performance. The draft outturns reported to respective Cabinet meetings were as follows:

	2022/23 Cabinet 18/09/2023 £m	2023/24 Cabinet 17/06/2024 £m	2024/25 P9 Cabinet 24/02/2025 £m
General Fund overspend	59.222	15.511	5.571
Of which non saving delivery	6.491	2.172	3.934*
General Fund Capital	(12.034)	(32.216)	(6.536)
General Fund Reserve	(38.604)	(21.000)	(22.000)
General Fund Earmarked Reserves	(14.936)	(32.159)	(17.843)
HRA Revenue underspend	(3.717)	(3.393)	(3.036)
HRA Capital	(2.676)	(0.570)	(0.882)

Sources: 2022/23 Cabinet report, 2023/24 Cabinet report

*savings mitigated in 2024/25

Demand and pressures

The published draft outturn reports highlight the increased demand for services particularly adult social care and temporary accommodation and continues to be a theme in 2024/25 and in setting the 2025/26 budget. Notably, the financial performance of the council identifies with common indicators within CIPFAs financial resilience index indicating financial stress. Consideration to financial stress is a key component in building the budget for 2025/26.

Data and metrics

Providing robust forecasts and budgets for future years and decision making is underpinned by data and metrics as well as qualitative measures. The current financial environment of the council is such that data and metrics is not readily accessible through automated feeds into the finance system or joined up for reporting. Budgets have been inherently rolled forward with limited review and base budgets not reflecting the requirements for each service to manage their budgets accordingly. System reporting is in its infancy with a reliance on spreadsheets and local managed systems to provide financial data and information. This could increase the risk of providing robust financial information to support decision making including sensitivity and modelling of scenarios.

Council owned companies

The council's wholly owned companies 2023/24 accounts are shown below. JEH have an extended approved deadline to file their accounts which is expected to be during February 2025.

2023/24 Accounts

	JEH (Draft)	GRE5 (Filed)	SCF (Filed)
Profit / (Loss) for Year £m	-1.9	-2.0	5.3
Retained Loss b/f £m	-6.9	-2.0	-5.3
Retained Profit / (Loss) c/f £m	-8.8	-4.0	0.0

Balance Sheet:			
Current assets/(liabilities) £m	53.0	3.0	5.1
Net assets/(liabilities) £m	0.3	-3.1	-2.2
Profit and loss reserve £m	-8.8	-4.0	0.0

Council loan on company B/S	51.7	2.2	5.0

The council is therefore exposed to financial liabilities through loans, loan interest and underwriting the liabilities (company's profit and loss reserve provide a proxy).

CIPFA financial resilience index

CIPFA's financial management code guidance outlines some common signs of financial stress. Common indicators are shown in the table below including the council's position.

CIPFA's common signs of financial stress	Council position
Running down reserves – This could be from using the authority's financial reserves to finance an overspend or to avoid difficult decisions to reduce spend. This can only provide temporary relief and is not sustainable in the longer term	The council's general fund reserve during 2023/24 was split between a budget smoothing reserve and a general fund reserve. The council required to use the budget smoothing reserve to offset the 2023/24 overspend. In 2024/25, the general fund reserve is expected to increase from £21m to £22m and a further £1m is expected to be set aside in 2025/26 to provide the council with greater financial resilience. £22m is 13.6% of net expenditure.
Failure to address financial pressures – decisions not taken to reduce spend to live within the resources available to the council	This continues to be challenging for the council with demand on adult social care and temporary accommodation budgets continuing to place financial pressure. Mitigations have been identified during 2024/25 and growth set aside in 2025/26 to manage fluctuations in demand. The council does, however, hold financial risk in setting the 2025/26 budget which requires robust mitigation to control or mitigate risk fully.
Shortened planning horizons – not being able to balance the future year budgets in the medium term. This could indicate a lack of strategic thinking or an ability to make difficult decisions	The MTFS beyond 2026/27 remains unbalanced. The planning cycle for 2026/27 is commencing, however, as per the national position, there remains lack of clarity in funding reform.
Lack of investment in infrastructure resources – balancing the need to invest and when to invest in physical assets could lead to the failure of these assets in the future	The corporate landlord approach is being developed to ensure that council assets and responsibilities for these assets are maintained.
Gaps in savings plans – particularly where savings remain unidentified or have no clear plan for delivery	The council set up a Design Authority during budget setting 2025/26. Business cases on saving proposals presented to the Design Authority have enabled the council to evaluate deliverability risk and understand how savings should be delivered. Currently in 2024/25, savings remain at risk of delivery.
Unplanned overspends – this could translate to the council rolling problems into future years	The council has managed the challenges presented in 2024/25 with mitigating actions implemented

CIPFA's common signs of financial stress	Council position
and potentially a failure of policy decisions into actions	although this is acknowledged to be harder during the last quarter of the year as temporary accommodation continues to increase creating a further pressure at Q3.

