

ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES: STATEMENT OF THE CHIEF FINANCIAL OFFICER

BACKGROUND

A key responsibility of the Council's Chief Financial Officer is to give assurance on the robustness of the budget strategy which includes highlighting the risks associated with its deliverability and sustainability and the adequacy of reserves.

The framework within which the Council's budget setting process operates and the final budget strategy was developed is governed by legislation which provides regulatory safeguards for the Council:

Section 25 of the Local Government Act 2003 requires the authority's Chief Financial Officer to report on the **robustness of the estimates and the adequacy of reserves** allowed for in the budget proposals in the budget report, so Members are informed and can consider this when they make their budget decisions.

Section 114 of the Local Government Act 1988 highlights the Chief Financial Officer's responsibility to report to members if it appears to him that an unbalanced budget is likely to be set for the year.

Local Government Finance Act 1992 identifies the requirement to set a balanced budget.

Section 151 of the Local Government Act 1972 - Financial Administration requires that authorities should appoint a Section 151 Officer to have responsibility for the proper administration of its financial affairs.

The Accounts and Audit Regulations 2011 – Regulation 4 requires that the accounting records and control systems include measures to ensure that risk is appropriately managed.

The requirements of the prudential Code must also be complied with (a separate report on prudential Indicators is included elsewhere in this suite of service and financial planning reports).

In addition the CIPFA guidance on Local Authority Reserves and Balances requires that a statement reporting on the annual review of earmarked reserves should be made to Council, at the same time as the budget. The statement should list the various earmarked reserves, the purpose for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned

additions/withdrawals and the estimated closing balance. This is included as Appendix 10 of this report.

ROBUSTNESS OF ESTIMATES

Overview

Since 2010 the Council has faced unprecedented cuts in Government grant and over the past six years has made over £70m of ongoing savings. The outlook continues to be bleak as the Government's plans to eliminate the national deficit are behind schedule and further cuts will inevitably fall on local authorities.

The projected budget gap over the next three years for the Council is £26m which will be met through a package of savings measures.

In conjunction with the funding pressures, there is also an increase in demand for some Council services. Due to the strong financial management resulting in the early delivery of savings in 2014/15 the Council is also able to make a number of investments, largely of a one-off nature, to support its priorities.

The Council's medium term service and financial strategy has 4 core elements which will take the organisation forward and deliver budget savings: Reviewing and Reorganising; Challenging and Changing; Reducing our Dependency of Government Grants; Focussing on Upstream Solutions and Social Responsibility & Action. More detail on these is provided in Section 24 of the report. Given the level of cuts to Government Grant funding, it is important that the Council continues to reduce its dependency on government grant, develops other sources of income and works differently with partners and the community by operating in a more commercial way.

Despite the financial challenges being faced, the Council has a clear goal to attract new jobs and investment and promote growth in the borough. Growth will deliver increased numbers of houses and businesses in the borough which will result in additional council tax, new homes bonus and business rates and whilst some additional costs will arise from a larger population, the net additional income generated will contribute towards helping to reduce the level of cuts needed. Clearly as the date for the proposed re-set of the local government finance system draws nearer close attention will need to be paid to any information made available explaining how and when this will be implemented. Despite requests to DCLG from the Local Government Association no information is currently available.

2015/16 is the third year in which local government funding is provided through the Business Rates Retention Scheme. Under this system, authorities retain 50% (49% for Telford & Wrekin Council and 1% for the Combined Fire Authority) of locally collected business rates and 50% of any growth in business rates until the system is "reset" in 2019/20. This brings opportunities, in terms of the council directly benefiting from business rate growth, but also increased risk, in terms of lost income if businesses close or

move out of the area or claim significant empty property reliefs. Ensuring business rates income is maximised is a key priority for the Council which is being closely monitored.

The financial outlook is clearly challenging and there is an ongoing programme of targeted service reviews and restructuring underway.

Overall therefore, given the continued delivery of savings which now total over £70m, the long-term service redesign, particularly in relation to Adults and Children's services, the commercial approach being adopted, and the investment being made in the borough, it is considered that the Council is pursuing a sound financial strategy in the context of the most prolonged and challenging financial position it has ever faced due to the combined effect of Government grant cuts and increased service pressures.

