

Executive Directors Narrative Statement 2020/21

1. Finance and Resources

The 2020-21 financial year saw the Council return a surplus overall to increase its General Fund by over £4 million. As detailed further, there have been a significant amount of other transactions that support this position including substantial Government funding support during the Covid pandemic. In financial terms, the 2020-21 year has been extraordinary, with additional funding for the Council, business and residents nearly equivalent to Council's annual budget being supplied. The impact of this support and the continued impact of the pandemic will continue to be felt into future financial years. The other significant change in the financial statements for this year is that the Council has a negative balance sheet driven by the increase to the overall pension deficit; both of these themes are referred to below.

The future of Local Government finance contains plenty of uncertainty. The impact of the Covid pandemic will be felt for a number of years and is likely to change how public services are delivered in the long term. The Government Spending Review (SR20) that was announced in November 2020 was for a one year period for Local Government, given the significant uncertainty over the public finances. The absence of a longer term financial envelope for Local Government does mean that there remains significant uncertainty over the financial position from 2022-23. The Council has had an ongoing focus on ensuring strong financial management and resilience to ensure that, irrespective of this uncertainty, that it has sufficient financial reserves as well as a medium term financial planning framework, to continue to operate its services to the public and deliver the Council Strategy.

2. COVID-19 PANDEMIC

The Covid pandemic has had a considerable impact on the Council. The Government's lockdown, announced on 23rd March 2020, resulted in many businesses being forced to close – significantly impacting on the local economy. Subsequent regional and national lockdowns over the course of 2020/21 have further impacted on the Council's finances.

During financial year 2020/21, the Council has incurred substantial losses across many of its income streams. These include parking, licensing fees, registrars and planning fees. On the expenditure front, key areas of additional pressure have included accommodation and support for rough sleepers, and additional costs in supporting our most vulnerable adults and children. The Government's emergency Covid funding for local authorities has been substantial. Supported by Central Government grant funding of £113m and £5m of Clinical Commissioning Group (CCG) funding, the Council has undertaken a range of activities within the district and distributed business rate reliefs. £101m of funding received has been spent or distributed, £6m put to a Covid reserve and £10m carried forward to 2021/22 to address future impacts from the pandemic. Without Emergency Grant funding supplied by Government for expenditure and income compensation, and Adult Social Care funding from the CCG, the Council would be facing an over spend of nearly £10m, which would likely have put the Council far below the minimum level of reserves resulting in some significant impacts on service activity.

Moving forward, the Council will continue to develop its Medium Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council's revised strategic objectives, including Recovery work. The Council continues to pride itself on ensuring services deliver high outcomes and offer value for money, sound and prudent financial management supports this objective. The outturn for the financial year 2020/21 will help to support the Council's resilience as well as having continued to deliver a wide range of well received services, whilst continuing to respond to the long term impacts of the Covid pandemic

Joseph Holmes

Executive Director for Resources, s151 Officer

Date:

3. District of West Berkshire

West Berkshire spans 272 square miles. The district lies at the convergence of two key roads – the M4 and the A34, both providing direct links with key urban centres in the southern region (London, Reading, Southampton, Bristol, Oxford and Swindon). The district has good rail links, with London less than an hour away and further connections, via Reading, to all the mainline routes throughout the country.

The district services an estimated population of 158,450, split between a demographic of 127,882 under 65 year olds and 30,568 residents over 65 years old. District residents predominately reside within the main market towns of Newbury, Thatcham and Hungerford. The average employment rate is 83.0% compared to the Great Britain average of 75.4%. The rate of violent crime per 1,000 population across the district is 17.13 compared to a rate of 22.96 across the Thames Valley Police area.

4. West Berkshire Council

The Council was created as a single tier (unitary) authority after the dissolution of Berkshire County Council in 1998. The boundary of the Council corresponds with the boundary of the former Newbury District Council.