Below is an extract from CIPFA's financial resilience index for 2023/24 providing a further insight into the council' s indicators of stress and also within each indicator where the council benchmarks against the council's nearest neighbours.

Indicator	Min	Indicator Value	Max
Level of Reserves	20.51%	25.15%	87.48%
Change In Reserves	-67.15%	na	37.08%
Interest Payable/ Net Revenue Expenditure	2.45%	9.04%	55.44%
Gross External Debt	£251,181k	£490,685k	£1,449,156k
Social Care Ratio	67.07%	71.49%	115.30%
Fees & Charges to Service Expenditure Ratio	5.50%	10.18%	14.37%
Council Tax Requirement / Net Revenue Expenditure	33.15%	50.72%	70.06%
Growth Above Baseline	0.07%	8.41%	19.41%

4. Internal Controls

Financial Framework

The council's financial framework is contained within the council's constitution and the rules apply to all Members, officers, contractors and partners in the work that they do for the council. The Financial Procedure Rules outline the roles and responsibilities that apply including changes to the approved budgets through the use of budget virements.

As part of setting the budget, it is recognised that budget re-alignment including profiling of budgets will be required pending conclusion of reconciliation work which is continuing. For example, the HR establishment data cleanse to reconcile to budgets is at final stages of completion and has recognised the need for coding issues to be remedied. This will not impact on the approval of the budget as virements will be made within the Directorate, or correct technical presentation issues and do not alter the bottom line.

The Financial Procedure Rules will include a provision to enable the S151 Officer in consultation with Executive Director to make technical changes to the approved budget for the purposes of budget realignment.

Transformation and Finance Improvement Plan

As a council in intervention and recovery, the council has in place a transformation programme to address the new Directions issued by government and includes a new workstream on improving and developing data and metrics to provide better insight to the council.

A Finance Improvement Plan (FIP) is in place and contains 37 projects related to financial improvement and aligns to CIPFA's Financial Management Code. The FIP also incorporates all external and internal audit recommendations, Directions and the action plan underpinning the Annual Governance Statement. The FIP is a programme not expected to conclude until May 2026 and therefore it is highly probable that further issues could materialise as the FIP evolves.

FIP Projects (Status January 2025)			
1 Financial Procedures Framework	⇔	20 Internal Audit – includes audit recommendations	⇔
2 Completion of Statement of accounts	⇧	21 Procurement and contract management	⇔
3 Value for Money	⇧	22 Annual Governance Statement (AGS) align to Statement of Accounts	⇧
4 Capacity and skills for recovery (Corporate, Governance/Audit/Risk, Fin Mgt)	⇩	23 Training programme – members and (non) finance officers	⇔
5 Capacity and skills for recovery (Transactional services)	⇧	24 FBP strengthened	⇔
6 Financial Reporting and best practice	⇧	25 Financial sustainability	⇧
7 Budget management best practice	⇔	26 Resident and stakeholder engagement	⇧
8 Companies reporting	⇔	27 Anti-fraud and corruption culture	⇔
9 Savings are monitored and managed and regular reports	⇔	28 Up to date - CIPFA financial management code and other legislative changes	⇧
10 Reconciliations key systems	⇧	29 Identify current and future liabilities	⇧
11 Debtors invoices and audit trail for improved Debt Collection	⇔	30 MTFS ensure balanced / agreed including engagement all	⇧
12 Debtors and Income Systems	⇔	31 Reserves and resilience	⇔
13 Debt reporting and performance	⇔	32 Revenues and Benefits Transformation work	⇔
14 Fixed asset register	⇧	33 Development of finance system to be fit for purpose	⇔
15 Disposals review and monitoring Fixed asset register	⇧	34 The transactional service – single view of debt and maximise collection	⇧
16 Treasury Management	⇔	35 Grants register	⇔
17 Housing Benefit	⇔	36 Adequacy of Insurance Assurance	⇔
18 Charitable Trusts Governance and Monitoring	⇧	37 Internal controls	⇧
19 Risk management system	⇧		