The 2015/16 Service & Financial Planning Strategy has been informed by:

1. Impact Assessment and Risk Management

We are continuing to develop and deliver savings; with the high level of grant cuts some impact on service delivery is inevitable. Where implications have been identified a proportionate equality impact analysis has been carried out. Targeted engagement with service users and stakeholders is also undertaken where required. The environmental impacts of budget proposals have also been considered, and overall, on balance, the environmental assessment of the proposals is positive. Some proposals are likely to have an economic impact as spending by the council is reduced. Final decisions are informed by extensive consultation with the community in general but also where appropriate with specific groups of service users. It therefore seems inevitable that the level of financial risk will increase both to individual services and the operation of the council as a whole and this will be common to local authorities across the country. Cumulative risk attached to adopting an increasingly commercial approach will also need to be kept under review and key commercial decisions will continue to be subject to development of business cases and Cabinet approval

A differential approach to savings targets has been taken by Directors within their service areas, rather than an across the board percentage reduction, to recognise the relative demands, risks, opportunities and challenges faced by different Council services.

We have set aside a revenue contingency of £2.5m next year; in addition a further £2.5m one off budget facility has also been set aside specifically for Adult Social Services and £0.750m for Safeguarding.

Individual service areas have continually managed and monitored key risks relating to their service areas to ensure they are providing the best service they can when faced with reduced resources and ongoing reviews. The senior management team monitors service performance and seeks to mitigate significant potential exposures to risks.

2. The Monitoring Process

Monitoring provides a regular financial health-check throughout the year and also provides information which feeds into the budget strategy. Financial monitoring follows a risk-based approach with high-value, volatile areas being monitored more closely than low-value, less volatile areas. Regular reports are presented to Senior Management Team and Cabinet during the year which highlight any significant variances and therefore areas of risk. Progress on the delivery of savings will be monitored through this route flagging both 'in year' and future year financial strategy impacts. The reports also monitor the budget contingency and performance against council tax, business rates and sales ledger income collection targets.

3. The Budget Setting Process

The overall medium term financial planning position of the Council is controlled through a model which is updated during the year as new information becomes available - including current year trends identified through monitoring. At a more detailed level finance officers meet with budget holders and review all budgets on an annual basis on top of the usual monitoring work. Budgets are cash limited. Areas of unavoidable growth and pressures have been identified and scrutinised as part of the budget process along with the deliverability of the savings package which forms an integral part of the overall strategy.

The budget setting process links to both the budget monitoring process, performance monitoring and risk management, discussed above, together with other issues such as meeting new legislative requirements and statutory obligations.

2015/16 Budget Assumptions and Considerations:

Given the difficult financial position the Council faces, a tight line has been taken on planning assumptions for next year but this is mitigated by the inclusion of the general revenue contingency of £2.5m and one-off funding of £2.5m for Adult Social Services and £0.750m for Safeguarding. A risk assessed review of reserves and balances which identifies uncommitted balances of £4.3m.

<u>Inflation</u>	
Pay Award	2.2% has been included for pay awards wef. 1 January 2015; 1.5% for 2016/17 and 2% for 2017/18, including teachers pay. If the estimates are inaccurate the actual level of pay

<p>Employer's Pension Contribution</p> <p>Employer's National Insurance Contribution</p> <p>Non-Pay budgets</p> <p>Contingencies</p>	<p>award will be allocated to service budgets and any adjustment made to the budget model which will either increase or reduce the savings requirement.</p> <p>As anticipated, the triennial evaluation of the pension fund at 31 March 2013 identified a pension fund deficit. Following discussion and negotiation with Pension Fund Officers, it has been agreed that the Council will pay an employers contribution rate of 12.6% plus a fixed lump sum amount each year, with a deficit recovery period of 25 years being set. The lump sum payment in 2015/16 will be £2.8m, rising to £3.2m in 2016/17. The lump sum will continue to rise in subsequent years, although the next triennial evaluation is due at 31 March 2016 (and effective from 1st April 2017) at which point the deficit position will be reviewed. These increases are included in the Service & Financial Planning Strategy forward planning model.</p> <p>The abolition of contracting-out and the introduction of a Single State Pension wef April 2016 results in a loss of NI rebate to the Council in that year. Estimated costs to the Council have been included in budget projections.</p> <p>A provision for known <u>contractually committed</u> inflation has been included. No other allowance for non-pay inflation has been made as budgets are cash limited. With the prevailing relatively low rate of inflation this is a more sustainable strategy than if inflation were to rise significantly but the position and pressures that this policy places on service budgets will be kept under review through regular financial monitoring.</p> <p>There is a general contingency of £2.5m plus a further one off budget of £2.5m specifically for Adult Social Services and £0.75m for Safeguarding. The Council also has around £4.3m available balances as part of its medium term financial strategy.</p>
<p>Service Pressures</p>	<p>The difficult economic situation has an impact on the community and results in an increase in demand for council services.</p> <p>The key service pressures identified for the medium term relate to Adult Social Services and Safeguarding.</p> <p>Children's Safeguarding– there are currently 295 Children in Care (at 8.1.15) and financial monitoring shows a projected overspend of £1.4m in the current year. To recognise the considerable pressure this area is facing a one-off additional budget of £0.750m has been created alongside a Cost</p>

