

## **ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES 2017-23**

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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 2018/19 revenue budget at £17.081m, noting that the projected balance will be below this for 2018/19;
- B Note the projected recommended level of general reserves for the following four years at £18.830m in 2019/20, £18.879m in 2020/21, £31.518m in 2021/22 and £40.037m in 2022/23.
- C Note that further consideration will be made of the implications of figures contained within this report and should there be any material change required, this will be reported to Council on 22 February 2018.

### **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 five 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. During 2016/17, key personnel developed a growth model looking at the cost drivers 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. This has been successful for some time however, pressures in the 2017/18 monitoring are evident as growth starts to breach original assumptions. Breaches of a small percentage have a significant impact in terms of value. The model requires review to rebase assumptions.
  - 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 2018/19 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 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 2018/19 budget process continues progress in improving the Council's budget preparation, most notably in the creation of a detailed growth model and 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 2018/19 budget, Council Members have had the opportunity to review the available options, implications and impact on outcomes, and these are reflected in the proposed budget.
- 5.3. The development of the 5 year financial strategy is based on the assumption that services need to be delivered and funded through an appropriate level of resources over the next five years and this is demonstrated in the resources and expenditure projections given in Table 1 below. This includes assumptions around savings to be delivered as part of the Financial Strategy.

**Table 1: Gross Resources and Expenditure Projections**

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Projected Resources	561,950	563,016	554,714	564,770	574,572
Current Projected Expenditure	582,151	576,934	575,362	589,224	601,800
Funding Gap	20,201	13,918	20,648	24,455	27,228
Year on Year Gap		-6,283	6,730	3,806	2,773

- 5.4. Savings proposals have been identified for 2018/19 through to 2022/23. These have been based on raising income, innovation and cutting services. Some of the savings values, whilst achievable, are ambitious and so progress against these proposals will be monitored carefully to consider the impact on the budget strategy. Appendix 1 shows the factors taken into account in developing the draft budget.

## 6. Capital Budget

- 6.1. The agreed programme is fully funded within a 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 processes 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 the 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 associated with the Capital Programme.
- Firstly, the ability to deliver the capital programme within the agreed timescales. Slippage from 2017/18 is fully funded over the Financial Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2018/19 programme.
  - Secondly, the draft three year programme includes projects funded from anticipated capital receipts. In the current climate these receipts may be lower than anticipated or may not materialise in the expected timeframe which will have to be managed through a robust monitoring process.
- 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. At the end of the year, however, 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 2016/17 there was slippage of £9.288m which represents 17% of the revised capital programme. Action has already been taken during the course of 2017/18 to reprofile budgets to future years to reflect latest data on project delivery.

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

	2016/17	2017/18	2018/19
Capital Programme	+55,868	+66,058	+53,398
Reprofile Budgets	-1,436	+2,291	-
Revised Capital Programme	+54,432	+68,349	+53,398
Slippage	-9.288	-10,073	-
Actual Capital Programme	45.144	+58,276	+53,398

- 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.
- 6.6 Over the last 2 years (2016/17 and 2017/18) 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 2018/19 the level of capital receipts required is £19.3m and a shortfall of £4.9m currently exists within receipt projections. There are currently £15.3m of further assets being considered for disposal which could address this shortfall. 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**

