

Committee and Date

Cabinet
16 January 2014

Item

Public

STATEMENT OF CHIEF FINANCIAL OFFICER ON THE ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES 2013-16

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1. Summary

- 1.1. Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves.

2. Recommendations

- 2.1. That Cabinet approve the recommended level of general balances to support the 2014/15 revenue budget at £18.5m, noting that the projected balance will be below this for 2014/15;
- 2.2. That Cabinet note the projected recommended level for the following two years at £15.2m and £12.1m, and that the projected level of general balances will be brought in line with the target for 2016/17.

3. Background

- 3.1. Each year council considers a Statement of the Robustness of Estimates. Budget estimates are exactly that, estimates of spending and income made at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but gives members reasonable assurances that the budget has been based on the best available information and assumptions.
- 3.2. In order to meet the requirement on the robustness of estimates a number of key processes were put into place, including:
- Review of existing budgets on a zero based budgeting basis to ensure appropriate reflection of anticipated costs for services and functions as they are currently delivered and utilised as an on-going process in service redesign.
 - Separation of roles within the Finance Team in setting budget control totals, identifying budget requirement and inputting into the Finance System.

- The use of information identified through budget monitoring in 2012/13 to re-align budgets with current demand, for 2013/14;
 - Review by Finance Staff with Service Managers to understand the achievability, deliverability and timescales for all proposed service redesign.
 - Opportunity for Member review and challenge via Rapid Scrutiny.
 - Direct involvement of Cabinet Members throughout the business planning and budget setting process.
 - Reporting of the business planning and budget setting process to Scrutiny Committee for review and challenge.
 - Notwithstanding these arrangements, which are designed to test the budget throughout its various stages of development, considerable reliance is placed on Senior Managers having proper arrangements in place to identify issues, project demand data, and consider value for money and efficiency.
- 3.3. A key element in the development of the budget requirement of all services commissioned by the Council is the review of customer demand data, unit costs and existing service volumes to help identify the financial implications of redesigned services utilising a zero based budget approach. While these processes are understood and are being implemented, the significant amount of redesign work being undertaken by the Council at this time presents a risk in establishing a final and balanced budget for 2014/15. In previous years, it has been possible to deliver savings by taking known and quantifiable costs out of services within agreed timelines, leading to a robust budget being established for the remainder of the service ahead of the financial year commencing. Under redesign, the reconfiguration of the service under zero based budgeting principles does not readily identify the level of saving that can be applied to an existing service budget. Therefore, the approach has been taken that expected savings (which in themselves are tested by Finance Staff) will be removed from an existing service budget ahead of the redesign work establishing the revised budget requirement on a zero based budget approach. This may, therefore, lead to variances in the approved budgets that will need to be vired in the next Financial Year.
- 3.4. As part of this approach, it will be necessary to ensure that spending is monitored robustly until the process is completed, to ensure that the overall budget for the Council is balanced.
- 3.5. On an annual basis the Council also considers the level of reserves held, including the General Fund Balance, to assess whether they are adequate. There are two main approaches for deciding the optimum level of the general balances. One method is to set an arbitrary percentage of expenditure, however this generally has little reflection of the potential contingencies that the Council may need to draw on. An alternative, preferable, method is an approach based on a risk assessment of the budget.
- 3.6. This paper sets out the framework for a risk assessment approach. The issues the framework considers include strategic, operational and financial risks that the

authority is facing. This includes, for example, changes in external funding or the council's ability to deliver savings; the effectiveness of budget monitoring to identify variances from spending plans and trigger timely remedial action; the availability of other funds to cover costs – for example, from an insurance policy, or from the government under the Bellwin Scheme for emergency financial assistance; and the extent to which contingency is built into individual departmental budgets and the council's overall budget.

4. Risk Assessment

- 4.1. On an annual basis the Council will undertake a formal review of risks associated with the budget and Financial Strategy and identify balances at appropriate level compared to the risks. The development and introduction of this risk assessment is not intended to replace the Council's existing Risk Registers, rather that they should inform any revision of these Risk Registers.
- 4.2. The Risk Assessment is intended to form part of the onward Budgetary Control framework and used at Budgetary Control meetings with Service Area personnel and reviewed annually by the authority.
- 4.3. Throughout the budget process Members are able to assess the robustness of budgets and the achievability of savings, income and budget reductions. The key risks that remain are:
 - Changes to staffing arrangements through wide scale voluntary redundancy requests, restructure or remodelling of services or the overall Council Structure;
 - The delivery of service redesign proposals, savings targets and efficiency measures within the required timeframe;
 - Changes to the Capital Programme, to achieve the policy objective of eliminating Prudential Borrowing, unless it is self-funding;
 - Improvements in budgeting and/or associated systems, the implementation of which may throw up funding challenges;
 - The impact of changes on a national or regional basis that do not fall within the existing budget process; and
 - The impact of austerity measures including the recalibration of public sector funding in the final year of CSR 2010 and the 2013 spending round.
- 4.4. These assumptions and potential changing circumstances will require the forecasts for future years to be reviewed in each financial year leading to more detailed budgets being prepared for the next financial year and for the Medium Term Financial Plan. Impacts within year are reported to Members within the existing monitoring reports for both revenue and capital.

