

Statement of the Strategic Director (Resources)
Robustness of Estimates and Adequacy of Reserves

1 ROBUSTNESS OF ESTIMATES

The Council process for producing the budget estimates involves responsible budget holders and finance officers reviewing and projecting the Base Budget. The Probable Estimates are determined against a background of ongoing budget monitoring for the current financial year and an evaluation of the outturn position and Budgets carried forward from the previous financial year. The 2008/09 Estimates are determined by evaluating and costing all known changes, including pay and price levels, legislative changes, demands for services and policy developments. As the Council seeks to eliminate its underlying Budget gap the current Budget Process has rigorously reviewed current budgets to secure significant budget savings. A number of savings initiatives have been adopted and the Council's Forward Planning process has ensured that growth has been limited to legislative and essential Service improvements only. As part of the 2008/09 Budget process a concerted effort to close the Council's Budget Gap within its Medium Term Financial Strategy was made. A Leader's Services Priorities Group (LSPG) was established to seek to determine the relative priority of all the Council's services and against this background a dedicated Budget Review Team was established to seek to drive through required savings. The overall budget process is co-ordinated by the Accountancy Section in liaison with the various Service Delivery Units and the Council's Strategic Management Board. The Budget is recommended by the Executive, for approval by Full Council after it has been through the Scrutiny process required by the Council's Constitution. The process includes consideration of risks and uncertainties associated with projections of future pay, prices, interest rates and projected levels and timing of other potential liabilities.

Implementation of Job Evaluation is a major issue for the Council at the present time and has potentially significant financial implications. The financial impact of Job Evaluation has been incorporated in the 2008/09 budget process and updated Medium Term Financial Strategy, on the basis of estimates compiled as part of detailed modelling and negotiation.

The Council's Financial Regulations require responsible budget holders to ensure that net expenditure does not exceed the total of their Service budgets. Where, despite the assessment of risks that forms part of the Budget Process, a Budget comes under pressure during the course of the financial year, the Council's Budgetary Framework and Financial Regulations lay down appropriate procedures. Where budget variations cannot be contained overall by the use of virements, requests for supplementary estimates have to be submitted to the Executive or Full Council, as appropriate. Supplementary Estimates are met from available balances and reserves.

The Strategic Director (Resources) considers that the Estimates and the processes used to produce them are sound and robust.

2 ADEQUACY OF RESERVES

The Council's annual budgetary process and the assessment of the adequacy of Reserves are undertaken in the context of robust medium term financial forecasting. Whilst the Council currently has reasonably significant levels of Reserves, the Council's Medium Term Financial Strategy acknowledges that the majority of these will be utilised in the medium

term. Over the same period the Council will be required to eliminate the current Budget gap on its General Fund.

Total available General Fund balances and reserves as at 1st April 2008 are estimated to be £3.934m (after use of balances in 2007/08 of £2.641m, and after setting aside the minimum balance (previously agreed at £800,000). The minimum balance is that determined to be necessary to meet any unforeseen expenditure and/or losses of income arising in the year and to meet expenses arising in the year and to meet expenses arising before income is received.

Total available HRA balances as at 1st April 2008 are estimated to be £1.454m (after use of balances in 2007/08 of £0.893m), and after setting aside the minimum balance (agreed at £500,000).

It is estimated that the Council will have available Capital Resources of some £20m as at 1st April 2008. An exercise is in-hand to re-phase the Council's Capital Strategy in order to ensure that the Capital Programme through to 2012/13 can be maintained in Balance.

In assessing the adequacy of the Council's reserves, the robustness of its Budgetary Process and Systems of Internal Control, the assumptions and uncertainties discussed in the Budget report, and the levels of special provision have been considered.

In coming to a view on the adequacy of reserves, risks in the area of litigation, business continuity, civil emergency, failure of information systems, budgetary control and interest rate calculations have been considered in terms of the possible maximum financial impact and their probability of occurrence. Ongoing assessment of the financial risks to the Council, its budget and Medium Term Financial Strategy, are embedded as part of the Council's overall Corporate Risk Management processes. On this basis, the Strategic Director (Resources) considers the level of general balances is adequate for the 2008/09 financial year.

3 SPECIFIC RESERVES

As part of the budget preparation process, the current and projected levels of the Council's specific reserves have been considered. Following this review, the Strategic Director (Resources) confirms these reserves as projected continue to be required and are adequate to cover the purposes specified.