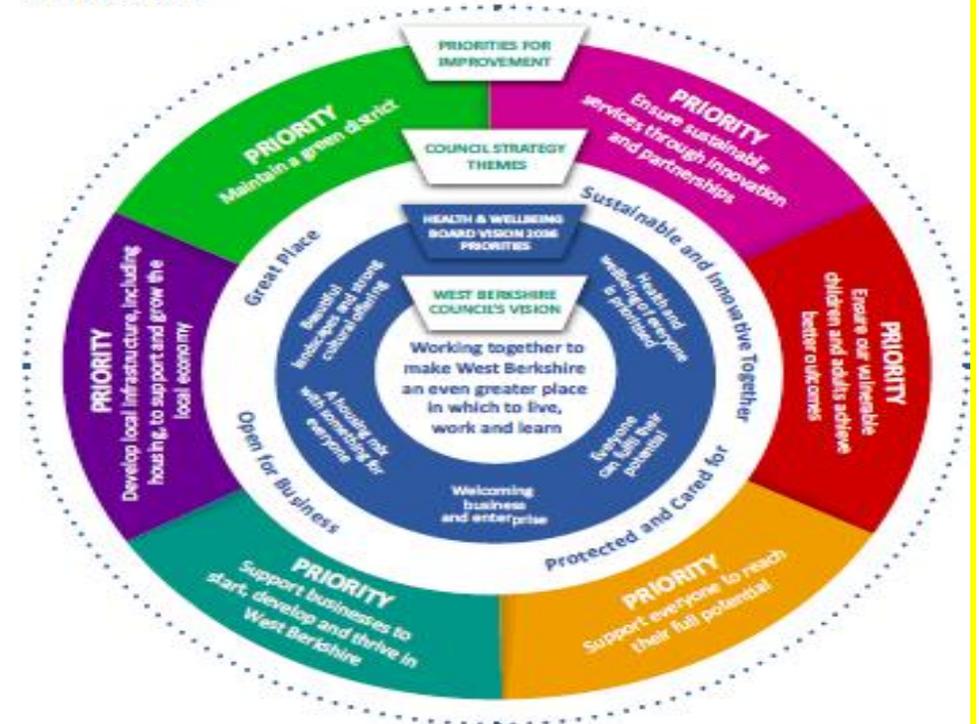
The Council provides over 700 functions across the district and supports 66,000 households. 95.7% of schools in the area have been judged good or better by Ofsted as at 31st December 2020.

The Council is made up of 43 Councillors who are elected every four years by the people registered to vote in West Berkshire. There are 24 electoral wards, each ward is represented by up to three Councillors. Politically the Council is currently composed of 24 Conservatives, 16 Liberal Democrats and three Green Party Councillors.

5. Council Strategy

The Council Strategy was refreshed in 2020/21 with a renewed focus on six priority areas. There is an accompanying action plan to deliver the strategy by March 2023. In light of Covid-19, the Council Strategy and a number of supporting strategies have been reviewed to consider the implications of the outbreak on our future work. These are available on the Council's webpages at: <https://info.westberks.gov.uk/policies>