5. Robustness of Revenue Estimates

- 5.1. The 2014/15 budget process continues the trend of improving the Council's budget preparation, most notably in the budget re-alignment due to information and trend data drawn from the monitoring of the budget, as reported to Cabinet on a monthly or quarterly basis.
- 5.2. As part of developing the 2014/15 budget, members of the administration have considered available options and they are reflected in the proposed budget.
- 5.3. The position, over the remainder of the CSR 2010 and 2013 spending round is given in Table 1 below and shows the latest prediction, which is a funding gap of £80 million over the next three years

Table 1: Gross Resources and Expenditure Projections (£'000s)

	2014/15	2015/16	2016/16
Projected Resources	616,210	601,040	589,953
Current Projected Expenditure	657,741	662,707	669,953
Funding Gap	41,531	61,667	80,000
Year on Year Funding Gap		20,136	18,333

- 5.4. To improve the medium term financial planning for the authority it is proposed to undertake mid-term reviews of the medium Term Financial Plan every two years, extending the existing plan by two years at each review. Annex 1 shows the factors taken into account in developing the draft budget.

6. Capital Budget

- 6.1. The agreed programme is fully funded within the 3 year timescale. Projects have been costed at current year prices but may be subject to tender process after inclusion in the programme which may lead to variance in the final cost. In some areas, the design brief may not be finalised, again giving rise to potential price variance.
- 6.2. The risk of the Council being unable to fund variations outside of the programme is minimal mainly due to phasing of projects. If necessary the Council can choose to freeze parts of the programme throughout the year to ensure spend is kept within the agreed budget.
- 6.3. There are two main risks.
 - Firstly, the ability to deliver the capital programme within the agreed timescales. Slippage from 2013/14 is fully funded over the Financial

Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2014/15 programme.

- Secondly, the draft 3 year 2013-16 programme has an amount set aside for new starts based on the availability of capital receipts. In the continuing, difficult financial climate, these receipts may be lower than expected, which will have to be managed.

- 6.4 The capital programme will be actively managed and reprofiled during the course of the financial year to reflect scheme delivery timescales and revisions to funding agreements for projects. However at the end of the year, slippage within the programme normally occurs which had not previously been anticipated. This will be due to delays in delivery of schemes and the net of underspends and overspends against specific projects. As shown in Table 2 below, in 2012/13 there was slippage of £7.373m which represents 14.8% of the revised capital programme. Action has already been taken during the course of 2013/14 to reprofile budgets to future years to reflect latest data on project delivery.

Table 2: Three Year Capital position (£000's)

	2012/13	2013/14	2014/15
Capital Programme	+69,509	+68,411	+55,066
Reprofile Budgets	-12,455	-10,441	-
Revised Capital Programme	57,054	57,970	55,066
Slippage	-7,373	-	-
Actual Capital Programme	+49,681	+57,970	+55,066

- 6.5 The capital programme includes a target for capital receipts to be delivered to ensure the programme is fully funded and removing the need for prudential borrowing to be undertaken. This target generally decreases during the course of the year to reflect the reprofiled budget, however the full capital receipt target will still be required to fully fund the capital programme. In 2012/13 a total of £6.5m was delivered against an original target of £11.6m. It should be noted that whilst this only represents a delivery of 56%, this level of receipts was sufficient for the programme to be fully funded due to the reprofile of expenditure within the capital programme.

7. The Framework for the General Balance

- 7.1 A Framework has been developed to identify areas of risk with an appropriate budget amount, an assessed level of risk (high, medium and low) and a percentage factor which will vary according to the level of risk. This process produces a value from which a risk assessed optimum level of general balance can be created.
- 7.2 Nine areas of risk have been considered and these, with explanatory text, are set out in Appendix 1, while Appendix 2 provides a summary of the calculation for the general

balance. The risk based target is significantly higher in 2014/15 than in the following two years due to the risk around the increased savings targets and increased pressure on generating capital receipts in that year.