Design Authority

The council has implemented a Design Authority during the budget build process for 2025/26 with the purpose to evaluate all elements relating to change including the business cases for the growth and savings proposals that have been put forward. The objectives of the Design Authority are to:

- To scrutinise designs/proposals and challenge how they fit in with a broader operating model
- To monitor progress against existing savings proposals
- To flag points of integration, collaboration or interdependency
- To test that appropriate level of signoff has been ascertained
- To create an open, transparent and supportive environment
- To identify if there are any ‘blockers’ affecting delivery

The Design Authority membership includes senior officers across the council from different council functions to ensure an appropriate level of scrutiny and feedback and approval of business cases. The Design Authority reports to the council Corporate Leadership Team.

Spending controls

Spending controls were reviewed during Q3 2024/25 with a spending control framework implemented to ensure that only necessary spend occurs to reduce the council’s costs and spend within available resources. This applies to the council and its companies. Subject to agreed exceptions within the framework, all spend within scope requires to be approved through either the procurement panel or HR panel.

As the council takes action to become financially sustainable and a Best Value Council by November 2026 it has reviewed its financial framework and it is proposed to end the Expenditure Control Process for 2025/26. Enforcement of No Po No Pay will be enhanced throughout 2025/26 with the introduction of commitment accounting and reviews of the effectiveness of financial controls.

Finance capacity and capability

Finance capacity and capability in a complex environment remains a challenge which is actively being addressed to recruit to a permanent structure during Q1 2025/26, enabling the council to reduce reliance on interims and recruit to key roles.

5. Building the 2025/26 budget

In building the 2025/26 budget, it is important to note the context outlined in this report to developing a robust budget over the MTFS and the ongoing work as part of the council’s recovery journey. There has been extensive work undertaken by Cabinet and council officers since summer 2024 to balance the 2025/26 budget as outlined in the accompanying budget report.

Robustness of estimates for the purposes of calculating the budget calculations are a key component within the S25 statement. The council continues on its journey to develop robust estimates based on sound assumptions, fully reconciled working papers, system reporting, data and metrics.

Assumptions

Further detail on budget assumptions are included within the budget report. Below is an assessment by the S151 Officer.

1. Funding assumptions for 2025/26 are based upon the local government finance settlement. Uncertainty remains on future years, the council uses Pixel Management Services to interpret funding scenarios;
2. Council tax estimates align to property growth assumptions for 2025/26, council tax increases agreed with Cabinet and the approved council tax support scheme;
3. Business rate funding aligns to the NNDR 1 calculation;
4. Grant funding. Further work is continuing to fully reconcile the grant register to notified and expected grant funding. The approach previously has been not to budget for some types of expenditure and grant funding within Directorates. The practice for 2025/26 will be to ensure that budgets are input and will be subject to the technical virement change set out earlier in this report. At the time of setting the budget not all service specific grants have been confirmed;
5. Inflation assumptions have been applied to base budgets and where known contract inflation differs from the Office for National Statistics forecasts, this has been updated accordingly within the budget;
6. Growth in base budgets. During the budget build process, growth has been built into the budgets, such as adult social care and temporary accommodation. It is evident from the business cases put forward and reviewed by the Design Authority that further work is required to understand the metrics underpinning growth and future trends and modelling of scenarios to drive down cost. A risk based approach has adopted to set aside a risk budget to manage potential fluctuations in growth;
7. Base budget. In developing the budget proposals to draft a balanced budget for 2025/26 and reviewing against outturn 2024/25, it is evident that inherent within existing budgets there is a need to right size and align budgets to priority and need that is underpinned by data and metrics. A recent example included the need to right size the business rates budget for council owned properties. A base budget review will form part of the 2026/27 and MTFS refresh to ensure that the MTFS is balanced in future and that the financial strategy will align to corporate planning.
8. Support services recharges. On building the 2025/26 budget, it has been identified that support services recharges will require a review as base budgets have not increased annually. The methodology to apportionment will also be reviewed. Resource capacity will be secured to undertake this review.
9. Fees and charges. A review of fees and charges is required in 2025/26 to ensure all fees and charges are set in accordance with the existing fees and charges policy;
10. Contingency. The council's approach is to allow for a corporate contingency to manage fluctuations and budget risks. This has been outlined in the budget report.
11. MRP and capital borrowing assumptions are as set out in the Treasury Management Strategy. The revised 2024/25 strategy, as approved by Council, and the draft 2025/26 strategy have both reflected the reduction in asset disposals following the outcome of the GF asset review. MRP is charged on an annuity basis in accordance with the Prudential Code. The annuity rate is 5.35% which is considered prudent in the context of prevailing interest rates.
12. Capital receipt assumptions have been reduced and align to the outcome of the GF asset review, as reported to Cabinet in November 2024. Excess capital receipt assumptions from HRA disposals (net of sums required to repay the HRA under the no detriment principle) are assumed to support the proposed Flexible Use of Capital Receipts)

