Shropshire Council

Committee and Date

Cabinet
8 February 2017

STATEMENT OF CHIEF FINANCIAL OFFICER ON THE ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES 2016-20

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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

Members are asked to:

A Approve the recommended level of general balances to support the 2017/18 revenue budget at £13.29m, noting that the projected balance will be above this for 2017/18;

B Note the projected recommended level of general reserves for the following two years at £16.80m in 2018/19 and £33.68m in 2019/20.

C. Note that the Council General Fund Balance and/or Financial Strategy Reserve may be amended as required to facilitate any amendments required to the Financial Strategy following receipt of the Final Local Government Financial Settlement.

3. Background

3.1. Each year council considers a Statement of the Robustness of Estimates. Budget estimates are 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 in an objective and systematic manner gives members reasonable assurances that the budget has been based on the best available information and assumptions.

3.2. In order to meet the requirements for the robustness of estimates a number of key processes were put into place, including:

- Review of expenditure and resources for the entire council for next three years to identify the underlying viability of the council's resource envelope when compared to cost.

- Review of existing budgets and focus on key risk areas as part of the budget setting and budget monitoring process. For example, our key risk area in terms of budget size and volatility is Adult Services. Over the last twelve months, key personnel have been gaining a better understanding of cost drivers within the new operating model for this service area. As a result we have a better understanding of the pressures in this area and have used this in the modelling of future costs.
- Identification of the in-year and the full year impact of any variations compared to budget. This ensures that the underlying budget and any pressure can always be separately identified and arrangements to manage pressures (for example by the use of one-off resources) is undertaken in an open and transparent mechanism, approved by Cabinet.
- The Financial Strategy and Budget Monitoring Reports are updated and reported to Cabinet on a quarterly basis. In this period of unprecedented uncertainty in terms of Local Government funding and spending pressures, the latest position is always reported transparently even though this position can change significantly from one reporting period to the next.
- Separation of roles within the Finance Team in setting budget control totals, identifying budget requirement and inputting into the Finance System which is subject to review by Internal Audit as part of the Council's Internal Audit Plan.
- Review by Finance Staff with Service Managers to understand the achievability, deliverability and timescales for all proposed service redesign.
- 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, performance information and to consider value for money and efficiency.

3.3. 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.

3.4. 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 challenge and assess the robustness of budgets and the achievability of savings, income and budget reductions. The key financial risks that remain are:

- Changes to staffing arrangements through redundancy, restructure or remodelling of services or the overall Council Structure;
- The delivery of service redesign proposals, savings and income targets and efficiency measures within the required timeframe;
- Improvements in budgeting and/or associated IT 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
- Lack of clarity from Central Government on the future funding levels and changes to Local Government powers and financing, plus increased uncertainty re: local resources, which inhibits the ability to calculate future budgets.
- Inability to set a sustainable budget with the resources available, resulting in services not being delivered or a legal budget not being set from 2017/18 and beyond.

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 Strategy. 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 2017/18 budget process continues progress in improving the Council's budget preparation, most notably in the process of medium term forecasting due to information and trend data drawn from the monitoring of the budget and associated systems, reported as a minimum to Cabinet on a quarterly basis.

5.2. As part of developing the 2017/18 budget, Council Members have had the opportunity to consider available options, implications and impact on outcomes, and these are reflected in the proposed budget.

5.3. The development of the 3 year financial strategy has reported on the Council's need for services to be fully funded from sustainable resources over the next five years and the move towards this is demonstrated in the resources and expenditure projections given in Table 1 below. This is reflected in the Council's Business Plan and Financial Strategy, which has identified a funding gap of £36.6 million over the three years to 2019/20.

Table 1: Gross Resources and Expenditure Projections

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Projected Resources	558,693	556,000	556,218
Current Projected Expenditure	574,881	579,822	592,815
Funding Gap	**16,187**	23,822	36,597
Year on Year Funding Gap		**7,635**	**12,775**

5.4. Savings proposals have been identified for 2017/18 and 2018/19 and even though almost 25% are currently RAG rated red, it is considered that these are achievable and so progress against these proposals will be monitored carefully to consider the impact on the budget strategy.