- 7.3 In addition, it is necessary to consider a mechanism for achieving the risk assessed level of reserves, without this very mechanism of delivery leading to an instability in the Council's finances. For this reason, it is necessary to phase increases in balances over the medium term, ensuring a minimum balance is maintained (currently 0.5% of gross revenue budget) with planned increases built into the Financial Strategy at appropriate, affordable points, should this be necessary.

8. Review of Earmarked Reserves and Provisions

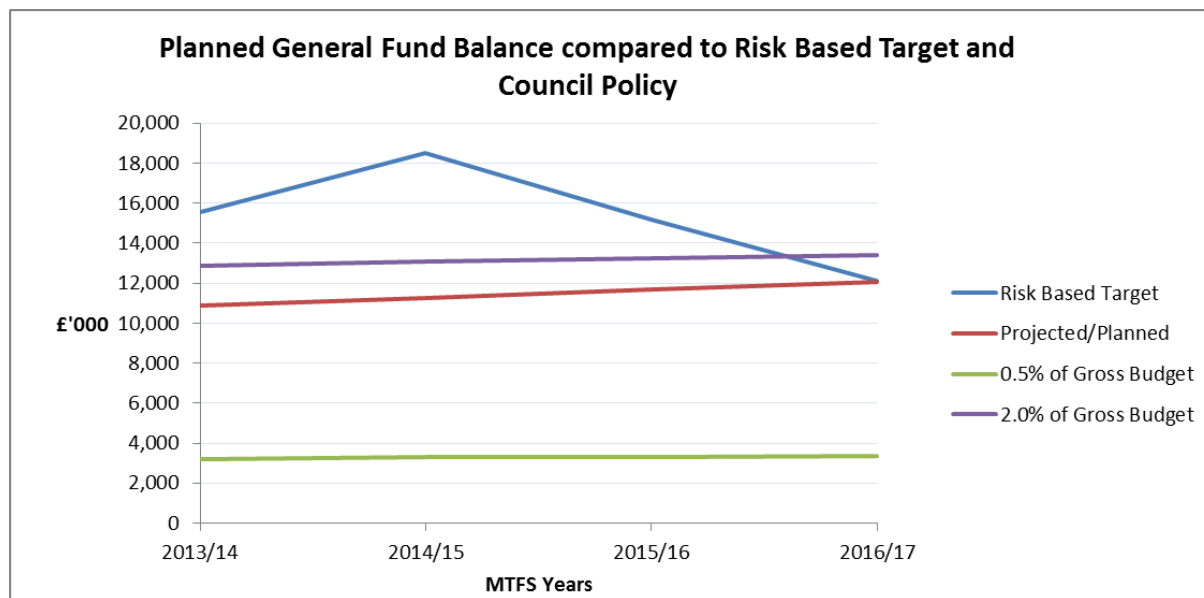
- 8.1 A review of the earmarked balances held by the Council has also been performed to establish the purpose of the reserves and the likely timescale that these reserves will be utilised.
- 8.2 Earmarked reserves are created to meet known or predicted requirements in the future. There are 5 main categories of earmarked reserves that the Council holds:
- Sums set aside for major schemes, such as capital developments, or to fund major reorganisations
 - Insurance Reserves
 - Reserves of trading and business units
 - Reserves retained for service departmental use
 - School Balances
- 8.3 The Council held balances of £42.989m in earmarked reserves at 31 March 2013. During the course of 2013/14 it is anticipated that a net £21.855m will be released from earmarked reserves to fund known commitments. A review of the remaining balances has indicated that a further £0.864m can be released that are no longer required. This amount will be released to the General Fund Balance. A full breakdown of the earmarked reserves is attached at Appendix 3 with details of the purpose of each reserve and the likely timescales for use of the funds.

9. General Fund Balance

- 9.1 It is essential in setting a balanced budget that the Council has money available in the event of unexpected spending pressures. The "balances" need to reflect spending experience and risks to which the Council is exposed.
- 9.2 The revenue monitoring reports have provided members with an updated projection on the General Fund. The only amendment required to the projection detailed in the Period 6 monitoring report is the release of the earmarked reserves as detailed above.
- 9.3 On the basis of the revised assumptions above, the projected General Fund Balance is provided below:

	Projection as per Period 6 (£'000)	Revised Projection (£'000)
General Fund Balances as at 31 March 2013	6,820	6,820
Budgeted contribution to General Fund Balance	5,909	5,909
Repayment of Overspend (County Training Yr3)	417	417
Repayment of Redundancies provided for in 2012/13	268	268
Release of Council Tax Subsidy underspend	(500)	(500)
Shortfall in budgetary savings	(282)	(282)
Projected outturn as at Period 6	(2,639)	(2,639)
Release of earmarked reserves		864
Projected General Fund Balance as at 31 March 2014	9,993	10,857

- 9.4 The Financial Strategy, agreed by Council anticipated a level of reserves by year end of £10.930m. The current projection shows that the General Fund balance is now anticipated to be £10.857m.
- 9.5 The Financial Strategy recognised that balances need to be increased to the risk assessed level and additional base budget contributions over the last 2 years have increased the balance to its current level. These additional base budget contributions have been removed within the 2014/15 budget strategy. Whilst the General Fund Balance will be significantly lower than the risk based target in 2014/15, as shown in the graph below, the risk based target reduces in future years and the Council's projected contributions to the General Fund will bring the balance in line with the target by 2016/17.