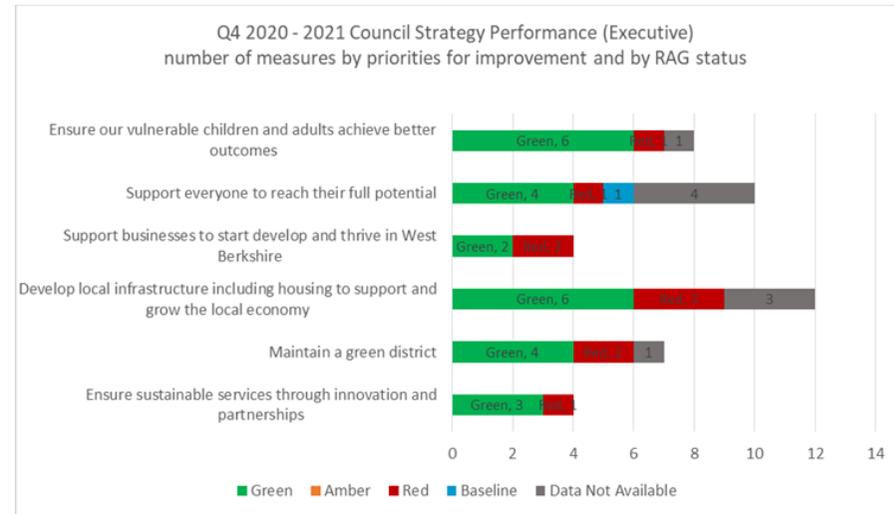
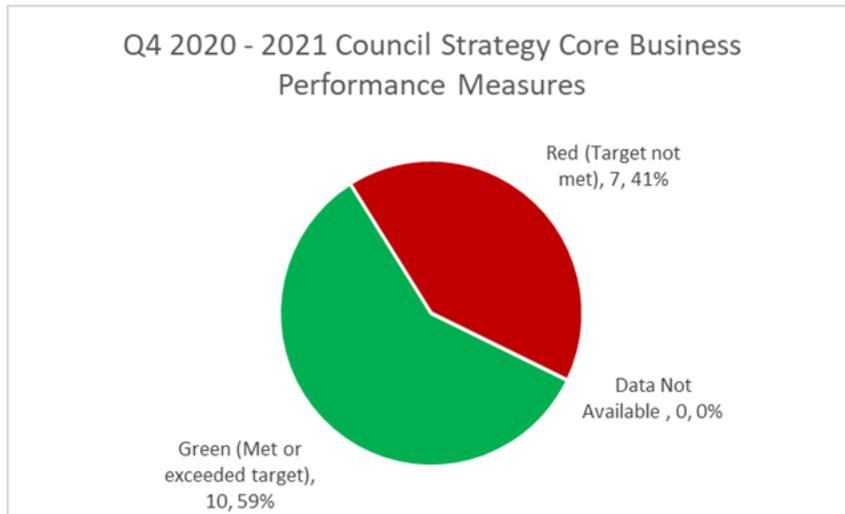
West Berkshire Council Strategy 2019-2023



6. Councils Performance Achievements

The Council has a formal quarterly process for measuring performance against strategic objectives. As at 31 March 2021, a total of 17 key accountable measures formed part of the reporting framework which monitors the Council's progress against the core business areas included in the Council Strategy.

Provisional end of year results show that strong performance has been maintained despite the Covid-19 pandemic. Targets for 10 measures (59%) were achieved and were (RAG) rated 'Green'. Seven measures (41%) were not achieved and were RAG Rated 'Red' (some as a result of conscious decisions of the Council in order to save lives and livelihoods of West Berkshire residents).



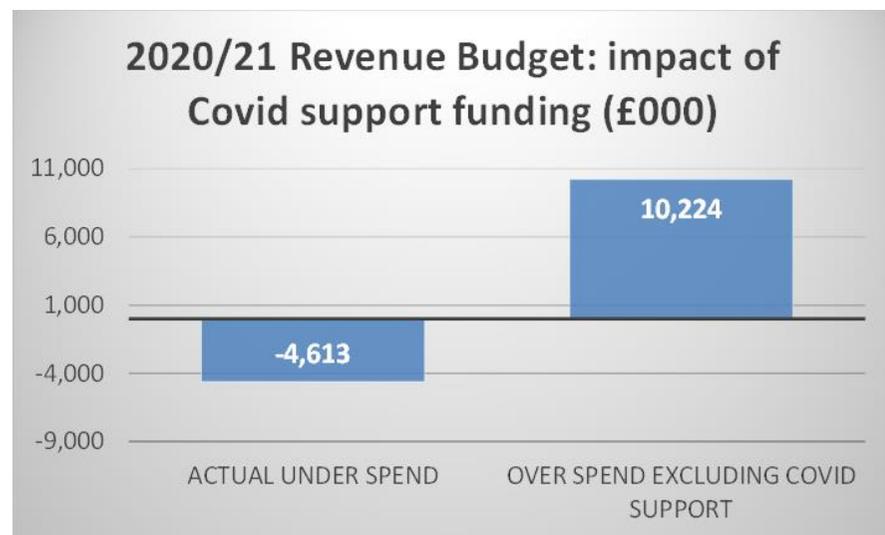
Another component of the performance reporting framework focuses on the progress against delivery of the Council Strategy’s Priorities for Improvement. The graphic below illustrates results achieved against each priority for improvement.

