

**Section 151 Officer's statement on robustness of budgets and adequacy of reserves**

**Introduction**

The Section 151 Officer (S151 of the Local Government Act 1972) is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act which states the following:

- (1) Where an authority to which section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) or section 85 of the Greater London Authority Act 1999 (c.29) (Great London Authority) applies is making calculations in accordance with that section, the chief finance officer of the authority must report to it on the following matters-*
  - (a) The robustness of the estimates made for the purposes of the calculations, and*
  - (b) The adequacy of the proposed financial reserves.*
- (2) 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.*

This includes reporting and taking into account:

- The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.
- The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council.

This report has to be considered and approved by Council as part of the budget approval and Council Tax setting process.

### Assurance Statement of the Council's Section 151 Officer

The following are the summary assurances and recommendations of the Council's Section 151 Officer.

In relation to the 2025/26 budget, I have examined the proposals and believe that, while the spending and service delivery plans are challenging, they are achievable with strong political and management commitment, effective management, and thorough monitoring of performance and budgets. I am confident that the Council has sufficient management processes in place to deliver this budget and to address any unexpected issues that may arise during the year.

1. My assurance is conditional upon:

- The agreement of a Medium-Term Financial Strategy for 2025/26 to 2028/29.
- Recognising the inherent risk of volatility in the Council's major demand-led contracts, such as Waste and Leisure. Notably, the new leisure contract and its agreed management fee require close monitoring. Additionally, there are significant risks related to income levels and costs from waste services, due to the introduction of Extended Producer Responsibility (EPR) regulations and broader economic uncertainty.
- Inflation remained higher than forecast during 2024/25, and while it is expected to decrease in 2025/26, high levels are still embedded in the economy. Assumptions about future inflation levels have been made based on advice from the Council's Treasury Advisors, but rates remain uncertain and will impact the Council's costs and income. The staff pay award for 2024/25 was agreed at 2.5%, and this rate has been used for 2025/26.
- Recognising that the level of reserves and corporate risk assessment need to be regularly reviewed amid changing circumstances. The Council must demonstrate a commitment to maintaining reserves at a level that provides adequate cover for most identified risks during the planning period. This pragmatic approach reflects a clear commitment to prudent financial planning.
- Councillors, Directors, Service Managers, and Budget Holders are responsible for managing their services by carefully scrutinising spending decisions. They must adhere to the financial controls and checks outlined in the Council's Financial Regulations, Contract Standing Orders, and delegations, ensuring that spending remains within budget.
- That the Council has arrangements and resources in place to consider value for money, in preparation for future years' budgets.

2. There remains a high degree of uncertainty around income from Business Rates. While an external consultant has provided assurance on the budgeted figures, the income could still vary due to several factors, including the impact of appeals, the effects of continuing participation in the Essex Business Rates Pool, and any future changes in how the government adjusts the Business Rates baseline as part of a review of local government funding. These risks are managed through

the Business Rates Appeals Provision and the Council Tax and Business Rates Equalisation Reserve, which help mitigate volatility. Therefore, the risk of needing to draw on General Balances to manage this risk is considered low.

3. Regarding the adequacy of reserves, the overall position is that the authority has sufficient balances in the General Fund reserve to cover the period up to 2028/29, based on current Medium-Term Financial Strategy (MTFS) projections. The policy on reserves and the use of balances is reviewed and agreed annually as part of the MTFS.
4. Regarding the funding of the Capital Programme for 2025/26 – 2028/29, current balances are sufficient. However, there is a risk that capital reserves may be inadequate to fund future capital expenditure requirements. Consequently, borrowing may be necessary to finance future capital plans. This would have a revenue impact due to the need to make Minimum Revenue Provision and to cover interest costs, so it must be carefully considered to ensure affordability.

### Level of Reserves

The Local Authority Accounting Panel (LAAP) Bulletin 99) sets out the following categories of budget assumptions that Councils should consider when assessing the adequacy of their reserves.

Budget Assumptions	Financial standing and management assessment/impact
The treatment of inflation and interest rates	<p>The Council's main exposure is to changes in pay inflation and cost increases on major contracts, such as the waste and leisure contracts, as detailed in the expenditure breakdown below.</p> <p>Investment income is projected to decrease in 2025/26 due to lower interest rates. There is a risk that rates may be lower than budgeted, so a 25% reduction in income against the £0.664m budget should be accounted for in the Minimum General Balance levels at <b>£166k</b>.</p>
Estimates of the level and timing of capital receipts	<p>The capital programme is currently anticipated to be funded from within existing capital receipts. However, the Council has approved the use of internal borrowing (reserves) to fund the investment in Waste vehicles and leisure estate. The revenue implications are accounted for in the MTFS.</p>
The treatment of demand-led pressures	<p>The pandemic saw an increase in house waste and recycling. Services have adjusted to this, and further significant increases are deemed low risk.</p> <p>Due to a variety of factors, support for housing from the Council is increasing. This has been contained within existing grant funding to date but there is a risk this demand will increase further in 2025/26.</p>