5.5 It should be noted that the Council is still awaiting details of the Final Local Government Settlement and therefore any changes announced to the Provisional Settlement Funding announced may result in further changes to the above projected resources and funding gap. Should this occur, the Section 151 Officer in consultation with the Leader of the Council has requested devolved responsibility to make amendments following the receipt of the Final Settlement and will use either the Council's General Fund Balance and/or Financial Strategy Reserve to fund such late amendments.

5.6 To improve the medium term financial planning for the authority it is proposed to undertake mid-term reviews of the medium Term Financial Strategy every three years (with a refresh in intervening years. 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 however this is heavily dependent on the Council generating significant levels of capital receipts. Projects have been costed at current year prices but may be subject to tender process after inclusion in the programme which may lead to a 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 2016/17 is fully funded over the Financial Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2017/18 programme.
- Secondly, the draft 3 year 2016-19 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 2015/16 there was slippage of £7.4m which represents 14% of the revised capital programme. Action has already been taken during the course of 2016/17 to reprofile budgets to future years to reflect latest data on project delivery.

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

	2015/16	2016/17	2017/18
Capital Programme	+51,543	+55,868	+66,058
Reprofile Budgets	+337	-1,917	-
Revised Capital Programme	+51,880	+53,951	+66,058
Slippage	-7,437	-	-
Actual Capital Programme	+44,443	+53,951	+66,058

6.5 The capital programme includes a target for capital receipts to be delivered to ensure the programme is fully funded and removing the necessity for prudential borrowing to be undertaken to meet a funding gap. 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 2015/16 capital receipts of

£4.2m was generated and in addition to those brought forward from previous years, the level of receipts were over the value required to fund the re-profiled capital programme.

6.6 Over the last 2 years (2015/16 and 2016/17) the level of capital receipts have been sufficient for a balance of capital receipts to be carried forward to offset any requirement for funding in the next financial year. This has been managed by natural slippage in the programme which has enabled other sources of funding to be used initially. In 2017/18 the level of capital receipts required is £25.0m and a shortfall of £2.6m currently exists within receipt projections. Whilst every effort will be made to bring this level of resources in to the Council, should there be a delay in the delivery schedule of capital receipts it is anticipated that this will again be controlled through natural and potentially managed slippage in 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 There are six main areas that the General Fund Balance is required to cover and the individual risks within these areas have been considered. These risks are detailed, with explanatory text, in Appendix 1, while Appendix 2 provides a summary of the calculation for the general balance.

7.3 The risk based assessment of the General Fund Balance was examined in detail by a Task and Finish Group of the Performance Management Scrutiny Committee in 2016, to confirm that the method for calculating the indicative risk based General Fund Balance was a sound basis. It was agreed that this method does cover and appropriately measures the potential financial risks that the Council needs to provide for and so should continue to be used in future years.