List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

Keith Barrow - Leader

Local Member

All

Appendices

Appendix 1: Analysis of Budget Assumptions and Financial Risks, including the Council's Financial Management Arrangements and Appropriate Mitigation

Appendix 2: Risk Based Calculation of General Fund Balances

Appendix 3: Earmarked Reserves

Analysis of Budget Assumptions and Financial Risks, including the Council's Financial Management Arrangements and Appropriate Mitigation

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
1. The treatment of inflation	<p>There are two key issues in relation to inflation.</p> <ul style="list-style-type: none"> There may be some items of expenditure – fuel or energy costs for example - where any estimate of inflation is a 'best guess'. The risk assessment puts a figure to the higher level of inflation that would seem to be unreasonable to include in a budget, but might come to pass. Information is less accurate for years 2 and 3; the risk assessment covers the higher range. <p>At the present time it is difficult to predict the direction that the wider economy will take and thus the level of inflation required.</p>	<p>Pay – 1% has been provided in the 2013/14 budget to reflect the pay award for staff with 1% thereafter. Any increments awarded have also been funded within the service budgets based on existing staffing levels.</p> <p>The actuarial valuation for pension contributions has resulted in an increase in the ongoing contribution rate from 11.7% to 13.5%. The valuation has also stated a reduction in the lump sum which has been reflected.</p> <p>Price inflation has been provided on contractually or quasi-contractually committed budgets at the rate stated in the relevant agreement.</p>
2. Interest rates on borrowing and investment	<p>This issue here are similar to those in 1 above, but for a specific area.</p> <p>The Council's policy of generating capital receipts to prevent new borrowing, and allowing existing borrowing to mature has resulted in a reduction in available cash balances to invest. The level of interest rates on investments has also dropped to record lows resulting in reduced returns on cash balances. In the past it was possible for the Council to lend money and get a better interest rate than it was paying for borrowed money.</p> <p>The Council's borrowing has been undertaken at fixed rates of interest and so the level of interest payable is not considered as a risk to variable rates. However if borrowing should be required, there is a potential risk that any new borrowing may not be secured at similar interest rates to those currently budgeted for.</p>	<p>Interest receivable budgets have been set based on 2013/14 profile of the interest gained on cash balances held. These range from investments for 12 months gaining 2% to short term call accounts which gain only 0.25%.</p> <p>Interest rates have been set at 5.41% for all borrowing costs based on current interest rates.</p>
3. Estimates of the level and timing of capital receipts.	<p>The Council has developed an asset management strategy and has a policy of reducing borrowing costs around the capital programme where possible. Therefore the capital programme is dependent on the delivery of capital receipts. The planned receipts estimated to the Council are made more difficult due to reducing market values and problems for potential procurers in obtaining finance.</p>	<p>Capital receipts are monitored monthly in the capital monitoring report and are RAG rated in terms of their anticipated delivery against target.</p>

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
<p>4. The treatment of demand led pressures</p>	<p>There are long standing areas of risk due to volatility, where we budget for demographic changes in future years, but might find the actual is at the higher end.</p> <p>Two areas specifically affected by demography are adult social care and children's social care, where we have seen significant budget pressures due to increasing numbers of clients receiving care packages.</p>	<p>All Managers review their base budgets including demand led pressures. Services are expected to put forward management and policy actions to manage the additional demand within the relevant legislation either within the relevant budget or reprioritising within their Service budgets. If this is not possible and under-spending management action or policy actions in other Services are not sufficient to cover the additional demand, then reserves may have to be used to address the additional expenditure temporarily.</p> <p>Such an eventuality has been considered in future years' budgets and it is assumed that general fund reserves are restored to an appropriate prudent level over the course of the MTFS.</p> <p>The 2014/15 budget has been based upon budget monitoring and projections made by Heads of Service of demand in future years.</p>
<p>5. The treatment of efficiency savings</p>	<p>The budget includes improvement programmes that will deliver savings; the risk is that they may be delivered at a slower rate.</p> <p>This includes total savings targets of £80m over the next three year period projected in the Financial Strategy which will have risks involved in terms of delivery, and also the delays in delivery.</p>	<p>All Managers have a responsibility to ensure the efficient delivery of services and when efficiency savings are proposed that those savings are both realistic in terms of the level of savings and timing.</p> <p>Should the level and timing of such savings vary due to unforeseen events and under-spending, management action or policy actions within the relevant Service Area and corporately will be implemented where appropriate. Alternatively the General Fund Balance will be utilised as a temporary funding mechanism until the full savings are achieved.</p>
<p>6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments</p>	<p>The Council has set up a wholly owned company which it plans to be a vehicle for service delivery in the future. Other delivery vehicles are also being considered by service areas. Full business cases are required for any services being considered for transfer to an alternative service vehicle.</p>	<p>The sharing of risk is in accordance with the principle of the risks being borne by the party best placed to manage that risk. Inherent risks include any guarantee or variation of service throughput (service volumes). If risks materialise the expectation is that such an eventuality will be considered in future years' budgets.</p> <p>Business cases for any new delivery vehicles will fully investigate any financial risks that the Council may face in the future and the MTFP updated accordingly.</p>

