

**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, Executive Director (Resources) 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 2 March 2021.

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 historic minimum level of balances of 5% of net revenue expenditure (NRE); this analysis has been updated for more specific demand and general risks with a minimum level of £7m set out for the 2021-22 budget.

It is recommended that general reserve balances be set at a minimum of £7m

Before the 2020-21 outturn, the general reserves stood at just over £8m and this ensures that the Council has a sufficient level of reserves to support it in the immediate future.

3 Robustness of Estimates

3.1 The treatment of inflation and interest rates

The 2021-22 pay award for staff has been estimated in line with the Government's pay announcements of a pay freeze for those earning above £24,000. Any pay award above the assumptions would need to be funded from reserves. 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 2021-22 have been assumed to remain at 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 £3.7m of savings or income. The Medium Term Financial Strategy (MTFS) includes a four year savings or income programme to ensure that future revenue budgets remain in financial balance to ensure the Council has adequate resources to deliver its Council Strategy outcomes.

3.3 Budget and Financial management and the impact of Covid-19

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

Year	Over/ -under spend £m	% of net budget
2011/12	-0.49	0.39%
2012/13	-0.62	0.50%
2013/14	-0.45	0.37%
2014/15	0.03	0.02%
2015/16	0.12	0.10%
2016/17	0.01	0.01%
2017/18	0.28	0.23%
2018/19	-0.08	0.15%
2019/20	-1.50	-1.16%
2020/21 est	-3.40	-2.62%

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. Quarterly Performance reports are received by Corporate Board, Operations Board, the Executive, and the Overview and Scrutiny Management Commission. These reports 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.

Covid-19 has had a significant impact on the Council's financial position. Government funding to date though has been sufficient to support services to continue without an impact on the overall financial position of the Council. The longer term impact of Covid-19, though not fully known, has been addressed in the 2021-22 budget through £3.2m of Government funding, and support for the collection fund position and the continuation of the income compensation schemes for Q1 of 2021-22. These areas of support, as well as the Council's overall financial system of control, including general reserves, provides a significant level of protection to enable the Council to continue to operate and deliver its services for 2021-22. Covid has also had an impact on some of the demand led services and has reduced financial pressures in Adult Social Care, for example.

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There has also been a significant impact on business rates. In 2020-21 the Council passported almost £40m of business rates reliefs to businesses across the district. The accounting for this will mean a significant move through reserves on the NNDR1 (government return for business rates) and on the collection fund. The collection of the residual business rates in 2020-21 and 2021-22 will remain constrained and the estimates in the NNDR1 reflect this. The Council is spreading the Collection Fund deficit (for business rates and Council Tax) over a three year period, and so the estimates assumed for collection fund deficits will have ramification for future financial years as well. Significant uncertainty remains around, especially on business rates but to a lesser extent Council Tax, the amount of tax collected and what will need to be written off in future years.

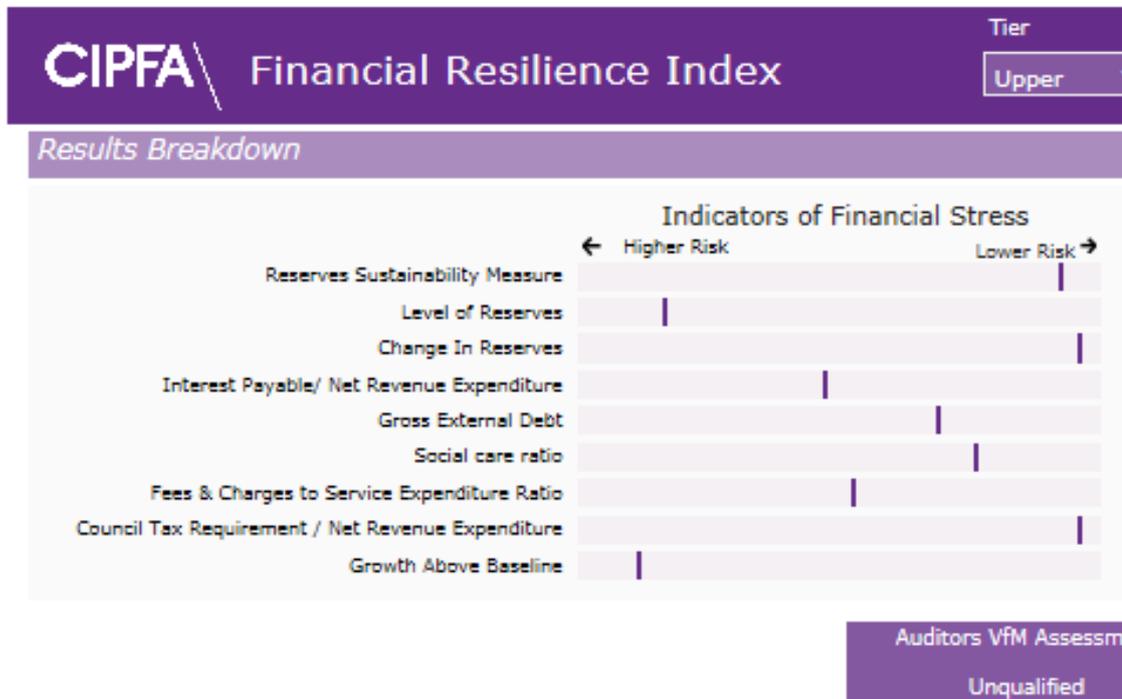
3.4 Adequacy of insurance and risk management

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 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 99.6% and this is an achievable if demanding target. Each 1% uncollected amounts to approximately £1m 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.

As part of the consideration of the financial standing of the Council, CIPFA have released a financial resilience index. The indicators included are relatively small in number, they do provide a comparative (versus other unitary councils) snapshot of the previous year's position. The summary below (unfortunately just for 2018/19) is highlighting that although the overall level of reserves are comparably lower, i.e. a potentially higher risk, there have been increases to these during that financial year which reduces risk levels. However, in 2019-20 the level of reserves did increase due to an under spend of £1.5m in that financial year. As part the above, general fund reserves are above the minimum level set out. The below also highlights some risk around taxbase growth and this has been adjusted for across the financial papers in this budget cycle.



4 Maintaining balances

- 4.1 The balance of the in year budgetary position against the proposed budget will be managed against the General Reserve and service specific reserves. 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 and service specific reserves will reduce. If the General Reserve falls below the minimum recommended level, it would need to be replenished to restore the minimum level. 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.

Joseph Holmes
 Executive Director (Resources)
 February 2021