Performance information was available for 35 performance measures and an additional 10 were either baselining measures or unable to report (e.g. as a result of school exams not taking place for 2019/20 academic year).

7. Financial Performance: Response to the Covid Pandemic

The 2020/21 financial year presented a significant number of financial challenges for the Council in supporting residents and local businesses. The 2020/21 net revenue budget of £131m was set in March 2020, however, before the start of the financial year, the country was in national lockdown due to the Covid pandemic. The Council has played a significant part in responding to the pandemic, supported by Central Government grant funding. Central Government grant funding of £113m and £5m CCG funding, was received, enabling support of a range of activities within the district and distribute business rate reliefs. £101m has been spent or distributed, £6m put to a Covid reserve and £10m carried forward to 2021/22.

Without Emergency Grant funding supplied by Government for expenditure and income compensation, and Adult Social Care funding from the CCG, the Council would be facing a significant over spend, which would likely have put the Council far below the minimum level of reserves resulting in some immediate ceasing of service activity.

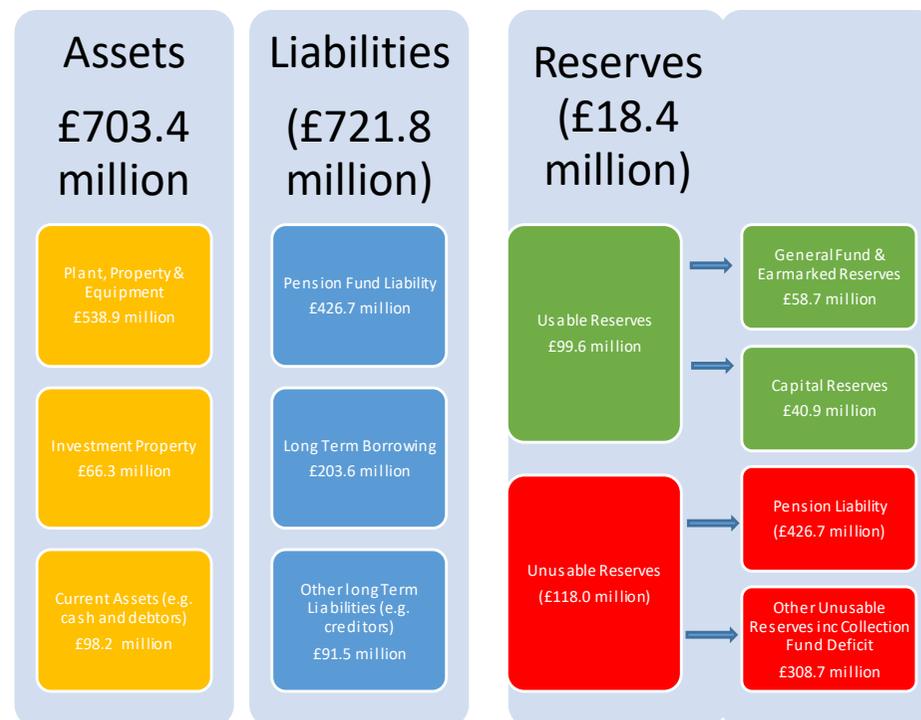


The revenue outturn of £4.6 million underspend is net of £5 million of transfers to reserves. The under spend will be added to the Council's general reserves, of which over £2m has already been allocated to support

the 2021/22 budget, to balance the financial impact of the pandemic on residents with the cost pressures the Council faces.