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
<p>7. The availability of other funds to deal with major contingencies</p>	<p>Were a disaster to occur, we have to have a reserve in place to pick up costs that will fall to the Council.</p> <p>The impact of flooding within the Council area based on present experience is that it is limited to localised pockets.</p> <p>The geographical area covered by the Council has encountered budget pressures in recent years due to extreme weather conditions and additional costs such as snow clearance particularly in winter. An additional £1m was added to the Severe Weather budget in 2011/12 to help mitigate this, but overspends in previous years have, at times, been in excess of this growth level.</p> <p>Other disasters such as those relating to ICT could occur on a one off basis.</p>	<p>The minimum level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the minimum level of reserves may have to be used.</p> <p>An earmarked reserve has been established for Severe Weather however any pressure not covered by this reserve would need to be funded from the general fund balance. A risk based approach in calculating the general fund balance takes into consideration the types of incidents and costs associated and this is reviewed annually.</p> <p>The Council's insurance arrangements are a balance between external insurance premiums and internal funds to "self-insure" some areas. Premiums and self-funds are reactive to external perceptions of the risks faced by the Council which includes both risks that are generic to all organisations and those specific to the authority.</p> <p>The level of the Insurance Reserve has been reviewed and is judged to be adequate, the position being that estimated outstanding liabilities are covered by the balance on the Reserve.</p> <p>Any major incident or emergency may result in significant costs to the Authority. Depending on the incident concerned, the Council may be able to recover such costs through the Bellwin Scheme however the Council would need to cover any expenditure up to the agreed threshold level. This level is fully included within the Council's general fund balance.</p>
<p>8. Impact on council funding of announcements of national changes</p>	<p>Council funding is always subject to change, especially in the current economic climate. However the Budget Strategy takes account of projected changes in the Revenue Support Grant and specific government grants.</p>	<p>The only risk factor included is in relation to the Housing Benefits grants which the Council receives. Changes are planned for welfare benefits which may increase the Council's exposure to costs over and above the grant that is received. This has been factored into the General Fund risk based calculation.</p>
<p>9. The overall financial standing of the authority (level of, debt outstanding, council tax collection rates etc)</p>	<p>Change may mean doing things in a way for which we have no ready evidence and any assumptions made may be wrong. Additionally, the areas of change will alter over time.</p>	<p>The level of aged debt within the sundry debtors figure is monitored closely and any debts at risk are highlighted with budget managers during the course of the year so that the appropriate action may be taken. Bad debt provisions are maintained to</p>

