

Appendix 3: Robustness of Estimates and Adequacy of Reserves (Statement to comply with Section 25, Local Government Act 2003)

The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.

The Section 151 Officer considers that the estimates which form the General Fund and Housing Revenue Account are robust and prudent, and the proposals are deliverable for 2022/23.

The Section 151 Officer also considers that the overall level of General Fund and Housing Revenue Account reserves are adequate for 2022/23.

The table below confirms the projected level of reserves available at March 2022.

Table 1 – Forecast Total Council Reserves at 1 April 2022

| Type of Reserve | 1 April 2022 Estimated Balance £000s |
|---|---|
| General Fund | 1,011 |
| Earmarked Reserves | 824 |
| Total Usable Revenue Reserves | 1,835 |
| Capital Reserves | 265 |
| Capital Grants Unapplied | 24 |
| Total Usable Capital Reserves | 289 |
| Ringfenced - Covid 19; Disabled Facilities and S31 Monies | 23 |
| Total General Fund Reserves | 2,147 |

The Section 151 Officer notes the following in respect of the General Fund:

a) The COVID-19 pandemic continues to affect the Council's operations and there may be variances in the budgeted position of income and expenditure in the new financial year, particularly on the General Fund. Some areas such as leisure have yet to fully recover from the impact of restricted use and this may continue into 2022/23, affecting our anticipated income from this contract. Other areas such as utilities, and gas in particular are becoming an increasing concern and may lead to further budget pressures. We have considered these areas carefully in our forecasts but this is a volatile area.

b) Additionally, the Council has made assumptions on its Medium Term Financial Plan modelling in regard to inflation on areas such as salaries and utilities. Any variance from these assumptions may result in a material pressure to add to the forecast budget gaps.

c) It is widely understood that in the future, all local authorities will face a reduction in core funding from the Government once changes to the current funding regime (in particular New Homes Bonus and Business Rates) are introduced – particularly against the backdrop of recovering from the impact of COVID-19 which also has the potential to affect the council's spending.

d) The Section 151 Officer is closely monitoring the progress of the Fair Funding Review, the Government's departmental multi-year Spending Review (which has been delayed a further year) and the redesign of the national Business Rates Retention System. The Council's current projections within the Medium Term Financial Plan (MTFP) make prudent and robust assumptions around the likely level of funding in light of these government-led reviews.

e) The updated MTFP presents a total deficit by 2025/26 of £859k. There are currently plans being explored to create new funding streams, but the cost of implementation and the timing of the streams is a risk.

The Section 151 Officer notes the following in respect of the Housing Revenue Account:

f) The Council's current projections with the HRA MTFP show a stable five year financial position when considering the level of reserves available to balance projected deficit years.