13. Capital programme is assumed to be primarily grant funded. It should be noted that a number of capital grant allocations both for 2025/26 and future years have yet to be confirmed. The reduction in capital receipt assumptions means that some £11.4m of the programme will need to be financed through prudential borrowing, as previous capital receipt assumptions are now required to finance prior years' Capitalisation Directions.
14. HRA. A budget and 30 year business plan has been prepared for consideration by Full Council. The council continues to develop its housing strategy which is anticipated to require further investment during the life of the MTFS;
15. Dedicated Schools Grant – the council is in a safety valve agreement with the DfE with a value of £27m. Although the council has been able to contain expenditure within year on year resources, demand within the system continues to grow and this position will be under pressure with an increase of up to 50% of special educational needs places over the next 5-6 years.

Assurance

Recognising the ongoing work on understanding fully financial implications and the need to ensure that budgets are rebased accordingly which will be completed during 2025/26 as part of a base budget review. Assurance budget work has begun.

Saving assumptions

The budget includes saving proposals of £11.806m. The council implemented a Design Authority approach to assess both growth and savings proposals including as part of this approach the deliverability risk of each saving. At the time of preparing this report the risk to delivery of savings is shown in the table below.

Risk deliverability assessment	**£m**
High (The approach to delivery is dependent on either a policy change and / or implementing new technology / processes and / or consultation	1.595
Medium (The approach to delivery is to be finalised)	5.302
Low (A robust approach to delivery is clear including timescales and any change factors have been agreed or are in place)	4.909
	11.806

Strategies underpinning the budget

The council has a number of strategies that underpin the budget such as the corporate plan, MTFS, capital strategy and treasury strategy and various specific strategies within directorates.

The council keeps these strategies under review and identifies the strategies that are in date or needing review, and which are statutory.

As part of the budget setting process, a review has been undertaken of this information.

There are key strategies in local government that help guide other strategies and service planning. In addition to the corporate plan and MTFS and related financial strategies, the key statutory strategies are:

Health and Wellbeing Strategy (in date and new strategy under development), Local Plan (under development) and Local Transport Plan (in date and under development). The Community Safety Plan is a key statutory strategy that guides the priorities of the Community Safety Partnership. A new Community Safety Plan 2025 – 2028 was ratified at Safer Slough Partnership meeting 23/1/2025 and will now go to Cabinet. A Serious Violence Reduction Plan has also been adopted and published, and this is also a statutory requirement.

The Council does not have an up-to-date Housing Strategy. The requirement to have one was repealed in 2015, but it is good practice to have a Strategy and would enable Slough to identify the preventative work required to address local priorities such as poor private sector housing, housing affordability and homelessness.

In total there are 23 statutory strategies. In addition to the Community Safety Partnership, the Youth Justice Plan is not in date. All other statutory strategies are in date.

The Community Safety Plan, Housing Strategy and Youth Justice Plan are therefore not included in the budget.