8. Financial Performance – Financial Context of the Council

Summary Balance Sheet as at 31.3.2021



As at the Balance Sheet date the Council holds total assets of £703.4 million which include:

- Operational land and buildings of £538.9 million
- Investment property of £66.3 million

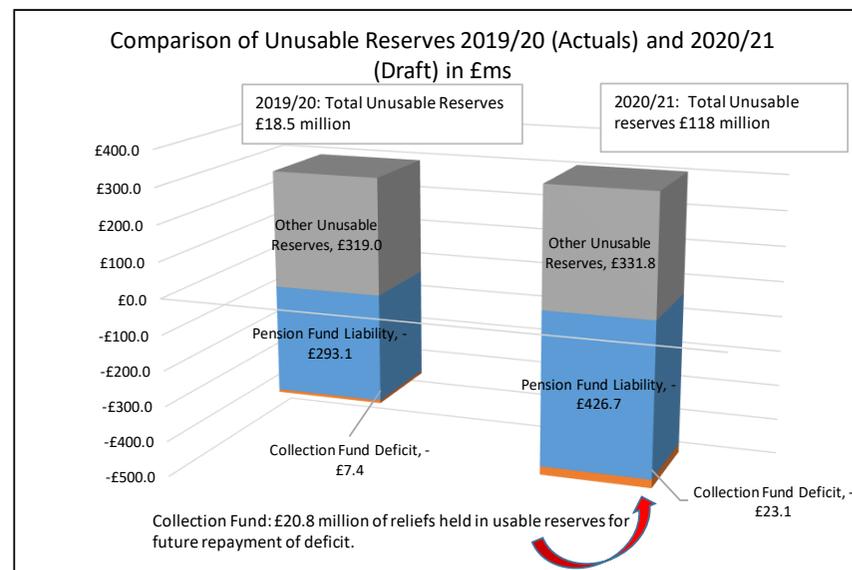
Total liabilities of £721.8 million include:

- Long term borrowing of £203.6 million
- The pension scheme potential future liability of £426.7 million

The Council's Balance Sheet includes £99.6 million of useable reserves available to fund future spending plans and £118 million of unusable reserves. The overall Balance Sheet position as at 31.3.2021 is a negative balance of £18.4 million.

The main driver for the negative Balance Sheet position is the pension liability. The pension liability as at 31.3.2021 has grown by £133.6 million to £426.7 million. The pension fund liability is determined by the external actuaries and the performance of The Royal Berkshire Pension Fund. The key contributing factor to the £133.6 million increase between 31.3.2020 and 31.3.2021 is a fall in bond rates between 31.3.2020 and 31.3.2021 (bond rates are used to discount to present value, a lower bond rate results in a higher value placed on the present value increasing the liability).

As the collecting authority the Council's Balance Sheet has been impacted through a substantial increase in the Collection Fund deficit between 31.3.2020 (£7.4 million) and 31.3.2021 (£23.1 million) as a result of extraordinary circumstances relating to the Covid pandemic. The financial downturn has caused collection rates to be substantially lower than those estimated, whilst the Government has introduced emergency rate reliefs for particular business sectors and compensation schemes for Councils. The collective Collection Fund deficit as at 31.3.2021 is broken down into Council Tax (deficit of £1.5 million) and Business Rates (deficit of £21.6 million). Compensatory reliefs totalling £20.8 million (Council tax £1 million and Business Rates £19.8 million) are held within usable reserves to mitigate the impact of the deficit in future years.



9. Total Resources

Council Assets

The Council's assets have grown by £47.8 million to £703.4 million as at 31.3.2021. Operational assets have increased in value over the period as a result of significant investment by the Council.