8. Review of Earmarked Reserves and Provisions

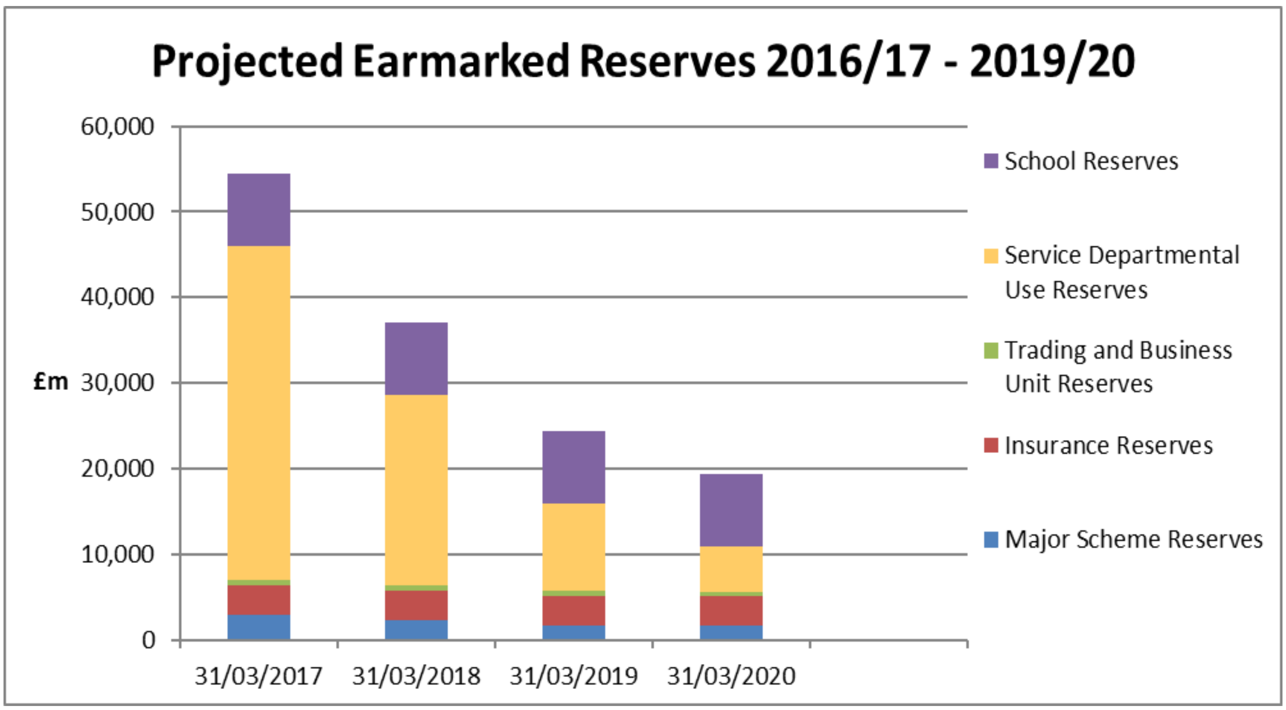
8.1 A review of the earmarked balances held by the Council has also been performed to establish the purpose of the reserves and the likely timescale that these reserves will be utilised.

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 £60.841m in earmarked reserves at 31 March 2016 which includes schools budget balances of £9.206m. During the course of 2016/17 it is anticipated that a net £43.698m will be released from earmarked reserves to fund known commitments, however this will be offset by a contribution of £37.247m to fund the known funding gap in 2017/18 and future years as agreed in the Financial Strategy paper to Cabinet in December 2016. A full breakdown of the earmarked reserves is attached at Appendix 3 with details of the purpose of each reserve.

8.4 A projection has been made on the level of earmarked reserves that will be held over the next 3 years of the financial strategy based on likely timescales of when these balances will be used to fund known commitments, investment in service redesign and help to smooth the impact of savings proposals. Overall a reduction of 61% is anticipated in the earmarked reserves held with the most significant reduction coming within the Financial Strategy Reserve in the next two years, and this is shown in the graph below.



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 and the projected General Fund Balance is provided below:

	Projection as per Quarter 3 (£'000)
General Fund Balances as at 31 March 2016	18,370
Projected outturn as at Quarter 3	244
Projected General Fund Balance as at 31 March 2017	**18,614**

9.3 The Financial Strategy recognised that balances need to be increased to the risk assessed level and additional base budget contributions were made over the previous 4 years to increase the balance to its current level. The budget no longer includes any base budget contribution and so the projected level as per the Financial Strategy will now remain at £18.614m. The risk based calculation for the General Fund Balance is significantly higher than this value over the course of the 3 year Financial Strategy as shown below:

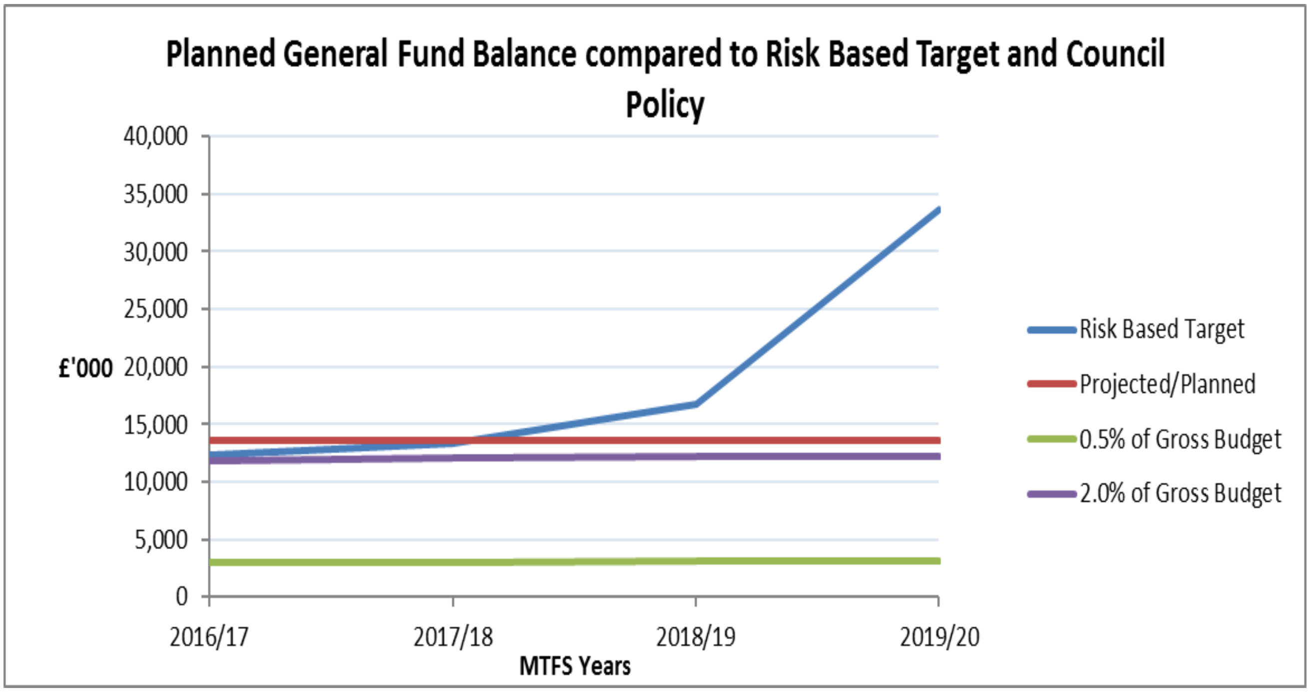
Table 3: Comparison of Risk Based Calculation to Projected General Fund

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Risk assessed level of General Fund Balance	12,325	13,289	16,801	33,683
Projected level of General Fund Balance as per Financial Strategy	18,614	18,614	18,614	18,614

9.4 As shown in Table 3, the risk assessed General Fund Balance is lower than the projected level in the current financial year, and the next two years. This reflects the fact that the Council has undertaken a strategy of only pursuing robust and deliverable savings proposals for the next two financial years, and financing the remaining funding gap through the use of one off resources. It is therefore considered appropriate in the short term that £5.000m is released from the General Fund Balance to bring the balance more in line with the risk assessed level. The balance released from the General Fund Balance will then be contributed to the Financial Strategy Earmarked Reserve so that it can be utilised in 2019/20 to help fund the known funding gap in that financial year.