There are also other strategies which are still in development and various stages of approval and therefore not fully considered in setting the budget. These are:

Strategy	Stage
Workforce strategy	In development
Asset disposal strategy	Initial GF Review completed
Climate Change Strategy and Action Plan	In development
Berkshire Economic Strategy (replaces Inclusive Growth Strategy)	In development
Estate Strategy	In development
Local Plan	In development
Target Operating Model	In development

Council corporate landlord model

The Property & Assets functions play a crucial role in ensuring the robustness of budget estimates and the adequacy of financial reserves, as required under Section 25 of the Local Government Act 2003. The strategic and operational management of the council's property portfolio directly impacts the council's financial health and sustainability.

Operational Efficiency and Cost Management

The day-to-day management of the council's properties, including maintenance, facility management, and property management, strongly emphasises cost efficiency and compliance. By effectively managing maintenance costs, energy utilities, and compliance with regulations such as asbestos management and fire risk assessments, the Property & Assets team ensures that operational expenses are kept within budgeted limits. This proactive approach helps mitigate unforeseen expenditures, thereby supporting the council's overall financial stability.

Capital Programme and Strategic Planning

The capital programme, which includes projects across schools and other corporate buildings, is planned and executed to align with the council's long-term financial strategy. By prioritising projects that deliver the highest value and ensuring that they are completed within budget and on time, the Property & Assets team contributes to the prudent use of financial resources. Strategic asset planning and disposals of surplus assets in line with the Capitalisation Directive further enhance the council's financial position, providing additional funds for reinvestment in essential services.

Risk Management and Reserves Adequacy

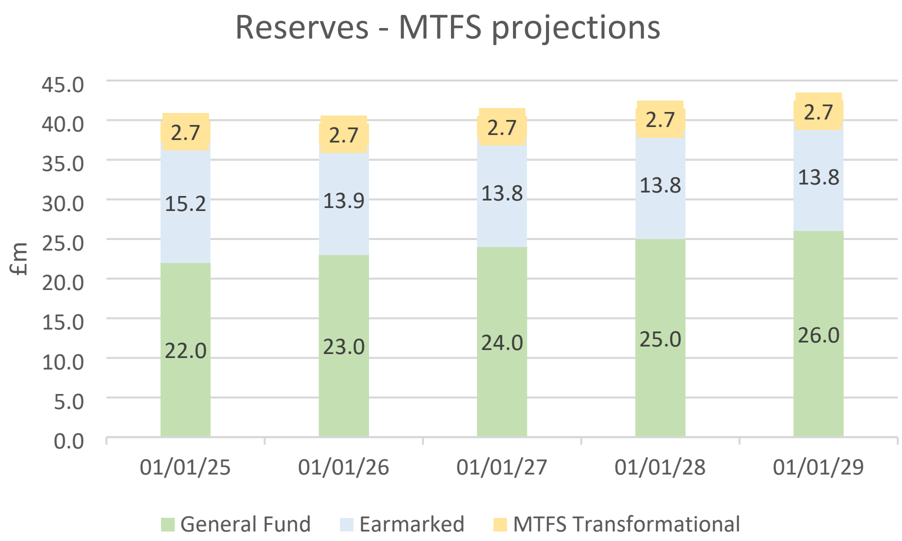
The Property & Assets team plays a pivotal role in risk management by conducting regular inspections, compliance audits, and risk assessments. This ensures that potential risks are identified and addressed promptly, reducing the likelihood of unexpected costs. Additionally, the team's efforts in supporting the wider carbon reduction and energy efficiency measures contribute to long-term savings, which are factored into the council's financial planning and reserves strategy. By maintaining a well-managed property portfolio, the team supports the adequacy of financial reserves, providing a buffer against economic uncertainties and enabling the council to meet its financial obligations.

6. Adequacy or reserves and risk assessment

Reserves

The council maintains usable reserves to fund specific projects including meeting specific commitments, provide a working balance to meet uneven cashflows or as a contingency to meet costs for unforeseen events or emergencies including risks should they materialise that cannot be mitigated.

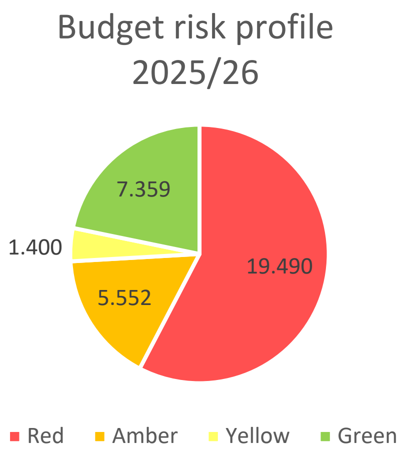
The budget assumes a year on year £1.0m contribution to the General Reserves.