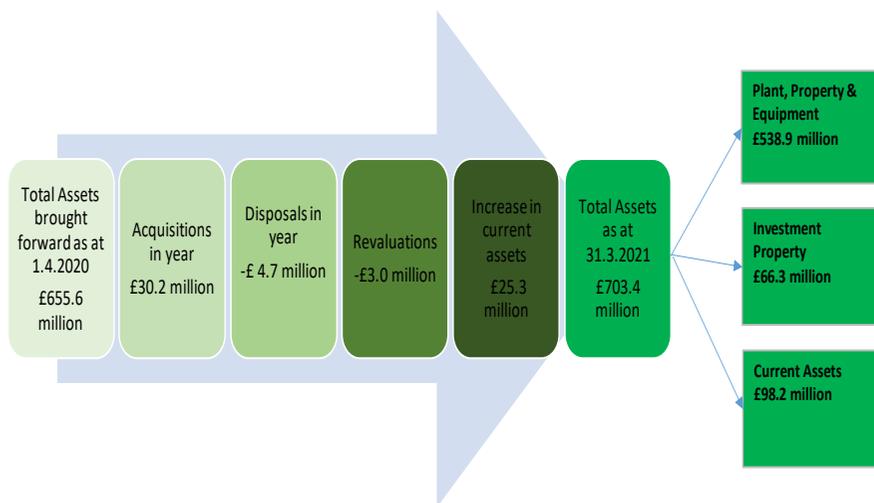
During the financial year £37 million was invested on a combination of operational assets owned by the Council and community based assets not included on the Council's Balance Sheet, through the Council's approved capital programme. Key projects undertaken include:

- Investing in the Council's corporate estate.
- Improved cycle paths, transport management systems, roads, bridges and footpaths. Including responding to the Active Travel agenda implemented by Central Government as a response to the Covid pandemic.

- Investment into education facilities including development of an additional primary school.
- Investment into green initiatives inclusive of solar photovoltaics.

The Council's investment property portfolio incurred a minor downward revaluation of £255k as a result of market uncertainty in response to the pandemic, as at 31.3.2021 the portfolio held a balance of £66.3 million. The Council incurred success in year by agreeing a tenant for one property which had remained vacant. The portfolio continues to provide additional net income of approximately £500k per annum to the Council to support delivery of core Council services.

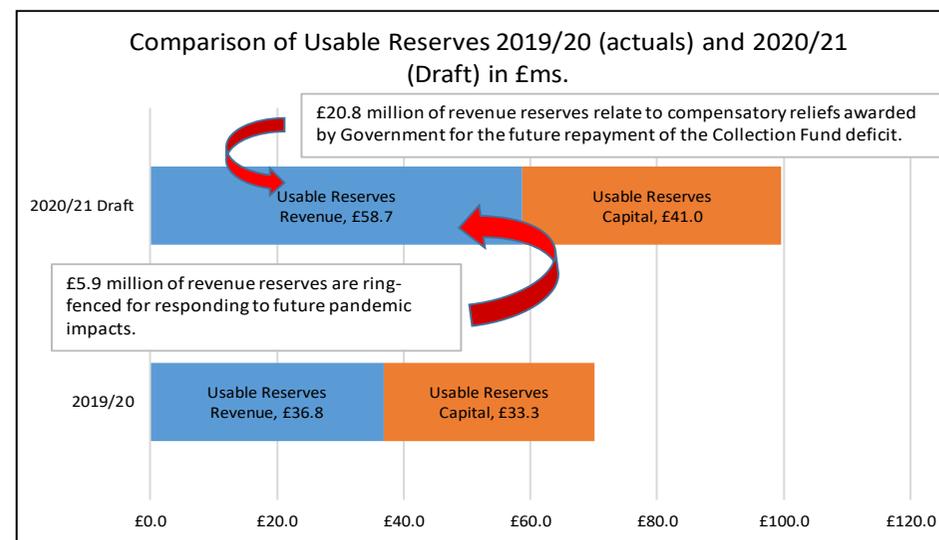
Assets as at 31.3.2021



Council Reserves

In respect of the overall reserves position, usable reserves have increased to £99.6 million as at 31.3.2021. The increased usable reserves balance is inclusive of £20.8 million of section 31 reliefs provided by Government to offset the Collection Fund deficit of £23.1 million held in unusable reserves. A further £5.9 million of funding is earmarked in a ring-fenced reserve to respond to impacts of the pandemic in future financial years.

Usable reserves are split between capital reserves of £40.9 million and revenue reserves of £58.7 million. Capital reserves are inclusive of £1 million of capital receipts which will be applied to transformational projects over the course of the approved Council Strategy under the Flexible Use of Capital Receipts Policy.