	<p>Improvement Plan to address areas of pressure including care placements and the use of agency staff. The position will be reviewed again as part of the 2016/17 service and financial planning process.</p> <p>Adult Social Services –a cost improvement plan is in place to address the achievement of the significant savings needed in this area as well as addressing any ongoing overspend. Pressures include high cost placements, a lack of supply in key market areas, Deprivation of Liberty Safeguards (DoLS) changes, the costs arising from clients transitioning from Children’s to Adults services with an eligible need and continued under-funding of continuing healthcare cases in the Telford & Wrekin area. Additional one-off funds of £2.5m have been ring-fenced for Adult Social Services in recognition of the pressures being faced.</p>
Central Government Funding / Local Government Resources Review	<p>The Business Rates Retention Scheme replaced the current system for funding Local Government in April 2013. This allows local authorities to retain 50% of locally collected business rates and going forward 50% of any growth in business rates (49% for Telford & Wrekin Council and 1% for the Combined Fire Authority). There are opportunities in relation to business rates growth but also risks in terms of reduction in business rate income. The amount included for business rates in 15/16 has been based on local information, rather than the national estimate used by the Government in their settlement figures and will need to be closely monitored throughout the year.</p>
Council Tax	<p>Council tax will be frozen for 2015/16 and the Council will accept the council tax freeze grant, which is equivalent to 1.2% council tax increase (due to the grant being based on the pre-local council tax support council tax base), offered by Government. There is no information on whether there will be a freeze grant offer in 2016/17, however a firm commitment has been given to freeze council tax in 2016/17 in recognition of the financial pressures being faced by local people. This is possible as a result of the effective financial management and the demonstrable track record in consistently delivering challenging savings targets.</p> <p>Confirmation of the referendum limit thresholds for 2015/16 (2%) was only received in late December adding the risk of a planned council tax increase being above the threshold set and the council therefore incurring additional costs of holding a referendum and potential re-billing costs.</p>
Council Tax Support	<p>Telford & Wrekin’s Local Council Tax Support Scheme was approved by Council in January 2015 and recommended that</p>

	<p>the scheme continue unchanged from 2014/15. A council tax hardship fund of £0.030m is available to award discretionary discounts in cases of extreme financial hardship. Council tax support is paid as a council tax discount and there is a greater financial risk than under the Council Tax Benefit System as claimants classed as “non-vulnerable” who previously received 100% benefit will now have some council tax to pay. Collection levels are closely monitored to assess whether the assumptions on losses on collection and growth in the tax base were appropriate.</p>
Interest Rates	<p>Base rates have remained at 0.5% all year; the next rise is expected to be upwards in the second half of 2015 or early 2016. The Bank of England’s Quantitative Easing programme remained at £375bn. Our investment and borrowing strategies for 2015/16 are set within this context.</p> <p>The assumptions for new borrowing are 2.5%, 3.5% and 4.5% in 15/16, 16/17 and 2017/18 respectively. A flexible approach to borrowing will be taken, in consultation with our treasury advisors, consideration will be given to affordability, maturity profile of existing debt, interest rates and refinancing risks as well as borrowing source. Maximum investment levels with counterparties are set to ensure prudent diversification and following strict investment criteria. Full details are included in the Treasury Management Strategy report included in this suite of service and financial planning reports. One of the primary objectives is to reduce the Council’s exposure to risk while at the same time maximising returns. In the current interest rate environment and with considerable uncertainty on the financial robustness of counterparties, it is more advantageous to reduce investment levels and therefore reduce borrowing requirements. The investment portfolio is monitored on a regular basis and advice is received from independent professional treasury advisors.</p>
Treasury Management	<p>The Treasury Strategy for 2015/16 follows the requirements of the CIPFA Treasury Management Code of Practice and clearly identifies the various exposures to risk and strategies in place to minimise this. The Audit Committee has a role to review and monitor the Council’s treasury management arrangements which includes policies, procedures and the management of risk. The 2015/16 Treasury Strategy was presented to Audit Committee on the 27 January for their consideration and comments and was supported by them. The Committee will monitor progress during the year.</p>
Dedicated Schools Grant	<p>The figure estimated for Dedicated Schools Grant was £130.229m (including academies) at the time of writing this</p>