## APPENDIX 5

<b>Budget Assumptions</b>	<b>Financial standing and management assessment/impact</b>
The treatment of planned efficiency savings / productivity gains	The savings proposed are achievable but will need to be monitored closely during 2025/26 to ensure they remain deliverable.
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments	The leisure contract was agreed in 2024/25. The proposed contract states the provider will pay a management fee each year, regardless of activity levels. The Council will initially fund the investment in the leisure estate of £5.71m over two years. The management fee payable will reimburse the Council for the cost of capital and any lost investment income. Therefore, reserve balances will be replenished by the end of the MTFS.
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions	<p>The Council takes a low-risk approach to insurance and does not seek to self-insure through reserves or other means.</p> <p>There is a budget for unexpected emergency planning events and the Council would take advantage of the Bellwin scheme for financial assistance in exceptional emergency circumstances.</p> <p>The council retains a provision for Business Rates appeals which is regularly reviewed by external advisors to ensure it remains adequate.</p> <p>There is an unbudgeted expenditure associated with the risk of successful planning appeals.</p>
The general financial climate to which the authority is subject	<p>Figures from the Local Government Finance Settlement have been incorporated into the budget. As it is a one-year settlement there is uncertainty for future years although the risk of future settlements being significantly lower than budgeted is assumed low, and therefore overall funding from central government is assumed to be flat in future years</p> <p>The high level of inflation is taken into account as far as possible within the budget, as well as potential impacts on collection rates and the business rates equalisation reserve, which also provides for fluctuations in income.</p>

Risk should also be considered in terms of the Council's largest areas of expenditure and income:

<b>Expenditure</b>	<b>£000</b>	<b>% of Gross Exp.</b>	<b>Risk Analysis</b>
<b>Employee Costs</b>	11,826	52%	The 2024/25 pay award was 2.5%, and the same increase is assumed for 2025/26 due to decreasing inflation. However, there are risks

**APPENDIX 5**

<b>Expenditure</b>	<b>£000</b>	<b>% of Gross Exp.</b>	<b>Risk Analysis</b>
			<p>in staying within the budget for 2025/26, particularly in areas like planning and finance that rely on costly agency staff. Additionally, growing service demands may require more staff.</p> <p>Despite these risks, no extra provision for employee costs is included in the Minimum General Fund Balance. The Corporate Leadership Team is committed to keeping costs within budget, a goal they have successfully met in previous years. This situation will be monitored throughout 2025/26.</p>
<b>Non Employees Costs</b>	10,627	48%	<p>Provision has been made for inflationary increases across non-employee expenditure, including on major contracts. Inflation is now expected to fall next year; however there remains a wider risk of uncontrollable demand pressures being higher than anticipated e.g. for waste and housing services such as Temporary Accommodation.</p> <p>There is also a more general risk of unforeseen costs pressures arising in any given year; therefore to provide a contingency against this it is deemed prudent to allow a 20% cushion for non-employee costs within the Minimum General Balances of just over <b>£2m</b>.</p>
<b>Total</b>	<b>22,453</b>	<b>100%</b>	

## APPENDIX 5

Income	£000	% of Gross Inc	Risk Analysis
<b>Refuse &amp; Recycling</b>	2,797	32%	Tonnage and prices can vary the income that is received by the Council. An additional £140k was included in the budget as prices for recycling increased to manage risk this figure should be available in reserves if prices change unexpectedly.
<b>Car Parking</b>	1,523	18%	The fees and charges have increased by 5%. There is a risk that increased prices could result in lower demand meaning the assumed budget for fees and charges is not achieved.
<b>Development &amp; Building Control</b>	1,091	13%	Demand for planning services remains strong; however, there is a risk that increased prices could reduce demand meaning the uplift assumed in the budget for fees and charges is not achieved.
<b>Property Rent and Leases</b>	477	5%	The Council's property profile has remained robust however it would be prudent to provide a 10% allowance of £47k to reflect the risk of voids given current market conditions.
<b>Attractions</b>	145	2%	There remains risk from uncontrollable factors such as the weather as well as demand slowing due to the cost-of-living crisis.
<b>Total</b>	<b>6,033</b>	<b>69%</b>	

It is prudent to account for the risks of recycling income volatility and property rental/lease voids. Additionally, a 5% contingency on the total Fees & Charges budget, amounting to £173k, should be included to cover potential lower-than-expected demand for discretionary services in 2025/26. This contingency should apply across the total fees and charges budgets, including car parking, planning services, and attractions income.

### **Breakdown of the Proposed Minimum General Fund Balance Requirement**

Risk Area	£000
Non-Employee Expenditure @20% of total	2,125
Recycling Income – additional amount added in 2024/25	140
Rents and Leases Income @10% of total	47
Reduction in Interest rates @25% of total investment income	166
Reduction in fees and charges @ 5% of total income	173
<b>Total</b>	<b>2,651</b>

**Based on the risks it is recommended the minimum general fund level remains at £2.6m. This represents 20% of total 2025/26 net service expenditure.**

Assurance

Given this context, as the Council's Section 151 Officer, I am content that the budget estimates for 2025/26, which have been presented for approval, are sufficient and robust enough to support the delivery of the strategic objectives of Maldon District Council. I, therefore, recommend this budget for Council approval.

I can also confirm that the levels of reserve balance are sufficient to cover expenditure and risks over the Medium-Term Financial Strategy (MTFS) period.

However, I must note that the budget is challenging and emphasise the importance of careful monitoring of the budget and reserves. Strong governance and internal controls are essential to ensure that budgets are managed sustainably, and new spending plans are assessed to be prudent and sustainable and consistent with the Corporate Plan.

**Ben Cookson, Interim Chief Finance Officer (Section 151 Officer)**