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action																					
	<p>An allowance for budget pressures has also been built in to accommodate any corrective action that needs to be taken if the assumptions about changes in service delivery should change.</p> <p>In the current economic downturn the risk of collecting all income due to the Council is enhanced, which includes all sundry debt, and charges relating to Council Tax and NNDR. Any such pressure identified should be evaluated and provided for.</p> <p>Income from fees and charges is also vulnerable to change based on the current economic climate. This is likely to continue and is adjusted for within the Financial Strategy, but is subject to short term negative variations from year to year.</p>	<p>protect the budget against any such pressures, but should these not be sufficient, the general fund would be used.</p> <p>The assumed Council Tax collection rate for 2014/15 onwards is 97.5% and is judged to be achievable based on previous experience. Legislation states that any Collection Fund surplus/deficit be corrected through the Council Tax in the next year. The surplus is distributed in 2014/15.</p> <p>An income review has been produced for Cabinet on the income from fees and charges. This review has considered the level of income as monitored in the monthly revenue monitors to Cabinet, and considered the impact of increases in charges, or the freezing of charges on the 2014/15 budget.</p>																					
10. The authority's track record in budget and financial management.	<p>Any overspend realised in a financial year would result in the use of the general fund balance. The Council has identified that general fund balances need to be in place in order to protect the Council against specific financial risks, and so any general overspend due to weaknesses in budget management, undermine any planned action being taken on the General Fund Balance.</p> <p>Financial management needs to be considered across all service areas of the Council. If a particular service area is unable to manage a particular overspend pressure, this may present a need to use general fund balance in the current financial year. Also this may have implications on future level of balances if no action is taken to reduce the spending pressure for the service area in future years or offset by compensating savings.</p>	<p>The Council's recent track record in budget and financial management 2009 to 2014 shows potential variations from a £2.6m overspend to a £2.7m underspend (a range of £5.3m).</p> <table border="1" data-bbox="987 1024 1463 1402"> <thead> <tr> <th>Financial Year</th><th>(£'000)</th><th>Underspend/ Overspend</th></tr> </thead> <tbody> <tr> <td>2009/10</td><td>919</td><td>Over</td></tr> <tr> <td>2010/11</td><td>518</td><td>Over</td></tr> <tr> <td>2011/12</td><td>(2,709)</td><td>Under</td></tr> <tr> <td>2012/13</td><td>284</td><td>Over</td></tr> <tr> <td>2013/14*</td><td>2,639</td><td>Over</td></tr> <tr> <td>Total 2009 to 2013</td><td></td><td>Over</td></tr> </tbody> </table> <p>* As projected at Period 6 monitoring</p> <p>This has been achieved by considerable management and policy actions to ensure spending is in line with the budget each year.</p> <p>Ultimately, financial performance relies on all budget holders actively managing their budgets and complying with financial regulations, including not committing expenditure if there is no budget provision available.</p> <p>The authority needs to continually improve its ability to manage in-year budget pressures. The following steps are already in place:</p>	Financial Year	(£'000)	Underspend/ Overspend	2009/10	919	Over	2010/11	518	Over	2011/12	(2,709)	Under	2012/13	284	Over	2013/14*	2,639	Over	Total 2009 to 2013		Over
Financial Year	(£'000)	Underspend/ Overspend																					
2009/10	919	Over																					
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Total 2009 to 2013		Over																					

Appendix 1

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
		<ul style="list-style-type: none"> • Overspends are ringfenced to services, carried forward and offset against the following year's budget • Accuracy of projections has been improved over the year, but further work is required, particularly in light of redesign work being undertaken. • The monitoring system continues to be improved in terms of accuracy, the frequency of reporting and the challenge process. <p>It has been recognised that the financial information and reporting arrangements needs to be strengthened. Therefore the development of the Collaborative Planning tool is now used within the Council to improve the financial information provided and the consistency of financial reports produced.</p> <p>The Council's virement and carry forward rules are clear and detailed in the Constitution.</p>