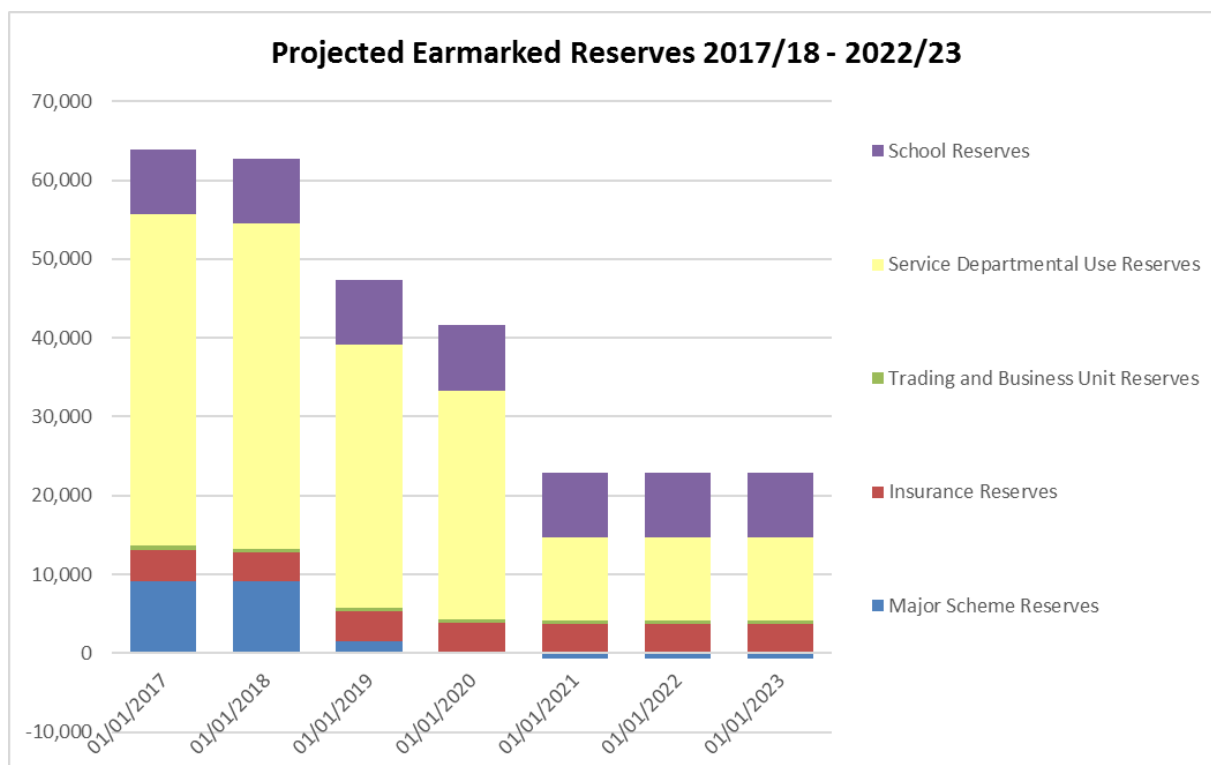
- 7.1 A Framework has been developed to identify areas of risk with an appropriate budget amount, an assessed level of risk (high, medium and low) and a percentage factor which will vary according to the level of risk. This process produces a value from which a risk assessed optimum level of general 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 £63.859m in earmarked reserves at 31 March 2017 which includes schools budget balances of £8.213m. During the course of 2017/18 it is anticipated that a net £1.119m will be drawn down from earmarked reserves to fund commitments during the year. Balances taken forwards include contributions of £24.556m to fund the known funding gap in 2018/19 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 5 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 64% is anticipated in the earmarked reserves held with the most significant reduction coming within the Financial Strategy Reserve in the next three 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:

	£'000
General Fund balance as at 31 March 2017	14,827
Projected outturn (underspend)	59
<b>Projected balance as at 31 March 2018</b>	<b>14,886</b>

