

Adequacy of Reserves and Robustness of Budget Estimates – s151 Officer Statement

1. Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Head of Finance) to formally report to Council as part of the tax setting report his view of the robustness of estimates and the adequacy of reserves. The Council is required to take these views into account when setting the Council Tax at its meeting on 1st March 2016.

2 Adequacy of Reserves

- 2.1 This statement focuses upon the unallocated general reserve and excludes schools' budgets and schools' unspent balances, which will be reviewed by the schools funding forum when Governing Bodies have submitted their budgets. The minimum prudent level of reserves that the Council should maintain is a matter of judgement and cannot be judged merely against the current risks facing the Council as these can and will change over time.
- 2.2 The consequences of not keeping a prudent minimum level of reserves can be serious. In the event of a major problem or a series of events, the Council would run a serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.
- 2.3 CIPFA (Chartered Institute of Public Finance and Accountancy) have issued a notification from the LAAP (Local Authority Accounting Panel) stating that there should be no imposed limit on the level or nature of balances required to be held by an individual Council (except under section 26 where this has been imposed by ministers). West Berkshire Council policy has consistently kept a prudent minimum level of balances of 5% of net revenue expenditure (NRE); this represents £6m for the 2016/17 budget requirement. The General Reserve balance is expected to be £6m if the Quarter Three over spend of £600k remains the case at year end.

It is recommended that general reserve balances be set at a minimum of 5% of net revenue expenditure

3 Robustness of Estimates

3.1 The treatment of inflation and interest rates

The 2016/17 pay award for staff has been estimated in line with the Government's pay announcements. Non pay related budgets have been inflated at the contractually committed rate of inflation or where services can demonstrate a requirement to do so to maintain service delivery levels. Interest rates for 2016/17 have been assumed to increase by 0.5% over and above current levels for new long term borrowing. Increases to fees and charges have been set in line with inflation where appropriate.

3.2 Efficiency saving and productivity gains

The budget contains proposals to deliver £14m of savings. The medium term financial strategy includes a three year savings programme to ensure that future revenue budgets remain in financial balance to ensure the Council has adequate resources to deliver its Council Strategy outcomes. The savings programme will also

help to ensure that Council Tax increases are kept to as low a level as possible and deliver efficient local services.

3.3 Budget and Financial management

West Berkshire has an excellent record of budget and financial management. The level of under and overspends in recent years is as follows

• 2007/08	£196k under spend	0.22% of budget excluding DSG
• 2008/09	£351k over spend	0.34% of budget excluding DSG
• 2009/10	£5k under spend	0.01% of budget excluding DSG
• 2010/11	£ 580k under spend	0.48% of budget excluding DSG
• 2011/12	£ 491k under spend	0.39% of budget excluding DSG
• 2012/13	£620k under spend	0.50% of budget excluding DSG
• 2013/14	£449k under spend	0.37% of budget excluding DSG
• 2014/15	£30k over spend	0.02% of budget excluding DSG
• 2015/16	£600k over spend as at M9	0.48% of budget excluding DSG

This level of control is achieved by significant management and policy action to ensure that spending is kept within budgets each year. All relevant reports to the Executive have their financial effects identified and Operations Board keeps any emerging budget pressures under review during the year. Monthly reports are received by Corporate Board and quarterly reports to the Executive, and the Overview and Scrutiny Management Commission detail both budgetary and performance indicators. A traffic light system of indicators is used.

The Council has a number of demand led budgets. The Council has historically been able to manage changes to demand to ensure a sound financial standing at the end of the financial year.

3.4 Adequacy of insurance and risk management

Strategic risk management is being embedded throughout the Council to ensure that all risks are identified, ameliorated and managed appropriately. The Council's insurance arrangements are a balance of external insurance premiums and internal funds to self-insure some areas. As well as an internal risk manager the Council also make use of an external consultant to advise on the level of funds required to underpin those risks not externally insured.

3.5 Overall financial standing of the authority

West Berkshire Council now borrows money to support the Council's capital programme. It has calculated its capacity for borrowing within the provisions of the prudential framework and budgeted accordingly. The assumed Council Tax collection rate is 99.7% and this is an achievable if demanding target. Each 1% uncollected amounts to approximately £860k and any surplus or deficit on the collection fund is apportioned between the Council and its major precepting bodies the Royal Berkshire Fire and Rescue Authority, and the Thames Valley Police Authority.

4 Maintaining balances

Appendix G

- 4.1 The balance of the in year budgetary position against the proposed budget will be managed against the General Reserve. If budget pressures emerge then it is first for the Service to contain, then the Directorate and finally a Corporate issue. If there is still a pressure at year end then General Reserves will reduce and will need to be replenished up to a 5% level in future years. This helps ensure that the Council is in a position to maintain its service provision without drastic actions.
- 4.2 If an event occurs that is so serious it depletes the Council reserves to below the limit set, then the Council will take appropriate measures to raise general fund reserves to the recommended level in as soon a timeframe as possible without undermining service provision.

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