

**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 quarterly budget monitoring for the current financial year and an evaluation of the outturn position and Budgets carried forward from the previous financial year. The 2009/10 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 2009/10 Budget process the Council has continued to close the Council's Budget Gap contained within its Medium Term Financial Strategy. The Leader's Services Priorities Group (LSPG2) was re-established to seek to review the relative priority of all the Council's services established last year and review and challenge the savings and forward plan options put forward for consideration. 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 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. A provision was set up in 2007/08 to provide for the back pay which will be paid to staff once the scheme is agreed and implemented.

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, these have been reported to Members as part of the quarterly budget monitoring process. In addition 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.

The Council has risk assessed the level of General Fund balances required, based on information from service managers, this was presented to Members as part of the December Draft General Fund Budget report, the level of reserves required for 2009/10 is £1,534,000.

Total available balances and reserves as at 1st April 2009 are estimated to be £3,500,653 (after use of General Fund balances of £1,953,530 and Earmarked reserves of £131,070). Total balances and reserves as at 1 April 2010 are estimated to be £1,623,764 (after use of General Fund balances of £1,802,969 and earmarked reserves of £73,920). These levels of balances include the minimum balance, previously agreed at £800,000, needed to meet unforeseen expenditure arising in the year and to meet expenses arising before income is received.

Total available HRA balances as at 1<sup>st</sup> April 2009 are estimated to be £1,788,167 (after use of balances in 2008/09 of £1,295,080).

It is estimated that the Council will have available Capital Resources of some £18,000,000 as at 1<sup>st</sup> April 2009. An exercise to defer £8,000,000 from the capital programme was implemented in 2008/09 as a result of a significant reduction in projected capital receipts for both 2008/09 and 2009/10.

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 2009/10 financial year.

### **3 SPECIFIC RESERVES**

As part of the budget preparation process, the current and projected levels of the Council's earmarked 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 and are included in the risk assessment of General Fund balances of £1,534,000.