9.5 Whilst this revised balance brings the General Fund Balance more in line with the risk assessed balance in the current and next financial year, it should be noted that this will be short of the risk assessed level in 2018/19 and significantly below the required level in 2019/20. This increased risk assessed level in 2019/20 reflects that the funding gap remains at £36.597m and a number of funding sources have not yet been confirmed as part of the multi-year settlement that the Council has signed up to. Whilst it is anticipated that the Council will pursue savings and efficiencies to help reduce this gap, there is a risk that a significant funding gap will still remain that may fall on the General Fund Balance. It should be noted that 2019/20 is the year that the fair funding formula will be implemented and the Council will retain 100% share of business rate income. It is not known at this point whether this will be favourable or present the

Council with a further funding pressure. In light of this combined additional risk in 2019/20, the Council should consider planning for future contributions to the General Fund Balance in order to bring the balance in line with the risk based assessment by 2019/20.



9.5 It can be seen from the graph above that the projected and risk assessed balance is anticipated to be greater than the balance required as per the Council's current policy of holding between 0.5% and 2% of the Gross Revenue Budget. This policy was adopted by the Council in order to provide a sufficient balance that would cover any potential liabilities, however as the financial position of local authorities has been affected by the uncertainty around Government funding reductions, this has led to the need to hold significantly higher balances than this policy provides for. It therefore seems appropriate that the Council's policy for holding the General Fund Balance is reviewed and amended accordingly to reflect the more uncertain financial environment that the Council is faced with.

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) Malcolm Pate - Leader
Local Member/s 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	There are two key issues in relation to inflation. • 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. It is difficult to predict the direction that the wider economy will take and thus the level of inflation required.	Pay – 1% has been provided in the 2017/18 budget to reflect the pay award for staff with 1% thereafter. Funding has also been provided for increments due to be awarded for 2017/18 based on existing staffing levels. Pension contribution rates will increase in 2017/18 for the remainder of the MTFP in addition to an increase in the lump sum element of the contribution. This inflationary increase has been built into the 2017/18 budget. Price inflation has been provided on contractually or quasi-contractually committed budgets at the rate stated in the relevant agreement.
2. Interest rates on borrowing and investment	This issue here are similar to those in 1 above, but for a specific area. 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. 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.	Interest receivable budgets have been set based on 2016/17 profile of the interest gained on cash balances held. These range from investments for 12 months gaining 1% to short term call accounts which gain only 0.25%. The average interest rate of the total debt portfolio (excl. HRA) is calculated at 5.32% for 2017/18 and this is used for all borrowing costs.
3. Estimates of the level and timing of capital receipts.	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.	Capital receipts are monitored monthly in the capital monitoring report and are RAG rated in terms of their anticipated delivery against target.

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
4. The treatment of demand led pressures	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 resulting in a shortfall, particularly in the short term. 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.	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. 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 MTFP. The 2017/18 budget has been based upon specific demand levels identified during budget monitoring in 2016/17 and projections made by Heads of Service of demand levels in future years.
5. The treatment of efficiency savings	The budget includes improvement programmes that will deliver savings; the risk is that they may be delivered at a slower rate. This includes total savings targets of £18m over the next two years projected in the MTFS which will have risks involved in terms of delivery, and also the delays in delivery. It should also be noted that in the final year of the MTFS, the Council has a funding gap of £36.6m which will require compensatory savings to be identified.	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. 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.
6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	The Council may decide to establish separate delivery vehicles in order to improve service delivery in the future. Full business cases are required for any services being considered for transfer to an alternative service vehicle.	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. Business cases for any new delivery vehicles will fully investigate any financial risks that the Council may face in the future and the MTFS updated accordingly.

