

Extract from the Revenue Budget and Council Tax 2012/13 report to Full Council on the 10th February

ROBUSTNESS OF THE BUDGET AND THE ADEQUACY OF RESERVES

- 1.1 The Local Government Act (Part II) 2003 placed a requirement upon the Council's statutory finance officer (The Director of Resources) to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves.
- 1.2 In considering the robustness of any estimates, the following criteria need to be considered:-
- the reasonableness of the underlying budget assumptions such as:
 - the reasonableness of provisions for inflationary pressures;
 - the extent to which known trends and pressures have been provided for:
 - the achievability of changes built into the budget;
 - the realism of income targets;
 - the alignment of resources with the Council service and organisational priorities.
 - a review of the major risks associated with the budget.
 - the availability of any contingency or un-earmarked reserves to meet unforeseen cost pressures.
 - the strength of the financial management and reporting arrangements.
- 1.3 In coming to a view as to the robustness of the 2012/13 budget, the Director of Resources has taken account of the following issues:-
- Detailed estimates are prepared by directorates in accordance with principles laid down by the Director of Resources based upon the current agreed level of service. Service changes are separately identified and plans are in place for them to be managed.
 - Estimate submissions have been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council.
 - Significant financial pressures experienced in 2011/12 have, where appropriate, been recognised in preparing the 2012/13 budget.
 - Contingency provisions have been included in the General Fund and within the DSG funded services. These provisions are for items not foreseen and for items where there is a risk of variation during the year. In

the case of the schools contingency, this would include adjustments required in the application of formula funding, significant increases in pupil numbers, and additional statements of Special Education Needs or exceptional in year cost increases.

- As part of the budget process, directorates have undertaken a risk assessment of their key budgets, documented this assessment in the form of a formal Risk Register, and provided a summary of major risks within the directorate budget documents, many of which are significant. All directorate budgets contain efficiencies, service reviews and savings which will require actions to deliver, and any delay in taking decisions may have significant financial implications. The overall level of risk within the 2012/13 budget is considered to remain relatively high, but less than in the 2011/12. Whilst this level of risk can be considered manageable, it must be on an understanding that key decisions are taken or that alternative actions can deliver similar levels of savings without increasing the overall risk level within the budget. Some of the key risks within the budget are as follows:-
 - The level of demand and activity, within the children's social care and looked after children budgets. Whilst the directorate have continued to develop their plans to manage the continuing increase in demand and referrals, the 2012/13 budget does require the level of demand in these areas to "turn the curve".
 - Assumptions around additional income from the trading of certain functions with schools are not realised.
 - Volatility of demand led budgets within Adults Social Care.
 - Inflation and pay awards greater than anticipated
 - Interest rate changes greater or sooner than anticipated
 - Failure to restrict capital spending results in additional debt costs
 - Uncertainty over the economic climate which may have a continuing impact on income budgets and the cost of borrowing
 - Challenging efficiency targets across the Council including reducing staffing numbers and generating significant procurement savings
 - Risk to Council buildings if essential maintenance work cannot be contained within the reduced budget.