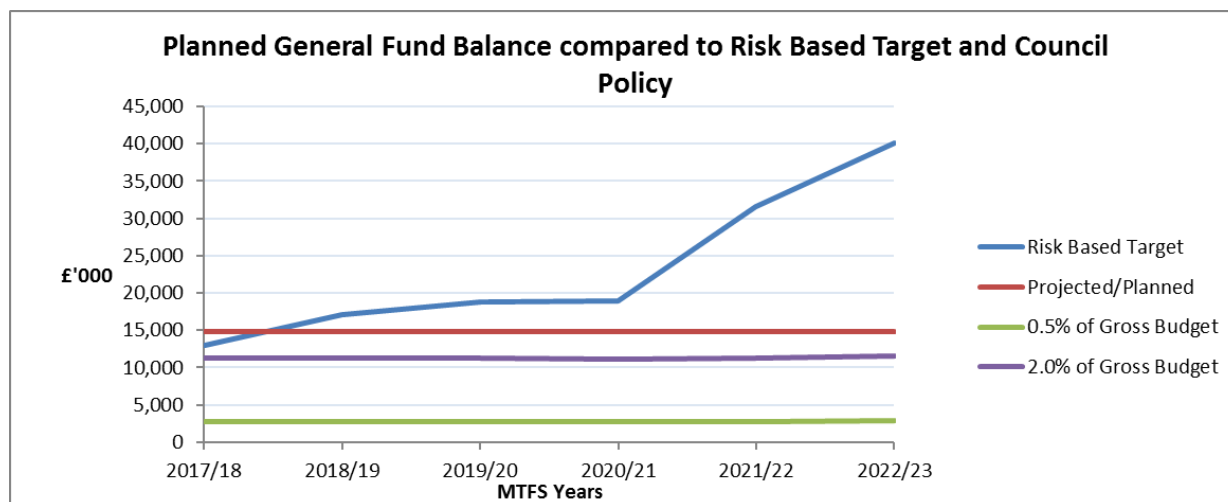


- 9.3 The Financial Strategy previously recognised that balances needed to be increased to the risk assessed level and additional base budget contributions were made over the previous 4 years to increase the balance to its current level. The budget no longer includes any base budget contribution and so the projected level as per the Financial Strategy is now expected to remain at £14.886m. The risk based calculation for the General Fund Balance is significantly higher than this value over the course of the 5 year Financial Strategy as shown below:

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

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Risk assessed level of General Fund Balance	17,081	18,830	18,879	31,518	40,037
Projected level of General Fund Balance as per Financial Strategy	14,886	14,886	14,886	14,886	14,886

- 9.4 The general reserve balance is below the risk assessed balance in 2018/19 and remains so in 2019/20 and beyond. The gap grows significantly in 2021/22 and again in 2022/23. This is reflective of the remaining funding gap in these years as set out in the Financial Strategy. Furthermore, there are a number of funding sources that 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 or even increase council tax 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 2020/21 is the year that a new fair funding formula will be implemented. 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 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.





- 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)**

Peter Nutting - 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"> <li>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.</li> <li>Information is less accurate for years 2 onwards; the risk assessment covers the higher range.</li> </ul> <p>It is difficult to predict the direction that the wider economy will take and thus the level of inflation required.</p>	<p>Pay – 2% has been provided in the 2018/19 budget to reflect the pay award (pending) for staff with 1% thereafter. Funding has also been provided for increments due to be awarded for 2018/19 based on existing staffing levels.</p> <p>Pension contribution rates are at the increased rate of 14.8% introduced in 2017/18</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 0.6% interest receivable. These range from investments for 12 months gaining 0.61% to short term call accounts which gain between 0.05% and 0.4%.</p> <p>The average interest rate of the total debt portfolio (excl. HRA) is calculated at 5.1% for 2018/19 and this is used for all borrowing costs.</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>

## Appendix 1

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 resulting in a shortfall, particularly in the short term.</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>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 Financial Strategy.</p> <p>The 2018/19 budget has been based upon specific demand levels identified during budget monitoring in 2016/17 and early 2017/18 and projections made by Heads of Service of demand levels in future years. In adults the growth model is relied upon.</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 £43m over the next five years projected in the Financial Strategy which will have risks involved in terms of delivery, and also from delays in delivery. It should also be noted that from year three of the Financial Strategy the Council has a funding gap of £0.2m which rises to £25.8m will require compensatory savings to be identified. The savings whilst achievable are ambitious and this should be reflected in the risk factor applied.</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>If the funding gap remains unresolved by future savings plans the council will need to consider making further efficiencies and/or potentially increasing council tax.</p>