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
7. The availability of other funds to deal with major contingencies	Were a disaster to occur, we have to have a reserve in place to pick up costs that will fall to the Council. The impact of flooding within the Council area based on present experience is that it is limited to localised pockets. The geographical area covered by the Council has resulted in budget pressures in some years due to extreme weather conditions and additional costs such as snow clearance. Changes to the base budget provision has been made in previous years to help mitigate this, but overspends in previous years have, at times, been in excess of this growth level. In more recent years it has not been necessary to utilise all available funding, but a risk remains. Other disasters such as those relating to ICT could occur on a one off basis.	The level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the general fund balance may have to be used. 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. 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. Therefore the values of Insurance Reserves are reviewed each year to ensure that the optimum balance is held based on the level of outstanding liabilities. Any major incident or emergency may result in significant costs to the Council. 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.
8. Impact on council funding of announcements of national changes	Council funding is always subject to change, especially in the current economic climate. However the Business and Financial Strategy takes account of projected changes in the Revenue Support Grant and specific government grants.	The major 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.

<table>
<tr><th>Budget Assumption</th><th>Explanation of Risk</th><th>Financial Standing and Management and Mitigating Action</th></tr>
<tr><td>9. The overall financial standing of the authority (level of, debt outstanding, council tax collection rates etc.)</td><td>Changes 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.

An allowance for budget pressures has been built in to accommodate any corrective action that needs to be taken if the assumptions about changes in service delivery should change.

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 Business Rates. Any such pressure identified should be evaluated and provided for.

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.</td><td>The level of aged debt within the sundry debtors figure is monitored reported to management regularly so that the appropriate action may be taken. Bad debt provisions are maintained to protect the budget against any such pressures, but should these not be sufficient, the general fund would be used.

The assumed Council Tax collection rate for 2017/18 onwards is 98.2% 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 2017/18.

An income review is produced for Cabinet covering income from fees and charges. This review considers the level of income as monitored in the quarterly revenue monitors to Cabinet, and considers the impact of increases in charges, or the freezing of charges on the 2017/18 budget.</td></tr>
<tr><td>10. The authority's track record in budget and financial management.</td><td>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.

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.</td><td>The Council's recent track record in budget and financial management 2012 to 2017 shows potential variations from a £0.3m overspend to a £2.8m underspend (a range of £3m).

<table>
<tr><th>Financial Year</th><th>(£'000)</th><th>Underspend/ Overspend</th></tr>
<tr><td>2012/13</td><td>284</td><td>Over</td></tr>
<tr><td>2013/14</td><td>(390)</td><td>Under</td></tr>
<tr><td>2014/15</td><td>(300)</td><td>Under</td></tr>
<tr><td>2015/16</td><td>(2,816)</td><td>Under</td></tr>
<tr><td>2016/17*</td><td>(244)</td><td>Under</td></tr>
<tr><td>Total 2012 to 2017</td><td></td><td>Under</td></tr>
</table>
* As projected at Quarter 3 monitoring

This has been achieved by considerable management and policy actions to ensure spending is in line with the budget each year.

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</td></tr>
</table>

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
		available. The most recent three years outturn (estimated outturn for 2016/17) position suggests that variances are underspends. The authority needs to continually improve its ability to manage in-year budget pressures. The following steps are already in place: • Accuracy of projections has 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. Collaborative Planning budget monitoring tool is now used within the Council to improve the financial information provided and the consistency of financial reports produced. The Council's virement and carry forward rules are clear and detailed in the Constitution.