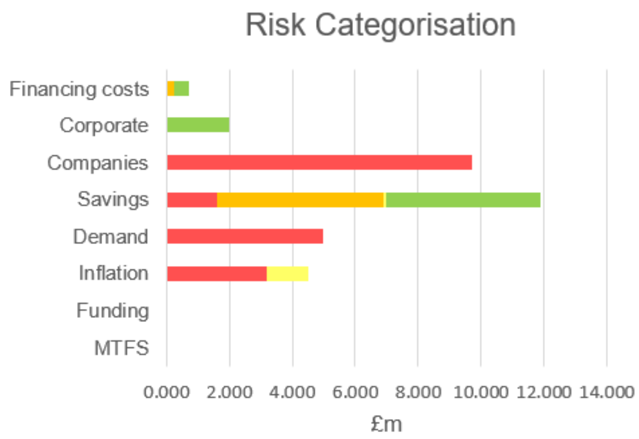


Fundamentally, the above chart demonstrates the council is not yet in a position to approve an MTFS that delivers financial resilience through its reserves.

Risk Assessment

The budget for 2025/26 and MTFS considers financial risks that may materialise and if not mitigated will impact on the council's resilience to manage within its resources. The pie chart below shows the risk profile for 2025/26 with £19.490m risk classified as Red of the overall £33.801m of quantified risk. The graph shows the spread of risk.





Increasing growth in adult social care and temporary accommodation remains challenging as outlined in the budget report with further work required to understand the council's growth profile through improved data and metrics to drive opportunities to reduce demand and cost base whilst maintaining statutory service provision. The inflation risk requires further evidence based data to understand the risk exposure for adult social care service contracts.

Company risks identified are as outlined earlier in this report.

All other risks are expected to be controlled or fully mitigated as the financial year progresses. Risks will be reported monthly to the Design Authority and assurance CLT, Cabinet quarterly and Audit and Governance Committee in accordance with the workplan. This will ensure that appropriate oversight and assurance to risk management is undertaken.

Financial resilience and sustainability

The Council remains committed to improving financial resilience, moving towards financial sustainability and improvement in governance and process as laid out in the Directions issued by Government and a capitalisation direction for exceptional finance support in 2024/25.

7. Conclusion

It has only been possible to focus on a one year budget due to the well publicised challenges the council faces and reliance on government for exceptional financial support. These assumptions flow through the MTFS. The main budget report clearly articulates the risks and next steps expected of the council to enable this budget to remain in balance and the importance of the transformation programme to achieve a balanced MTFS noting this will still place reliance on exceptional financial support in the early years.

The conditions to signing off the 2025/26 budget are:

1. Base budget review is incorporated into the transformation programme
2. A contingency remains an essential tool to manage some of the risks and uncertainties within this budget

	£m
Non-Delivery of Savings	0.500
General Contingency	1.247
Creation of risk budget for demand pressures	2.215
Provider uplift risk	0.403
Total Corporate Contingency	**4.365**

3. Adequacy of reserves – reserves do not reduce below budgeted levels. New requests to draw on existing reserves should be considered in the context of the financial sustainability of the council.
4. Exceptional financial support – government continues to support the council as presented within the main body of the budget report.
5. Statement of Accounts – the council has achieved approval of four sets of backstop accounts although it is important to note that these have a disclaimed audit opinion. It will be essential that resources continue to be aligned to this key priority to achieve the final approval of 2023/24 accounts which means that the council is back working within the usual legislative timelines.
6. Transformation – the council and its transformation programme must deliver as a minimum projected 2026/27 budget gap totalling £13.2m and identified options to close the remaining £8.6m over the life of the MTFS by autumn 2025.
7. Finance Improvement Programme – resources required to deliver the programme continue to be funded as a priority from the budget smoothing reserve.
8. Design Authority – the new terms of reference have been approved and CLT continue to ensure compliance with the expectation of business cases to support both growth and savings as well as any potential drawdown on either the risk contingency or reserve.
9. Development of corporate planning approach to enable resources to align with corporate priorities.
10. Technical virements will be processed and reported within the first 2025/26 monitoring report.