(DSG)	<p>report. The final DSG allocation to the Council will not be known until June 2015 when all adjustments for academies and pupil numbers are finalised. Compared to Local Authority funding, school funding has been comparatively protected from central government funding cuts.</p> <p>There are two significant changes to the DSG for 2015/16 which have increased the DSG allocation to the Council. The application of the national “minimum funding levels” methodology that is intended to ensure that each Local Authority has sufficient funding to fund it’s schools at minimum levels resulted in an additional £1.3m being allocated to Telford & Wrekin . The change in methodology to include the DSG for non recoupment academies within Local Authorities allocations has increased the Council’s allocation by £4.6m. Pupil numbers are a key factor in this formula and while in the medium term it is anticipated that pupil numbers will increase, there will be an interim period where funding may be an issue for some secondary schools where numbers on roll fall, which will have to be managed by them. The changes to the national funding regime in 2013 have resulted in more of the Dedicated Schools Grant flowing to schools, which directly impacts on centrally retained services as the Council must gain approval from the Schools Forum for funding to be retained.</p> <p>Going forward, any transfers to academy status will have an adverse impact on Council funding as an element of funding previously passed to the Council will instead go to academies.</p>
Estimates on the level and timing of capital receipts	<p>The revenue budget and capital programme assume around £66.6m anticipated future capital receipts over the medium term planning period. Any shortfall or delays in generating expected receipts or in the amounts generated will need to be taken into account in future service and financial strategies. This could require scaling the capital programme back, re-phasing schemes or entering in to additional prudential borrowing which would necessitate further cuts to services. Delivery of projected receipts is monitored on a monthly basis as part of overall financial monitoring and reported to Cabinet quarterly.</p>
Minimum Revenue Provision (MRP)	<p>The policy in relation to MRP is set out in the Treasury Management Strategy Report. The rules around the calculation of the cost of borrowing that must be charged to the revenue account – the minimum revenue provision (MRP) - have been prudently applied in setting the 2015/16 budget strategy.</p>

	<p>The MRP policy is unchanged from 2014/15, however within the existing policy we are changing our approach to calculating the provision from straight line to an annuity basis for Supported Borrowing. This has been agreed in principle with KPMG, our external auditors. Detailed calculations will be audited as part of the 2014/15 final accounts audit. The change has generated a one-off saving of £1.420m in 2014/15 and a saving of £0.290m in 2015/16. The saving will reduce in subsequent years and ultimately becomes an additional cost in 15-20 years time although in real terms (allowing for the time value of money) there is a net benefit to the Council. The impact of the MRP change has been included in the Service & Financial Planning Strategy.</p>
Prudential Borrowing / Prudential Indicators	<p>The use of prudential borrowing is in line with the capital programmes approved by full Council. Prudential Indicators are approved as part of the budget strategy (see separate report on this agenda) and are monitored and reviewed on a regular basis.</p>
Single Status	<p>The Single Status process is in progress with planned implementation in late 2015/16 or early 2016/17. An annual provision equal to 4% of the relevant pay bill has been set aside in the accounts for the 4 years 2007/08 to 2010/11. It is now considered that there is adequate funding in the provision and no further contribution will be made and potentially if a locally designed scheme is implemented some of the funding set aside may be available to be released. The additional ongoing budget is included in the budget strategy from 2015/16 in line with the implementation date although has been reduced to reflect the reduced risk by the movement of employees on fixed points to salary grades and the reduction in the workforce of over 20%. It now stands at £1.5pa (a reduction of £0.45m pa on 2014/15)</p> <p>There is possible exposure to liabilities from back pay and equal pay claims. Possible application for a capitalisation direction enabling the use of capital receipts to fund equal pay one-off costs relating to back pay or equal pay settlements although this new flexibility is likely to be limited by strict controls on the total available nationally.</p>
Savings	<p>Over the past 6 years savings totalling over £70m have been delivered. There is a schedule of savings proposals included in the strategy at Appendix 2 which will deliver savings over the medium term planning period. Total savings are expected to reach well in excess of £100m by 2018/19. There is a reserve set aside to meet severance costs. Commitments against this are being monitored as restructures progress; the position will be reviewed at year</p>