APPENDIX 2

Risk Based Calculation of General Fund Balances

Calculation of Risk Assessed General Fund Balance

2016/17 Budget/ Value £000	2016/17 Risk Level	2016/17 Risk Assessed General Fund £000	Budget Assumption	Area of Risk	2017/18 Budget/ Value £000	2017/18 Risk Level	2017/18 Risk Assessed General Fund £000	2018/19 Budget/ Value £000	2018/19 Risk Level	2018/19 Risk Assessed General Fund £000	2019/20 Budget/ Value £000	2019/20 Risk Level	2019/20 Risk Assessed General Fund £000
			Treatment of inflation and interest rates										
93,328	0.25%	233	Inflation	Salaries	92,348	0.25%	231	92,356	0.25%	231	92,380	0.25%	231
20,238	2.00%	405		Premises	20,026	2.00%	401	20,027	2.00%	401	20,032	2.00%	401
29,735	1.00%	297		Transport	29,423	1.00%	294	29,425	1.00%	294	29,433	1.00%	294
56,298	0.25%	141		Supplies & Services	55,707	0.25%	139	55,711	0.25%	139	55,726	0.25%	139
165,916	0.25%	415		Third Party Payments	164,174	0.25%	410	164,188	0.25%	410	164,230	0.25%	411
71,304	0.25%	178		Transfer Payments	70,555	0.25%	176	70,561	0.25%	176	70,579	0.25%	176
		1,669		**Total Inflation**			**1,652**			**1,652**			**1,652**
268,368	0.00%	0	Interest rates	Existing Borrowing	262,368	0.00%	0	256,368	0.00%	0	252,368	0.00%	0
0	0.00%	0		New Borrowing	47,000	0.00%	0	47,000	3.10%	1,457	60,000	3.10%	1,860
6,400	1.00%	64		PWLB	6,000	1.00%	60	4,000	1.00%	40	4,000	1.00%	40
134,806	0.50%	674		Investment	134,806	0.50%	674	134,806	0.50%	674	134,806	0.50%	674
		738		**Total Interest Rates**			**734**			**2,171**			**2,574**
			Level and timing of capital receipts										
-16,989	0.00%	0	Capital Receipts	Land Sales	-11,868	0.00%	0	3,406	5.00%	170	845	5.00%	42
4,642	0.00%	0		Required for new Powers to use for Revenue	13,342	0.00%	0	13,342	3.10%	414	13,342	3.10%	414
		0		**Total Capital Receipts**			**0**			**584**			**456**
			Treatment of demand led pressures										
113,541	0.00%	0	Demand Led Pressures	Adult Social Care	113,987	1.00%	1,140	120,690	1.00%	1,207	127,931	1.00%	1,279
16,426	5.00%	821		Childrens Social Care	16,704	2.00%	334	17,000	2.00%	340	17,316	2.00%	346
517	100.00%	517		IT Licensing	517	100.00%	517	517	100.00%	517	517	100.00%	517
		1,338		**Total Demand Led Pressures**			**1,991**			**2,064**			**2,143**
			Treatment of planned efficiency savings/productivity gains										
31,526	0.83%	262	Efficiency Savings	16/17 non achievement of savings	31,526	0.00%	0	31,526	0.00%	0	31,526	0.00%	0
31,526	3.25%	1,025		16/17 slippage of savings	31,526	0.00%	0	31,526	0.00%	0	31,526	0.00%	0
0	0.00%	0		17/18 non achievement of savings	15,026	1.00%	150	15,026	0.00%	0	15,026	0.00%	0
0	0.00%	0		17/18 slippage of savings	15,026	3.00%	451	15,026	0.00%	0	15,026	0.00%	0
0	0.00%	0		18/19 non achievement of savings	0	0.00%	0	3,623	1.00%	36	3,623	0.00%	0
0	0.00%	0		18/19 slippage of savings	0	0.00%	0	3,623	3.00%	109	3,623	0.00%	0
0	0.00%	0		19/20 funding gap requiring savings	0	0.00%	0	0	0.00%	0	7,092	50.00%	3,546
		1,286		**Total Efficiency Savings**			**601**			**145**			**3,546**
			Availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions										
3,929	24.00%	943	Insurance and Emergency Planning	Provision	3,929	24.00%	943	3,929	24.00%	943	3,929	24.00%	943
3,411	24.00%	819		Reserve	3,411	24.00%	819	3,411	24.00%	819	3,411	24.00%	819
500	Quantum	500		ICT Disaster	500	Quantum	500	500	Quantum	500	500	Quantum	500
500	Quantum	500		Other Incident	500	Quantum	500	500	Quantum	500	500	Quantum	500
458	Quantum	458		Bellwin	458	Quantum	458	458	Quantum	458	458	Quantum	458
2,058	20.00%	412		Severe Weather	2,058	20.00%	412	2,058	20.00%	412	2,058	20.00%	412
		3,631		**Total Insurance and Emergency Planning**			**3,631**			**3,631**			**3,631**
2,547	0.00%	0	Funding Changes	ESG	2,429	0.00%	0	2,429	77.00%	1,870	2,429	77.00%	1,870
16,476	0.00%	0		Other Government Settlement Changes	15,302	5.00%	765	14,280	5.00%	714	13,784	100.00%	13,784
69,978	0.25%	175		Housing Benefits	69,978	0.25%	175	69,978	0.25%	175	69,978	0.25%	175
1,100	50.00%	550		Academy School transfer leaving deficit budget	880	50.00%	440	880	50.00%	440	880	50.00%	440
		725		**Total Funding Changes**			**1,380**			**3,199**			**16,269**
			General Financial Climate										
5,248	5.00%	262	General Financial Climate	Debt Collection	5,248	10.00%	525	5,248	10.00%	525	5,248	10.00%	525
127,069	0.50%	635		Council Tax	134,221	0.50%	671	141,775	0.50%	709	149,756	0.50%	749
38,747	1.00%	387		Business Rates	40,320	1.00%	403	43,339	1.00%	433	44,123	1.00%	441
31,450	2.00%	629		Discretionary Income	33,546	2.00%	671	33,546	2.00%	671	33,546	2.00%	671
		1,914		**Total General Financial Climate**			**2,270**			**2,338**			**2,386**
204,527	0.50%	**1,023**	**Additional Budget Pressures**		206,073	0.50%	**1,030**	203,377	0.50%	**1,017**	205,289	0.50%	**1,026**
		12,325	**TOTAL RISK ASSESSED GENERAL FUND**				**13,289**			**16,801**			**33,683**