## Appendix 1

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
<p>6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments</p>	<p>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.</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 Financial Strategy updated accordingly.</p>
<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 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.</p> <p>Other disasters such as those relating to ICT could occur on a one off basis.</p>	<p>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.</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. 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.</p> <p>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.</p>
<p>8. Impact on council funding of announcements of</p>	<p>Council funding is always subject to change, especially in the current economic climate. However the Financial Strategy</p>	<p>The major risk factor included is in relation to the Housing Benefits grants which the Council receives. Changes are planned for</p>

## Appendix 1

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action																								
national changes	takes account of projected changes in the Revenue Support Grant and specific government grants.	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.																								
9. The overall financial standing of the authority (level of, debt outstanding, council tax collection rates etc.)	<p>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.</p> <p>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.</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 Business Rates. 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>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.</p> <p>The assumed Council Tax collection rate for 2018/19 onwards is 97.8% 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 2018/19.</p> <p>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 2018/19 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 2012 to 2018 shows potential variations from a £0.3m overspend to a £2.8m underspend (a range of £3m).</p> <table border="1"> <thead> <tr> <th>Financial Year</th><th>(£'000)</th><th>Underspend/ Overspend</th></tr> </thead> <tbody> <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>(894)</td><td>Under</td></tr> <tr> <td>2017/18*</td><td>(59)</td><td>Under</td></tr> <tr> <td>Total 2012 to 2018</td><td></td><td>Under</td></tr> </tbody> </table> <p>* As projected at Quarter 3 monitoring</p> <p>This has been achieved by careful</p>	Financial Year	(£'000)	Underspend/ Overspend	2012/13	284	Over	2013/14	(390)	Under	2014/15	(300)	Under	2015/16	(2,816)	Under	2016/17	(894)	Under	2017/18*	(59)	Under	Total 2012 to 2018		Under
Financial Year	(£'000)	Underspend/ Overspend																								
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## Appendix 1

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
		<p>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 rules, including not committing expenditure if there is no budget provision available.</p> <p>The most recent three years outturn (estimated outturn for 2017/18) position suggests that variances are underspends.</p> <p>The authority needs to continually improve its ability to manage in-year budget pressures. The following steps are already in place:</p> <ul style="list-style-type: none"> <li>• Accuracy of projections has improved over the year, but further work is required, particularly in light of redesign work being undertaken.</li> <li>• The monitoring system continues to be improved in terms of accuracy, the frequency of reporting and the challenge process.</li> </ul> <p>Collaborative Planning budget monitoring 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>

