APPENDIX 11

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 2015 – 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 9 of this report.

ROBUSTNESS OF ESTIMATES

Overview

Since 2010 the Council has faced unprecedented cuts in Government grant and over the past 8 years has made £96m of ongoing savings to manage within its reducing resources. The Government will continue to cut public spending as it aims to meet its target of eliminating the national budget deficit and while some part of the sector, such as health and defence, are protected further cuts will inevitably fall on local authorities as clearly set out in the Comprehensive spending Review announcement in November 2015.

The projected budget gap over the next three years for the Council is over £20m which will be met through a package of savings measures. It is now inevitable that some of the cuts will have significant impacts on local people and the Council is committed to consultation and is keen to work with partner organisations to identify alternative options for service delivery. In parallel the Council is committed to investing in Telford's future.

The Council has specifically prioritised Early Help & Support and Children's Safeguarding. After implementing the Government's new 2% "social care precept" the budget for Early Help & Support will increase by £2.1m next year; and Children's Safeguarding will increase by £5m to reflect the pressures being experienced by these services. This is not to say that changes are not required in these services and longer-term savings are required which will be achieved from new operating models.

The Council's medium term service and financial strategy has 4 core elements which will take the organisation forward and deliver budget savings:

- Focusing on solving problems and promoting social responsibility and action to manage and reduce demand for services,
- Challenging and changing, reviewing and reimagining the way we do things,
- Reducing our dependency on Government grants,
- Being a modern organisation with modern practices and where we always get the basics right.

These themes are expanded upon in the "Being The Change" report issued by the Managing Director in December 2015 which also implemented a new Senior Management Team structure to drive the organisation forward. These themes are set out in more detail in the Council's Efficiency Strategy that was approved by Full Council on 3 March 2016 and duly endorsed by Government.

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 (although the New Homes Bonus system is changing in 2017/18 it is still an important income stream) 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.

2017/18 is the fifth 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. 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 announcement to move to 100% business rates retention by 2020 is in principle welcomed however we await further technical consultation for more details to fully understand the implications for us. Final information relating to the outcome of the 2017 Revaluation, to be implemented in April 2017, is also outstanding and in particular the impact on levels of appeals could also have implications for the Council.

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 £96m, the long-term service redesign, particularly in relation to Early Help & Support 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.

<u>The 2017/18 Service & Financial Planning Strategy has been informed by:</u>

1. Impact Assessments 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. A commitment has been given to protect delivery of the most essential services for vulnerable children and adults.

As the Council has already approved a two year budget strategy and the majority of savings proposals for 2017/18 were subject to consultation and impact assessments as part of the 2016/17 budget process there will be a new approach taken in 2017/18: it is proposed that over the next 18 months the Council will engage with a range of partners and service users who could assist in developing alternative service solutions in those areas that have potential to impact upon our residents.

Both environmental and economic impact assessments have been undertaken for the additional savings put forward for 2007/08. Overall, on balance the environmental assessment is positive. Some proposals are likely to have an economic impact as spending by the council is reduced.

It 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 and exacerbated by the move to 100% local retention of business rates. 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 Cabinet Members and 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 £2.776m next year; in addition a further £2.5m one off budget facility has also been set aside specifically for Early Help & Support. Additional funding is being made available to increase the budget for Early Help & Support by £2.1m next year and for children's safeguarding by £5.0m.

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 manage and mitigate significant potential exposures to risks where possible.

2. The Financial Management Process

Financial 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 financial management 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.

The Senior Management team also regularly consider significant debts outstanding to the Council and agree actions to obtain payment as quickly as possible.

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.

2017/18 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 £2.8m and one-off funding of £2.5m for Early Help & Support. A risk assessed review of reserves and balances has been undertaken which identifies uncommitted balances of £15.8m prior to any remaining underspend at year end. After taking into account the proposed commitments in this report £9.7m will be set aside as a further one-off contingency.

