

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 2012/13 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 maintained a balanced budget for 2012/13 and the current Budget Process has rigorously reviewed current budgets to secure another year of necessary 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 2012/13 Budget process the Council has continued to meet the gap associated with the reduction in Government Grant, high inflation and further economic downturn 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 challenge to the budget process is provided by both the Leader's Service Priority Group and the Development and Scrutiny Committees for Resources and in the case of the HRA the Housing Development and Scrutiny Committee.

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 the significant cuts in public expenditure and funding from the government are realised following the 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 January Draft General Fund Budget report, the level of reserves required for 2012/13 is £2,544,839.

Total available General Fund balances as at 1st April 2012 are estimated to be £3,089,940 (after 2011/12 contribution to General Fund balances of £368,543). Total General Fund balances as at 1st April 2013 are estimated to be £2,847,412 (after 2012/13 contribution from General Fund balances of £242,528). These levels of balances meet the minimum level of risk assessed balances that are needed to meet unforeseen expenditure arising in the year and expenses arising before income is received.

Total available HRA balances as at 1st April 2012 are estimated to be £4,371,230 (after contribution to balances in 2011/12 of £685,920).

It is estimated that the Council will have available Capital Resources (capital receipts) as at 1st April 2012 of £391,105 and the Council will borrow £2,800,000 in 2012/13 to fund part of the General Fund programme, which is included with the 2012/13 estimates. To date more than £11,500,000 has been deleted or deferred from the capital programme as a result of a significant reduction in projected capital receipts for last three years. While the current borrowing included within the next five years capital programme is affordable within the General Fund MTFs, it is imperative for the sustainability of future investment in the Council's assets, that the Management Strategy is implemented.

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 to be adequate for the 2012/13 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 are £1,108,718 as at 1 April 2012 and continue to be required.