APPENDIX 2

Risk Based Calculation of General Fund Balances

2013/14			AREA OF RISK	2014/15			2015/16			2016/17		
Budget £000	Risk Level	Value £000		Budget £000	Risk Level	Value £000	Budget £000	Risk Level	Value £000	Budget £000	Risk Level	Value £000
			Inflation									
110,998	0.25%	277	Salaries	99,321	0.25%	248	93,660	0.25%	234	88,508	0.25%	221
13,509	2.00%	270	Premises	12,088	2.00%	242	11,399	2.00%	228	10,772	2.00%	215
18,013	1.00%	180	Transport	16,118	1.00%	161	15,200	1.00%	152	14,364	1.00%	144
53,556	0.25%	134	Supplies & Services	47,922	0.25%	120	45,190	0.25%	113	42,705	0.25%	107
130,541	0.25%	326	Third Party Payments	116,808	0.25%	292	110,150	0.25%	275	104,092	0.25%	260
68,289	0.25%	171	Transfer Payments	61,105	0.25%	153	57,622	0.25%	144	54,452	0.25%	136
394,906		1,359		353,362		1,216	333,221		1,147	314,893		1,083
			Interest Rates									
269,375	0.00%	0	Borrowing	259,475	0.00%	0	254,475	0.00%	0	245,675	0.00%	0
9,900	1.00%	99	PWLB	5,000	1.00%	50	8,800	1.00%	88	5,000	1.00%	50
93,850	0.50%	469	Investment	93,850	0.50%	469	93,850	0.50%	469	93,850	0.50%	469
		568				519			557			519
			Capital Receipts									
9,200	0.00%	0	Land Sales	22,759	11.00%	2,503	11,405	25.00%	2,851	9,601	8.50%	816
		0				2,503			2,851			816
			Demand led Pressures									
69,385	10.00%	6,939	Adult Social Care	69,385	1.00%	694	69,385	1.00%	694	69,385	1.00%	694
9,930	10.00%	993	Childrens Social Care	9,930	1.00%	99	9,930	1.00%	99	9,930	1.00%	99
		7,932				793			793			793
			Efficiency Savings									
23,877	5.00%	1,194	13/14 non achievement of savings	0	0.00%	0	0	0.00%	0	0	0.00%	0
0	0.00%	0	14/15 non achievement of savings	41,531	5.00%	2,077	41,531	2.50%	1,038	41,531	0.00%	0
0	0.00%	0	14/15 slippage of savings	41,531	10.00%	4,153	41,531	0.00%	0	41,531	0.00%	0
0	0.00%	0	15/16 non achievement of savings	0	0.00%	0	20,135	5.00%	1,007	20,135	2.50%	503
0	0.00%	0	15/16 slippage of savings	0	0.00%	0	20,135	10.00%	2,014	20,135	0.00%	0
0	0.00%	0	16/17 non achievement of savings	0	0.00%	0	0	0.00%	0	18,334	5.00%	917
0	0.00%	0	16/17 slippage of savings	0	0.00%	0	0	0.00%	0	18,334	10.00%	1,833
		1,194				6,230			4,059			3,253
			Partnerships, Outsourcing arrangements									
500	Quantum	500	IP&E	500	Quantum	500	500	Quantum	500	500	Quantum	500
		500				500			500			500
			Insurance and Emergency Planning									
3,976	0.00%	-	Provision	3,976	0.00%	-	3,976	0.00%	-	3,976	0.00%	-
2,555	0.00%	-	Reserve	2,555	0.00%	-	2,555	0.00%	-	2,555	0.00%	-
50	Quantum	50	ICT Disaster	100	Quantum	100	100	Quantum	100	100	Quantum	100
50	Quantum	50	Other Incident	50	Quantum	50	50	Quantum	50	50	Quantum	50
775	Quantum	775	Bellwin	775	Quantum	775	775	Quantum	775	775	Quantum	775
2,672	10.00%	267	Severe Weather	2,672	40.00%	1,069	2,672	40.00%	1,069	2,672	40.00%	1,069
		1,142				1,994			1,994			1,994
			Funding Changes									
61,598	0.25%	154	Housing Benefits	61,598	0.25%	154	61,598	0.25%	154	61,598	0.25%	154
		154				154			154			154
			General Financial Climate									
4,339	5.00%	217	Landfill Costs	4,339	5.00%	217	0	5.00%	0	0	5.00%	0
6,700	5.00%	335	Debt Collection	5,000	5.00%	250	4,000	5.00%	200	3,000	5.00%	150
116,050	0.50%	580	Collection Fund	115,864	0.50%	579	116,096	0.50%	580	116,328	0.50%	582
38,370	0.25%	96	NNDR Business Rates	38,677	0.25%	97	38,677	0.25%	97	38,677	0.25%	97
15,616	2.00%	312	Discretionary Income	15,616	2.00%	312	15,616	2.00%	312	15,616	2.00%	312
60	0.00%	0	Planning Inquiries	100	Quantum	100	100	Quantum	100	100	Quantum	100
		1,540				1,555			1,289			1,241
13,000	0.00%	0	Redundancy	13,000	15.00%	1,950	13,000	6.00%	780	13,000	6.00%	780
231,532	0.50%	1,158	Additional Budget Pressures	219,678	0.50%	1,098	206,326	0.50%	1,032	195,694	0.50%	978
		1,158				3,048			1,812			1,758
		15,547	TOTAL			18,513			15,156			12,112