<u>Inflation</u>	
Pay Award	1% has been included for pay awards for 201718 and 1.5% for 2018/19 and 2019/20, including teachers pay. If the estimates are inaccurate the actual level of pay award will be allocated to service budgets and any adjustment made to the budget model which will either increase or reduce the savings requirement.
Apprentice Levy	An allowance of 0.5% of the pay bill has been included to meet the cost of the Apprentice Levy wef 1 April 2017. Schools will pick up the cost of their element of the levy.
Employer's Pension Contribution	As anticipated, the triennial evaluation of the pension fund at 31 March 2016 identified a pension fund deficit. Discussions and negotiations with Pension Fund Officers are underway. Despite the pension fund overall funding position having moved from being 76% funded to 84% funded we anticipate an increase in the employers rate wef 1 April 2017, following the triennial revaluation and £2m growth has been included

	in the 17/18 budget to accommodate this cost . Employer's teachers pension contributions increased in September 2015 from 14.1% to 16.5%, and so the full year impact of this will be felt in financial year 2016/17
Employer's National Insurance Contribution	Nil increase.
Non-Pay budgets	A provision for known contractually committed inflation has been included. No other allowance for non-pay inflation has been made as budgets are cash limited. If inflation continues to rise this will place pressure on service budgets and the position will be kept under review through regular financial monitoring.
Contingencies	There is a general contingency of £2.776m plus a further one off budget of £2.5m specifically for Early Help & Support. Following a robust review of reserves and balances it has also been possible to create a one-off contingency of £9.7m to support the budget.
Service Pressures	The difficult economic situation has an impact on the community and results in an increase in demand for council services. The key service pressures identified for the medium term relate to Early Help & Support and Children's Safeguarding. Children's Safeguarding– there are currently 390 Children in Care (at 31.12.16) and financial monitoring shows a projected overspend of £4.1m in the current year. Safeguarding children from harm and neglect is one of the Council's top priorities and the 2017/18 budget includes new revenue investment of £4.5m in this area A further £0.5m invest to save funds is also being allocated in 2017/18. A cost improvement plan is in place to address areas of pressure to ensure that costs are contained within the increased base budget as far as possible. The position will be continually monitored and reviewed again as part of the 2018/19 service and financial planning process. Early Help & Support – the Council has consistently prioritised the protection of vulnerable people and the level of cuts made to the Adult Social Services budgets has been significantly less than other services. The Council will continue to use the Government's "Social Care Precept" of 2% on council tax bills which will generate £1.1m to be re-invested into Social Care to meet cost pressures in 2017/18.

	In total, the 2017/18 Adult Social Services budget will be increased by £2.1m (which includes the one-off £0.8m Adult Social Care Support Grant allocated by Government). While we are committed to meeting the assessed needs of vulnerable adults changes will be needed to the way services are provided to deliver savings in future years. One-off funds of £2.5m have been ring-fenced for Early Help & Support in recognition of the pressures being faced.
Central Government Funding / Local Government Resources Review	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 17/18 has been based on local information, which we consider to be more realistic than the national estimate used by the Government in their settlement figures and will need to be closely monitored throughout the year. The level of business rates appeals if of particular concern, with £149m rateable value from the 2010 Valuation lists currently under appeal. The Council has made prudent provision to meet the cost of successful appeals. However the level of future appeals is difficult to predict due to likelihood of higher volumes of appeals following the 2017 revaluation and the new Check, Challenge & Appeals process. Latest information relating to the 2017 business rates revaluation has been used to determine the amount of retained business rates included in the budget. The valuation list will be continually updated which clearly creates uncertainty. Again, the Council has been prudent in allowing provision for business rates fluctuations and the proposed budget includes the creation of a £1.25m Business Rates Equalisation account to help smooth the benefit from business rates between years.
Council Tax	The Council will increase council tax by the 2% “Social Care Precept” and by an additional 1.2% (3.2% in total) in 2017/18. Confirmation of the referendum limit thresholds for 2017/18 was received in late December and there is no risk of the 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.
Council Tax Support	Telford & Wrekin's Local Council Tax Support (CTS) Scheme was approved by Council in January 2017 which increased the global percentage reduction in CTS paid to non-vulnerable, working age claimants from 21% to 25%. 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. Since CTS was implemented in April 2013 claimant numbers have reduced, reflecting the improving economy and collection rates have remained strong.
Interest Rates	Base rates were reduced from 0.5% to 0.25% in August 2016; the next move will depend on how the economy responds to the uncertainties of Brexit and the extent to which the Bank of England will be tolerant of excessive inflation levels. The Bank of England's Quantitative Easing programme increased to £435bn. Our investment and borrowing strategies for 2017/18 are set within this context. The assumptions for new borrowing are 3.0% in 2017/18 and 3.5% in subsequent years. 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.
Treasury Management	The Treasury Strategy for 2017/18 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 2017/18 Treasury Strategy was presented to Audit Committee on the 31 January for their consideration and comments and was supported by them. The Committee will monitor progress during the year.
Dedicated Schools Grant (DSG) Education Services grant (ESG)	The figure allocated by the DfE in December 2016 for 2017/18 Dedicated Schools Grant was £137.98m (including academies). However the Early Years element of DSG will be adjusted for actual numbers of early years pupils in January 2017 and January 2018 and so will be finalised retrospectively in Summer 2018. Compared to Local Authority funding, school funding is comparatively protected from central government funding cuts. The schools block element is at the same cash level per pupil as in 2016/17, the cash amount for the high needs block has modestly increased (although not by enough to keep pace with demand) whilst the early years element of the grant has increased in response to cost pressures on early years provider and the extension to 30 hours free provision for working families from September 2017. The Government are to remove ESG during 2017/18. Telford & Wrekin Council received £2m ESG in 2016/17. In 2017/18, the total available funding (including transitional grant, retained amounts agreed by the Schools Forum and a new school improvement grant allocated by the Government) will be £1.5m. An element of the transitional grant will be recouped if any school converts to academy status between April and August 2017.
Estimates on the level and timing of capital receipts	The revenue budget and capital programme assume around £48.2m 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. The Government have offered some flexibility on the use of capital receipts generated for a 3 year period from April 2016. New receipts generated during this period may be used to fund the revenue costs of service reform projects. The Government recognise that in doing so revenue balances would be preserved but debt levels would be increased. The budget assumes use of this flexibility up to £4m in both 2017/18 and 2018/19.