	end to assess whether further transfers in are required from any final underspend against the 2014/15 budget.
Financial Risks inherent in any new funding partnerships, major outsourcing deals or major capital developments	There are a number of major capital projects that have been identified which require careful project management and monitoring during 2015/16 and beyond to ensure commitments are matched by funding actually achieved, particularly the reliance on capital receipts and future government funding levels for the council and its public sector partners. These include the Gorge instability project, the Housing Investment Programme and Building Schools for the Future programme.
The availability of other funds to deal with major calls on contingencies	General reserves or other funds may have to be used temporarily and restored if revenue contingencies, management and policy action is insufficient to deal with a major issue. The Council has evaluated the risks it faces against available balances as outlined earlier in this appendix and concluded that around £4.3m is available to use in the overall budget strategy; there is no proposed use of general balances in the strategy for 2015/16 although some investments and the small residual budget shortfall will be funded from the projected one-off funds expected to be available due to the early delivery of savings in 2014/15
The overall financial standing of the authority (level of borrowing, debt outstanding, collection of council tax etc.	<p>The Council's approach to sustaining its overall sound financial position is covered in a number of sections of this Appendix. The overall projected net indebtedness position at 31 December 2014 was £100.2m; net additional prudential borrowing anticipated in 15/16 is £54.1m, although a significant element of this relates to the Housing Investment Programme and PIP investments which will generate a commercial return greater than the cost of associated debt charges. The total reliance on capital receipts in the medium term strategy is £66.6m in line with profiled disposals (additional information is provided in both the Capital Programme and Treasury Management Strategy Reports). The Council budgets prudently for its level of borrowing, avoiding external borrowing where cash flow permits and running down investment exposure while rates available for new investments are very low.</p> <p>The assumed council tax collection rate for 2015/16 onwards is 98%. For each 1% not collected the cost is approximately £0.519m in lost income to the Council. Legislation requires that any collection fund deficit is corrected through Council Tax in the next year. In recent years collection has outperformed projections allowing use of a council tax surplus as part of next year's strategy.</p>

	<p>Cumulative collection rates to date for recent years are</p> <table> <tr> <td>2009/10</td> <td>99.58%</td> </tr> <tr> <td>2010/11</td> <td>99.50%</td> </tr> <tr> <td>2011/12</td> <td>99.37%</td> </tr> <tr> <td>2012/13</td> <td>99.04%</td> </tr> <tr> <td>2013/14</td> <td>98.11%</td> </tr> <tr> <td>2014/15*</td> <td>66.36%</td> </tr> </table> <p>Recovery for all years is projected to be over 98% finally.</p> <p>*as at 31 October 2014</p> <p>Close monitoring of the impact of CTS on collection rates will continue during 2014/15.</p>	2009/10	99.58%	2010/11	99.50%	2011/12	99.37%	2012/13	99.04%	2013/14	98.11%	2014/15*	66.36%
2009/10	99.58%												
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2013/14	98.11%												
2014/15*	66.36%												
The authority's track record in budget and financial management	<p>The Council continues to demonstrate strong financial management with outturn being very close to the net budget set:</p> <ul style="list-style-type: none"> • 2007/08 – underspent by £0.300m (0.27% of budget) • 2008/09 - underspent by £0.366m (0.31% of budget) • 2009/10 – underspent by £0.332m (0.27% of budget) • 2010/11 – underspent by £0.083m (0.07% of budget) • 2011/12 – underspent by £1.843m (1.42% of budget) • 2012/13 – underspent by £0.055m (0.04% of budget) • 2013/14 – underspent by £0.099m (0.07% of budget) <p>This demonstrates an outstanding track record of continuous strong financial management, despite considerable pressure on service budgets, notably adults and childrens services and an unprecedented protracted period of significant cuts to Government funding.</p>												
Virement and Contingencies	<p>Virement is an important feature of budgetary control. It provides flexibility to adapt expenditure patterns to meet changing needs and objectives, consistent with Council policy.</p> <p>No Assistant Director or Service Delivery Manger should plan to overspend. All expenditure should be consistent with approved service priorities and the overall approved budget.</p>												
The adequacy of the authority's insurance arrangements to cover major unforeseen	<p>The Council's insurance arrangements are a balance between external insurance premiums and internal funds to "self insure". The Council use the services of an external insurance advisor to provide additional expertise in managing insurance arrangements.</p> <p>The Council has a strategic risk register which is used to</p>												