Unusable reserves have been impacted by the Pension Fund liability of £427.6 million, the Collection Fund Deficit of £23.1 million and the Dedicated Schools Grant deficit of £1.4 million which due to a change of accounting treatment in 2020/21 is now held within unusable reserves. Unusable reserves are amounts set aside that the Council is unable to use to fund expenditure because they are unrealised or notional, i.e. they are not cash backed and relate to accounting adjustments.

The advisory Section 151 General Fund level for financial year 2021/22 is 5 percent of the Council's approved net revenue budget of £137 million, as at 31.3.2021 the General Fund net of earmarked reserve provision is £12.1 million. Overall the Council's usable reserves remain robust to enable the Council to respond to planned and unseen future events.

10. Future Challenges, Medium Term Financial Planning (MTFS)

The Council projects its finances over the medium term to ensure it is in a sustainable position to deliver essential public services and finance the delivery of its corporate plans. The MTFS looks to a four year horizon; enough to provide some stability over an increasingly volatile financial future, but short term enough so that the first year represents the budget proposals for 2021-22, and for the next three years there are a variety of themes included which form the basis of the future savings areas. The MTFS also includes information on financing the capital strategy and how the scale and profile of this strategy has an impact on the overall financial position of the Council. The longer term outlook is dominated by three key factors; firstly, the macro-economic recovery from the Covid-19 pandemic and the impact that this will have on the UK economy; secondly the impact on public finances of future Spending Reviews, and thirdly, the long awaited fair funding review and proposed further business rates retention proposals for 2022-23 and beyond which should have a significant impact on the Council's finances and hopefully provide some longer term financial planning certainty.

The delivery of the MTFS cannot occur through the Council alone. A significant proportion, 50%, of the Council's budget is delivered through partners in the private, public and voluntary sectors. The Council's proposals for future financial stability will involve all of these partners, including where there are proposals to invest in infrastructure, deliver core services and transform how the Council delivers its services in the future.

The delivery of the strategy is also dependent on the Government and most importantly the MHCLG (Ministry of Housing, Communities and Local Government) review of 'fair funding' and further business rates retention.

This fair funding review was originally due to impact on the 2020-21 budget but is now most likely to come into effect from 2022-23. The Review has not been consulted upon yet, so figures included in the MTFS are indicative, but the working assumption in the MTFS is:

- No new additional monies are provided to the Council
- The notion of no 'negative RSG (Revenue Support Grant) is maintained and incorporated into the new fair funding model
- That there is a hard reset of business rates to a new baseline so growth above the existing baseline is not retained by WBC – at a cost of £4m p.a. – but a transitional funding scheme comes into place to mitigate this impact over a 3 year period

- New Homes Bonus is removed – no assumption has been made on its replacement
- Council Tax referendum levels remain at 2% and ASC Council Tax precept levels revert to 2% from 2023-24
- Inflation remains at 2% in the longer term

The MTFS over the period 2021/22 – 2024/25 includes saving assumptions of £16.8 million alongside investment provision of £5.7 million in support of Council Strategy priorities, post Covid pandemic responses and increases in capital financing to support the Capital Strategy. Over the period 2021/22 to 2023/24 the Council has approved a Capital Strategy and supporting programme of £122.9 million.

11. The Future and COVID 19

The Council holds a variety of statutory and non-statutory receivables including Business Rates (also known as Non Domestic Rates), Council Tax, debtor balances, trade receivables, loans receivable and bank balances. Measures taken nationally to control the pandemic has resulted in significant economic losses (nationally) that have affected collection rates as businesses and individuals experience financial effects of the national lockdown pandemic response.

The uncertainty caused by the pandemic has also significantly increased volatility in markets, impacting on valuations on non-current operational and non-operational assets, but also in investment properties and assets held by pension funds. The impacts of this uncertainty is reflected within disclosure notes supporting the financial statements.

The economic impacts from the Covid pandemic are anticipated to create ongoing future economic challenges and uncertainty. To balance the budget there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future.