Minimum Revenue Provision (MRP)	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 2017/18 budget strategy. The MRP policy is broadly in line with the previous year however it has been extended to include the investment properties where there will be a lower MRP charged for 2017/18 onwards to reflect the type of asset i.e. it will appreciate in value and provide a return. The MRP methodology adopted increases borrowing in the medium term as less MRP is set aside however by the end of the life of the asset the impact on borrowing is nil. KPMG, the Council's external auditors, are comfortable with this approach. Full details of the MRP approach is included in the Treasury Strategy report (also on this agenda).
Prudential Borrowing / Prudential Indicators	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.
Single Status	The Single Status process is in progress with planned implementation during 2018/19. 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 2018/19 totalling £1.37m; after meeting the expected cost of the Government's new national "living"/minimum wage £0.9m will remain to meet further costs arising from implementation. There is possible exposure to liabilities from back pay and equal pay claims which along with any other one-off costs (such as a potential period of pay protection for employees who see their pay reduced) could be met from the one-off provision.
Savings	The Council has an excellent track record of delivering

	savings in accordance with agreed plans. Over the past 8 years savings totalling over £96m have been delivered. There is a schedule of additional 2017/18 savings proposals included in the strategy at Appendix 1 which will deliver savings over the medium term planning period. Total savings are expected to reach well in excess of £110m by 2018/19. There is a capital receipts flexibility to meet severance costs. In order to support the delivery of ongoing savings £1.5m has been added to the Invest to Save/Capacity Fund following a robust review of reserves and balances.
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 2017/18 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 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 £15.8m is available to use in the overall budget strategy. After a number of commitments proposed in this report to support the Administration's medium term strategy a contingency balance of £9.7m will remain. Current projections for 2016/17 indicate that over £3m will be available to increase useable balances by at year end. In addition the Council could review capitalisation of expenditure charged to revenue and seek to make maximum use of the new flexibility on the use of capital receipts offered by the Government.
The overall financial standing of the authority (level of borrowing, debt outstanding, collection of council tax etc.	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 2016 was £179.5m; net additional prudential borrowing anticipated in 17/18 is £39.8m, 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 £48.2m 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. The assumed council tax collection rate for 2017/18 onwards is 99% which has been increased from 98.75% as high collection rates have been sustained since the introduction of Local Council Tax Support. For each 1% not collected the cost is approximately £0.594m 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. Cumulative collection rates to date for recent years are 2011/12 99.59% 2012/13 99.42% 2013/14 99.21% 2014/15 98.89% 2015/16 98.38% 2016/17* 65.48% *part year only Final recovery rates for all years are projected to be over 99%. Close monitoring of the impact of CTS on collection rates will continue during 2017/18.
The authority's track record in budget and financial management	The Council continues to demonstrate extremely strong financial management with outturn being very close to the net budget set and no overspends during the previous 9 years: • 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) • 2014/15 – underspent by £1.145m (0.89% of budget) • 2015/16 – underspent by £0.121m (0.10% of budget) This demonstrates an outstanding track record of continuous strong financial management, despite considerable pressure on service budgets, notably Early Help & Support and Children's Safeguarding and an unprecedented protracted period of significant cuts to Government funding.

Virement and Contingencies	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. 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.
The adequacy of the authority's insurance arrangements to cover major unforeseen risks	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. The Council has a strategic risk register which is used to 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.

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.