

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 2010/11 Estimates are determined by evaluating and costing all known changes, including pay and price levels, legislative changes, demands for services and policy developments. The Council has eliminated its underlying Budget gap for 2010/11 and the current Budget Process has rigorously reviewed current budgets to secure another year of 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 2010/11 Budget process the Council has continued to close the Council's Budget Gap contained within its Medium Term Financial Strategy. The Council's Strategic Management Board (SMB) met with the Executive Portfolio holders to 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.

The Council has needed to adapt to the unprecedented economic conditions as a result of the recession. In particular, improvements have been made in financial monitoring arrangements that now provide the Executive with a quarterly update on the performance of the budget, with action plans where significant adverse variances have resulted. The medium term financial strategy is also now under constant review to ensure that a clear financial position for the Council can be demonstrated for the next five years. This is necessary as we prepare for significant cuts in public expenditure and funding from the government over the next comprehensive spending review.

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 2010/11 is £1,444,832.

Total available balances and reserves as at 1st April 2010 are estimated to be £1,501,421 (after 2009/10 use of General Fund balances of £1,801,384 and Earmarked reserves of £42,028). Total balances and reserves as at 1 April 2011 are estimated to be £1,609,436 (after 2010/11 contribution to General Fund balances of £215,015 and use of earmarked reserves of £107,000). 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 1st April 2010 are estimated to be £1,903,415 (after use of balances in 2009/10 of £191,841).

It is estimated that the Council will have used its available Capital Resources as at 1st April 2010, this excludes the £6,122,000 set aside for income generation. Receipts due in 2010/11 will be used to resource the programme and the Council will look to borrow to fund part of the 2011/12 programme onwards. To date £11,500,000 has been deleted or deferred from the capital programme 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 2010/11 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 £1,444,832.