APPENDIX 3

Earmarked Reserves

Reserves	Balance Brought Forward (£'000)	2016/17 Anticipated Movement (£'000)	Balance Carried Forward (£'000)
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations			
Redundancy	6,973	-6,973	0
Revenue Commitments for Future Capital Expenditure	646	0	646
Development Reserve	6,175	-5,115	1,059
Invest to save Reserve	0	990	990
University	244	-46	199
	14,037	**-11,143**	**2,894**
Insurance Reserves			
Fire Liability	2,434	0	2,434
Motor Insurance	977	0	977
	3,411	**0**	**3,411**
Reserves of trading and business units			
Shire Catering and Cleaning Efficiency	607	0	607
	607	**0**	**607**
Reserves retained for service departmental use			
Care Act Reserve	500	-500	0
Economic Development Workshops Major Maintenance	380	-220	160
External Fund Reserve	0	471	471
Financial Strategy Reserve	9,805	18,296	28,101
Highways Development & Innovation Fund	492	90	582
Major Planning Inquiries	504	-504	0
New Homes Bonus	5,547	-1,638	3,909
Planning Reserve	1,147	-1,147	0
Public Health Reserve	2,152	-2,152	0
Repairs & Maintenance Reserve	1,421	0	1,421
Resources Efficiency	3,662	-3,400	262
Revenue Commitments from Unringfenced Revenue Grants	3,763	-1,985	1,778
Severe Weather	3,151	-1,100	2,051
Shropshire Waste Partnership (Smoothing)	389	-389	0
Theatre Severn R&M	29	-29	0
TMO Vehicle Replacement	638	-338	300
	33,579	**5,455**	**39,035**
School Balances			
Balances held by schools under a scheme of delegation	7,173	-764	6,409
Education – Staff Sickness Insurance	187	0	187
Education – Theft Insurance	98	0	98
Schools Building Maintenance Insurance	1,749	0	1,749
	9,206	**-764**	**8,442**
Total Reserves	**60,841**	**-6,452**	**54,389**