Risk Based Calculation of General Fund Balances

Calculation of Risk Assessed General Fund Balance																						
2017/18					2018/19			2019/20			2020/21			2021/22			2022/23					
Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget Assumption	Area of Risk	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000			
			Treatment of inflation and interest rates																			
98,095	0.25%	245	Inflation	Salaries	95,677	0.25%	239	92,811	0.25%	232	92,809	0.25%	232	92,807	0.25%	232	92,805	0.25%	232			
23,870	2.00%	477		Premises	23,281	2.00%	466	22,584	2.00%	452	22,583	2.00%	452	22,583	2.00%	452	22,582	2.00%	452			
29,584	1.00%	296		Transport	28,855	1.00%	289	27,990	1.00%	280	27,990	1.00%	280	27,989	1.00%	280	27,989	1.00%	280			
69,165	0.25%	173		Supplies & Services	67,461	0.25%	169	65,440	0.25%	164	65,438	0.25%	164	65,437	0.25%	164	65,436	0.25%	164			
165,998	0.25%	415		Third Party Payments	161,906	0.25%	405	157,056	0.25%	393	157,053	0.25%	393	157,050	0.25%	393	157,047	0.25%	393			
71,746	0.25%	179		Transfer Payments	69,978	0.25%	175	67,881	0.25%	170	67,880	0.25%	170	67,879	0.25%	170	67,877	0.25%	170			
1,786			Total Inflation		1,742		1,690		1,690		1,689		1,689				1,689					
268,397	0.00%	0	Interest rates	Existing Borrowing	262,397	0.00%	0	258,397	0.00%	0	254,397	0.00%	0	242,397	0.00%	0	242,397	0.00%	0			
0	0.00%	0		New Borrowing	0	0.00%	0	0	3.10%	0	0	3.10%	0	0	3.10%	0	0	3.10%	0			
6,400	1.00%	64		PWLB	6,000	1.00%	60	4,000	1.00%	40	4,000	1.00%	40	12,000	1.00%	120	0	1.00%	0			
152,233	0.50%	761		Investment	152,233	0.50%	761	152,233	0.50%	761	152,233	0.50%	761	152,233	0.50%	761	152,233	0.50%	761			
825			Total Interest Rates		821		801		801		881		881				761					
			Level and timing of capital receipts																			
-18,414	0.00%	0		Land Sales	4,903	0.00%	0	5,030	5.00%	252	114	5.00%	6	0	5.00%	0	0	5.00%	0			
13,342	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	13,342	3.10%	414	13,342	3.10%	414			
0			Total Capital Receipts		0		665		419		414		414				414					
			Treatment of demand led pressures																			
135,219	0.00%	0	Demand Led Pressures	Adult Social Care	136,450	1.00%	1,364	137,692	1.00%	1,377	138,945	1.00%	1,389	140,209	1.00%	1,402	141,485	1.00%	1,415			
15,478	5.00%	774		Childrens Social Care	15,958	2.00%	319	16,452	2.00%	329	16,961	2.00%	339	17,486	2.00%	350	18,028	2.00%	361			
774			Total Demand Led Pressures		1,684		1,706		1,729		1,752		1,752				1,775					
			Treatment of planned efficiency savings/productivity gains																			
15,026	15.72%	2,363	Efficiency Savings	17/18 non achievement of savings	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0			
15,026	1.67%	251		17/18 slippage of savings	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0			
				18/19 non achievement of savings	15,804	25.00%	3,951	15,804	0.00%	0	15,804	0.00%	0	15,804	0.00%	0	15,804	0.00%	0			
				18/19 slippage of savings	15,804	5.00%	790	15,804	0.00%	0	15,804	0.00%	0	15,804	0.00%	0	15,804	0.00%	0			
				19/20 non achievement of savings				19,207	25.00%	4,802	19,207	0.00%	0	19,207	0.00%	0	19,207	0.00%	0			
				19/20 slippage of savings				19,207	5.00%	960	19,207	0.00%	0	19,207	0.00%	0	19,207	0.00%	0			
				20/21 non achievement of savings							0	0.00%	0	0	0.00%	0	0	0.00%	0			
				20/21 slippage of savings							0	0.00%	0	0	0.00%	0	0	0.00%	0			
				20/21 funding gap requiring savings							188	50.00%	94	188	0.00%	0	188	0.00%	0			
				21/22 non achievement of savings										3,850	25.00%	963	3,850	0.00%	0			
				21/22 slippage of savings										3,850	5.00%	193	3,850	0.00%	0			
				21/22 funding gap requiring savings										22,194	50.00%	11,097	22,194	0.00%	0			
				22/23 non achievement of savings													4,469	25.00%	1,117			
				22/23 slippage of savings													4,469	5.00%	223			
				21223 funding gap requiring savings													25,849	50.00%	12,924			
2,614			Total Efficiency Savings		4,741		5,762		94		12,252		12,252				14,265					

Continued...



