

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

1. Introduction

- 1.1 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.*
- 1.2 This includes reporting and taking into account:
- 1.2.1 The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.
- 1.2.2 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.
- 1.3 This report has to be considered and approved by Council as part of the budget approval and Council Tax setting process.

2. Assurance Statement of the Council's Section 151 Officer

- 2.1 The last 12 months have seen an increase in scrutiny of the section 25 assurances by the s151 officer, in the wake of the increase in s114 (effective bankruptcy) notices in recent years. The question being raised regards the thoroughness of review undertaken and the transparency of the disclosures arising. This statement is prepared with that in mind.
- 2.2 The following are the summary assurances and recommendations of the Council's Section 151 Officer.
- 2.3 In relation to the 2026/27 budget, I have examined the proposals brought forward and compared them to actual performance in the current year (2025/26). Current year results indicate that budgets are being effectively managed by budget holders. The consistency of planning assumptions year-to-year gives credibility to adequacy of budget planning assumptions for the coming year. Inclusion of a revenue budget as well as review of the core £2.6m of the General Fund Balance gives further confidence that the services that the council plans to deliver for local residents in the coming year will be provided without unnecessary interruption.
- 2.4 In considering the risks arising from the external environment, the budget has been prepared with due regard for:
 - 2.4.1 The impact of local government reorganisation.
 - 2.4.2 The potential for geo-political instability, with consequent impacts on supply chain price inflation and product availability.
 - 2.4.3 The risk and opportunity of digital changes, including cyber security and wider use of artificial intelligence.
 - 2.4.4 The unusual position of Maldon District Council as a small, coastal community. This both a benefit (e.g. tourism) and a risk (e.g. increased travel times for residents).
- 2.5 The proposals set out in the revenue and capital budget proposals have been extensively discussed with senior officers and the Finance Member Working Group. This has helped to build consensus around the key aspects of the proposals, notably that the coming years before reorganisation should see the council investing in assets in a way which ensure that the area is passed to a successor authority in good repair.
- 2.6 Consideration has also been given to the impact of changes in business property valuations on the collection fund. This remains an area of concern, but one that can be managed through the usual processes regular scrutiny of actual and anticipated performance and adjustments to financial management approaches as necessary.
- 2.7 Regarding the adequacy of reserves, the Ministry of Housing, Communities and Local Government (MHCLG) has indicated that a helpful benchmark position is to consider the ratio of usable reserves to core spending power (CSP). The current position is that the council holds usable reserves of around 1.3x CSP. This is widely regarded as a sufficient for most purposes (many councils hold usable reserves at a level of 20% of CSP or less).

Detailed modelling of likely calls on reserves in the coming years is included in the budget proposals to substantiate this view.

- 2.8 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.

3. Level of Reserves

- 3.1 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>Inflation has been provided for against staff costs, contract inflation, and the inflationary increase in fees and charges. These account for the majority of £654k of growth in base budgets from 2025/26 to 2026/27. Any further increase in national inflation above anticipated levels within the year will impact on pay negotiations and supplier prices for 2027/28.</p> <p>Interest rates are likely to fluctuate during the year. Current estimates assume that the latest interest rate projections transpire. Increased rates will lead to greater investment income (but also higher borrowing costs and potentially also some supplier costs) while decreased rates will lead to lower incomes (but with some benefits elsewhere).</p>
Estimates of capital receipts	There are no assets currently held for disposal.
The treatment of demand-led pressures	Demand pressures chiefly impact waste collection and housing services. No significant changes are expected to current levels of demand.
The treatment of planned efficiency savings / productivity gains	The savings proposed are based on changes to the recognition of specific items of costs and income. They are largely controllable and estimated based on 5 or more years of actual data. Productivity gains are built into base budget assumptions in terms of the expected level of growth in funding (nil) compared to the expected level of growth in demand (1% demographic growth plus 4% inflation pressures).
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 contract was signed early in 2025/26. The Member-led Partnership board with Places Leisure provides oversight of current activities and performance against plan. No new partnerships are expected during the MTFS period.

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Budget Assumptions	Financial standing and management assessment/impact
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 and collection fund impaired debt which is reviewed by external advisors to ensure it remains adequate.</p>
The general financial climate which the authority is subject to	Figures from the Local Government Finance Settlement have been incorporated into the budget. For the first time in 10 years, this is a multi-year settlement which means that indicative values for the next two years have also been published.

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

Expenditure Overall: £32.4m	£m	% of Gross Exp.	Risk Analysis
Employee Costs	£12.4m	38%	Staff pay costs are 38% of base budgets. Budgets have been based on the assumption of all posts being full for the whole year. Any additional funding for agency or interim staff has been included for a part year only, with a contingency budget retained by the Chief Executive. Revenue growth bids relating to posts are proposed to be funded from reserves. Any reduction in the extent of proposals will benefit the reserves not used as a result. There is no scope to increase staff costs without further decisions involving members.
Non Employees Costs	£19.1m	59%	This includes £9.2m rent allowances (housing) and £5.7m waste management. These are largely defined by contractual or similar arrangements and are not expected to fluctuate significantly.
Total	£31.5m	97%	

Income Overall: £18.5m	£m	% of Gross Inc	Risk Analysis
Rent allowances	£8.9m	48%	This income is linked to overall activity and so costs. Allowances are managed to keep income and spending in balance.
Refuse & Recycling	£2.9m	16%	Income from recycling has reduced through 2025/26 as a result in falling tonnage prices in the wider economy. Budgets proposed for 2026/27 have been adjusted to accommodate this.

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Income Overall: £18.5m	£m	% of Gross Inc	Risk Analysis
Car Parking	£1.1m	6%	Investment in car park re-surfacing combined with a freeze on increases for the current year is expected to ensure that income targets are met or exceeded. Actual usage will determine this.
Development & Building Control	£1.1m	6%	Demand for planning services remains good and the 2025/26 forecast outturn indicates that income targets are being exceeded.
Total	£14.0	76%	

4. Proposed Minimum General Fund Balance Requirement

- 4.1 There is no clear guidance on the level of reserves to be held as a minimum. The amount held in difference authorities varies depending on local circumstances, the view of the Chief Finance Officer (CFO) (S151), and the risk appetite of the authority.
- 4.2 Further to discussion with The Finance Member Working Group, the minimum balance has been agreed to be retained at £2.6m.
- 4.3 While there is no specific guidance, Grant Thornton have cited good practice which is to hold a minimum balance of 5% of net budget or 2% of gross budget. Using the 2026/27 proposed base budget values, this indicates a minimum balance to be held of around £0.7m.
- 4.4 Retaining the minimum balance at a level higher than recommended is acceptable as this provides additional headroom from which unanticipated pressures can be addressed. Such pressures could include a significant adverse impact arising from the business rates 'reset' or lower than the expected rate of collection of council tax.

5. Assurance

- 5.1 Given this context, as the Council's Section 151 Officer, I am content that the budget estimates for 2026/27, which have been presented for approval, are sufficient and robust enough to properly support the delivery of the service for residents of Maldon District Council in the coming year. 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.

Ben Jay, Director of Finance (Section 151 Officer)