risks	identify the substantive issues which may impact negatively on the delivery of the Council's priorities and may also have a financial impact. This is regularly reviewed by Senior Management Team and Service Areas to manage risks and mitigate potential exposures.
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These assumptions are reviewed on an annual basis.

Reserves & Balances Policy

Introduction

Guidance on local authority reserves and balances is available from the Chartered Institute of Public Finance & Accountancy (CIPFA). This represents good financial management and underpins the framework followed by Telford and Wrekin Council in this policy.

Types of Reserves and Balances

As part of the Service & Financial Planning process, the Council will consider the establishment and maintenance of reserves and balances.

Reserves and balances can be held for a number of purposes. Some reserves and balances are essential for the prudent management of the Council's financial affairs. These will provide a working balance to cushion the impact of uneven cash flows; a contingency for the impact of unexpected events or emergencies and allow the creation of earmarked reserves to meet known liabilities. The consequences of not keeping a minimum level of reserves can be serious and is therefore one of the considerations taken into account when setting the medium term financial plan.

When establishing reserves, the Council will ensure compliance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Some of the most commonly established earmarked reserves are:

- Sums set aside for major schemes, such as capital developments
- Insurance reserves – to provide for an element of self-insurance
- Service Balances – to permit under spends to be carried forward for future commitments
- School Balances – unspent balances of budgets delegated to individual schools

Level of Reserves and Balances

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net for unforeseen circumstances and must last the lifetime of the Council unless contributions are made from future year's revenue budgets. CIPFA guidance does not set a statutory minimum level so it is up to the Council itself, taking into account all the relevant local circumstances, to make a professional judgement on what the appropriate level of reserves and balances should be. Telford & Wrekin Council adopts a risk based approach to determine the appropriate level of reserves and balances to sustain and that which can be released to support the medium term financial plans.

Reserves and balances are only maintained in accordance with the risk assessment undertaken and are used in a planned way. Therefore the

opportunity cost of maintaining the determined levels is kept to a minimum while interest is earned on the retained amount.

Process

Each reserve and balance will have a clear purpose showing how and when it can be used together with a process for review to ensure continuing relevance and adequacy.

An annual review of reserves and balances will be undertaken as part of the budget process each year and a schedule presenting the estimated opening balances for the forthcoming year, planned additions to/withdrawals from and the estimated closing balances will be presented in the budget report. The schedule will also show the purpose of each reserve and a comment on the appropriateness of the value held.

Consideration is given to the key financial risks and mitigation available to determine the resources available over the medium term to support the Council's budget.

This process will be repeated each year to ensure the ongoing adequacy of the Council's reserves and balances.

Responsibilities and Reporting Mechanism

The Chief Financial Officer has a duty to local tax payers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

The level and usage of reserves will be formally approved by Council, as part of the budget strategy, informed by the Chief Financial Officer's judgement and expertise.

The budget report to Council will include a statement showing the estimated opening balances for the year ahead (including general fund and earmarked funds), any projected additions to/withdrawals and an estimated end of year balance. This will be accompanied by a statement from the Chief Financial Officer on the adequacy of the general reserves and provisions for the forthcoming year and the authority's medium term financial strategy.