Earmarked Reserves

	Balance as at 31 March 2013 £'000	Anticipated movement in 2013/14 £'000	Movement due to Review £'000	Projected Balance as at 31 March 2014 £'000	Purpose of Reserve and Timescale of Release
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations					
Revenue Commitments for Future Capital Expenditure Reserve	2,211	-1,711	0	500	This funding is fully committed to capital programme in 2013/14. However it is anticipated that some of the schemes may slip into 2014/15 and therefore the projected balance will be required in future years.
Transformation	1,867	0	0	1,867	This was established from the underspend on the transformation fund in 2011/12 and 2012/13. This balance is considered necessary for future investment required to deliver service redesign projects highlighted in the Business Planning work.
Voluntary Early Retirement/Severance	465	6,033	0	6,498	Funds were allocated to this reserve to fund known pension strain costs to be incurred in 2013/14. This cost will be incurred, however a further contribution will be made to this reserve to provide for future potential redundancy costs expected from achieving budgetary savings.
Insurance Reserves					
Fire Liability Reserve	1,857	-50	0	1,807	Funds held in order to cover the cost of excesses on all Council properties. The balance held in this reserve will always be held as long as the Council has insurance excesses to cover.
Motor Insurance Reserve	727	22	0	748	Funds held for costs not covered under the Council's motor insurance policy. The balance held in this reserve will always be held as long as the Council has insurance excesses to cover.
Reserves of trading and business units					
Shire Catering and Cleaning Efficiency	143	-143	0	0	Any underspends generated by Shire Services are contributed to this reserve for investment in future years. The balance currently held from 2012/13 will be used to fund any overspend generated within the service.
Reserves retained for service departmental use					
Council Elections Reserve	43	0	-43	0	This balance was held to fund any additional costs of the 2013/14 election. This has been fully funded within the base budget and so the balance is no longer required.
Economic Development Workshops Major Maintenance Reserve	280	45	0	325	Funds identified and committed to any Repairs and Maintenance required on the Economic Development Workshops. Funds will be called on and released as required.
Landfill Allowance Trading Scheme Reserve	0	0	0	0	Notional accounting entry therefore balance required to offset balance sheet entries.
Legal Disbursements Reserve	50	0	-50	0	This included contingency sums for child care case, however additional base budget provision has now been included in order to release this reserve.
Local Services Support Grant Reserve	3,394	-3,340	-54	0	Specific commitments identified from unspent grant. The majority has been fully committed in 2013/14 however an uncommitted balance has been identified which can be released.
Local Joint Committee Reserve	209	-209	0	0	This reserve was held for any uncommitted balances from Local Joint Committees at the end of each financial year. This balance will be fully released in 2013/14.
Major Planning Inquiries Reserve	482	-24	-70	388	This reserve is used to meet the one-off costs of major planning inquiries. The current schedule of commitments against this reserve detail that this reserve will be fully utilised in 2015.

APPENDIX 3

	Balance as at 31 March 2013 £'000	Anticipated movement in 2013/14 £'000	Movement due to Review £'000	Projected Balance as at 31 March 2014 £'000	Purpose of Reserve and Timescale of Release
New Homes Bonus Reserve	4,435	-2,253	0	2,182	This reserve includes any allocations of New Homes Bonus Grant that the Council has received but commitments have not yet been realised. The current schedule of commitments plans for almost half of this balance to be required in 2013/14 and the remaining balance will be utilised in future years.
People Services Reserve	107	0	-107	0	This was established to safeguard the council against pressures within Adult and external children's placements given the service areas volatility. A residual amount remained at the end of 2012/13 and it has now been determined that this can be released.
PFI Building Equipment Replacement Reserve	12	-12	0	0	This was established in 2007/08 to fund replacement equipment in PFI buildings. The balance held will be fully committed in 2013/14.
Public Health	793	-793	0	0	This reserve was created to cover residual costs of Public Health that the NHS had committed to prior to transition. The balance held will be fully committed in 2013/14.
Resources Efficiency Reserve	834	-406	-41	387	Established for investment in new developments, particularly information technology, that service areas would not be expected to meet. The current schedule of commitments against this reserve detail that this reserve will be fully utilised in 2015.
Severe Weather Reserve	710	0	0	710	Balance held as a contingency sum for the costs of winter maintenance. Funds will be called on and released as required.
Shropshire Waste Partnership Reserve	20,258	-19,635	0	623	This reserve contained the budgeted contributions in the early years of the Waste PFI contract that are required to smooth the step up in the Unitary Charge once additional facilities come on line. The Council has now built provision in the base budget to fund this stepped increase and therefore the majority of the balance on the reserve can be released.
Theatre Severn R&M	29	0	0	29	Funds identified and committed to any Repairs and Maintenance required on the Theatre. Funds will be called on and released as required.
TMO Vehicle Replacement	2,012	0	-500	1,512	Required to meet the costs of replacement vehicles by the Integrated Transport Unit. Current replacement schedule has a value of £1.5m.
School Balances					
Education - Staff Sickness Insurance Reserve	568	170	0	738	School contributions for specific insurance scheme. Balance to be held in reserve will be determined at year end when all school contributions received, and details of commitments against reserve are finalised.
Education - Theft Insurance Reserve	183	50	0	233	School contributions for specific insurance scheme. Balance to be held in reserve will be determined at year end when all school contributions received, and details of commitments against reserve are finalised.
Schools Building Maintenance Insurance Reserve	1,323	400	0	1,723	School contributions for specific insurance scheme. Balance to be held in reserve will be determined at year end when all school contributions received, and details of commitments against reserve are finalised.
TOTAL	42,989	-21,855	-864	20,270	