...Continued

Availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions																	
3,547	24.00%	851	Insurance and	Provision	3,547	24.00%	851	3,547	24.00%	851	3,547	24.00%	851	3,547	24.00%	851	
3,901	24.00%	936	Emergency	Reserve	3,901	24.00%	936	3,901	24.00%	936	3,901	24.00%	936	3,901	24.00%	936	
500	Quantum	500	Planning	ICT Disaster	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500	
500	Quantum	500		Other Incident	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500	
433	Quantum	433		Bellwin	433	Quantum	433	433	Quantum	433	433	Quantum	433	433	Quantum	433	
1,923	20.00%	385		Severe Weather	1,923	20.00%	385	1,923	20.00%	385	1,923	20.00%	385	1,923	20.00%	385	
3,605			Total Insurance and Emergency Planning			3,605			3,605			3,605			3,605		
14,717	0.00%	0	Other Government Settlement Changes			18,936	5.00%	947	20,612	5.00%	1,031	6,910	100.00%	6,910	7,239	100.00%	7,239
67,258	0.25%	168	Housing Benefits			67,100	0.25%	168	67,100	0.25%	168	67,100	0.25%	168	67,100	0.25%	168
761	50.00%	380	Academy School transfer leaving deficit budget			761	50.00%	380	761	50.00%	380	761	50.00%	380	761	50.00%	380
548			Total Funding Changes			1,495			1,579			7,458			7,787		
General Financial Climate																	
1,485	5.00%	74	General Financial	Debt Collection	1,485	10.00%	148	1,485	10.00%	148	1,485	10.00%	148	1,485	10.00%	148	
134,221	0.50%	671	Climate	Council Tax	145,638	0.50%	728	152,618	0.50%	763	161,485	0.50%	807	170,867	0.50%	854	
41,621	1.00%	416		Business Rates	40,310	1.00%	403	41,039	1.00%	410	41,781	1.00%	418	42,536	1.00%	425	
34,045	2.00%	681		Discretionary Income	34,159	2.00%	683	34,159	2.00%	683	34,159	2.00%	683	34,159	2.00%	683	
1,842			Total General Financial Climate			1,963			2,005			2,057			2,111		
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	205,289	0.50%	1,026
13,017			TOTAL RISK ASSESSED GENERAL FUND			17,081			18,830			18,879			31,518		

## APPENDIX 3

### Earmarked Reserves

Reserves	2017/18		
	Balance Brought Forward (£'000)	Anticipated Movement (£'000)	Balance Carried Forward (£'000)
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations			
Redundancy	0	0	0
Revenue Commitments for Future Capital Expenditure	3,889	169	4,058
Development Reserve	1,740	-248	1,492
Invest to save Reserve	3,342	-6	3,336
University	197	0	197
	9,168	-85	9,083
Insurance Reserves			
Fire Liability	2,786	0	2,786
Motor Insurance	1,064	-143	922
	3,850	-143	3,707
Reserves of trading and business units			
Shire Catering and Cleaning Efficiency	635	-148	486
	635	-148	486
Reserves retained for service departmental use			
Building Control	76	-76	0
Care Act Reserve	284	-20	265
Economic Development Workshops Major Maintenance	160	20	180
External Fund Reserve	489	17	506
Financial Strategy Reserve	28,601	1,067	29,668
Highways Development & Innovation Fund	517	-473	44
Major Planning Inquiries	0	0	0
New Homes Bonus	4,788	-222	4,566
Planning Reserve	0	0	0
Public Health Reserve	1,073	74	1,147
Repairs & Maintenance Reserve	1,461	-614	847
Resources Efficiency	740	-14	726
Revenue Commitments from Unringfenced Revenue Grants	1,348	-265	1,082
Severe Weather	2,155	-170	1,985
Shropshire Waste Partnership (Smoothing)	0	0	0
Theatre Severn R&M	0	0	0
TMO Vehicle Replacement	300	-66	234
	41,917	-667	41,250
School Balances			
Balances held by schools under a scheme of delegation	6,280	0	6,280
Education – Staff Sickness Insurance	0	0	0
Education – Theft Insurance	68	0	68
Schools Building Maintenance Insurance	1,866	0	1,866
	8,213	0	8,213
Total Reserves	63,859	-1,119	62,740