

**APPENDIX 10**  
**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 Finance Act 1988** highlights the Chief Financial Officer's responsibility to report to the external auditor and 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).

**Section 106 of the Local Government Finance Act 1992** makes it a criminal offence for any Member with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears, and will not be voting

on the decision for that reason. The Member concerned must then abstain from voting.

**The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014** provide that the Council's procedures must provide for the minutes to record how each Councillor voted (including any abstentions) when determining the Council's budget and the level of Council Tax to be levied

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**

The Council has faced a very protracted period of severe financial constraint including unprecedented cuts in Government grant in recent years – the reduction in RSG being over 80% between 2013/14 and 2019/20 and with only a small increase of 1.63% for 2020/21 and only 0.55% for 2021/22. Since 2009/10 the Council has made £126m of ongoing savings to manage within its reduced resources whilst at the same time facing increasing demands for many service, such as safeguarding vulnerable children and adults. However, during this period, the Council has demonstrated robust budget management. The national position has now been severely impacted by the Government's response to the coronavirus pandemic with the national budget deficit for 2020/21 reaching record levels. The Government has protected many areas of public spending, notably the NHS, and the outlook for local government is likely to remain challenging.

As outlined in some detail in the service and financial planning report, there is considerable uncertainty at present over the future of local government finance and what resources may be available to the Council beyond next year, due to the impact of the pandemic, the delay of a medium term Comprehensive Spending Review and the postponement of the planned reforms to the local government finance system. Therefore estimates of the Council's financial position beyond 2021/22 are subject to a high degree of uncertainty. However, we need to make the best estimates of the potential position facing the Council that we can in order to assist with medium term financial planning. After the proposed council tax increase and proposed savings package put forward in this report, the projected budget remaining gap over the following two years, 2022/23 and 2023/24, for the Council is currently estimated to be around £11m, although this will be regularly updated as and when further information becomes available. The budget gap, however much it is, will need to be met through a package of savings measures driven by transformation and

innovation within the Council as well as some increases in council tax and use of one-off resources in the short-term. The covering service and financial planning report recommends that we only use £0.4m of available balances next year with the balance being retained due to the high level of uncertainty in future years. It is, however, now inevitable that some of the budget savings in future 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. The Council will continue with its approach to budget consultation which will take place throughout the year, rather than only being compressed into a 4 week period which will allow greater focus and interaction with the community and particularly those service users and stakeholders with a strong interest in specific proposals. In parallel the Council is committed to investing in Telford's future and some limited new investments are being made to the highest priorities.

The Council has specifically prioritised Adult Social Care and Children's Safeguarding to reflect the pressures being experienced by these services and the importance placed on them: maintaining its investment in Children's Safeguarding at over £36m in 2021/22 and investing an additional £2.3m in Adult Social Care, taking its net budget to over £47m in 2021/22. Further, £0.5m will be invested to support crime and anti-social behaviour initiatives in both 2021/22 and 2022/23.

The Council's medium term service and financial strategy is focussed around 4 main themes which will take the organisation forward and deliver budget savings:

- A community-focussed, innovative council providing efficient, effective and quality services
- Solving problems and promoting social responsibility to reduce demand for services,
- Challenging and changing the way we do things,
- Reducing our dependency on Government grants,

These themes are expanded upon in the main Service & Financial Planning report.

Despite the financial challenges being faced, the Council has a clear goal to attract new jobs and investment and promote growth in the borough. The significant capital programme which totals almost £230m demonstrates this commitment to ***Protect, Care and Invest to Create a Better 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 – subject to periodic resets of the local government finance system.

The 2021/22 local government finance settlement is for one year only and is set within the context of the one year Spending Review, announced in

November 2020. A medium term Comprehensive Spending Review is now expected in 2021 which will set the Government's priorities over the medium term for public spending. The Government have also announced that once the pandemic has ended they want to work with councils on the resources available to meet demands faced. April 2022 may also see significant changes to the Rates Retention Scheme (incorporating the outcomes of the Fair Funding Review and re-setting the Business Rates system) as the planned reform has been deferred from April 2021.

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

**Overall therefore, given the continued delivery of savings which will total £126.4m by the end of this year, the long-term service redesign, particularly in relation to Adults and Children's services, the more 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 both the pandemic and the most prolonged and challenging financial position it has ever faced due to the combined long-term effect of Government grant cuts and increased service pressures. Further, it is considered that the Council maintains an adequate level of reserves and provisions and has an appropriate medium term strategy for the use of reserves.**

#### **The 2021/22 Service & Financial Planning Strategy has been informed by:**

##### **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.

Due to the ongoing scale of savings required which will inevitably be more challenging on top of the savings already delivered, the Council will continue with its approach to the development of future savings proposals which allows more time for consultation with stakeholders about options to minimise impacts. Going forward, therefore, proposals will be developed as soon as opportunities arise and capacity allows, rather than concentrating consultation through the 4 week period as part of the annual budget process. This will allow meaningful engagement with our community and partners to develop creative solutions and will mean that the budget engagement process will take place throughout the year as an ongoing dialogue.

It seems inevitable that the level of financial risk will increase both to individual services and the operation of the Council as a whole. 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 total revenue contingencies of £3.95m next year held corporately and within the budgets for safeguarding and ASC; in addition a further £0.7m for inflation. As mentioned above, new investment is being made into both Adult Social Care and to support tackling crime and anti-social behaviour. Further, an Invest to Save/Capacity Fund and a Partnership Capacity Fund are in place to provide additional resources and to assist with the delivery of savings.

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. The current strategic risk register is included at Appendix 3 of this report

## **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 may 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.

### **2021/22 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 £3.95m, held within the corporate core and the ASC and Children's Safeguarding budgets, with a further £0.7m inflation contingency. A review of reserves and balances has been undertaken which has identified uncommitted balances of just over £20m, prior to any remaining underspend at year end, which is taken into account as part of this medium term financial and service planning strategy.

The coronavirus pandemic (Covid-19) is continuing to have a considerable impact across the country. The Council has followed Government guidance and has provided support to the community throughout this unprecedented period. Covid-19 has resulted in pressures from increased costs, particularly relating to the provision of Social Care and safeguarding the most vulnerable in our community; the purchase of essential personal, protective equipment; income shortfalls relating to closed facilities and services; and anticipated income shortfalls in relation to Council Tax and Non-Domestic Rates which are key funding streams for the Council. After considerable active budget management work undertaken by the Cabinet Members and officers, the total projected pressure in 2020/21 is currently estimated to be £20.55m. The Council has received £18.97m of Government National Emergency Response Funding, leaving a residual pressure of £1.58m. This is prior to using any of the remaining budget contingency or taking into account support through the Governments Tax Income Guarantee Scheme. Clearly the impacts of Covid-19 will continue in the remainder of 2020/21 and into 2021/22, however due to the strong financial management the council is in as good a position as possible to face the pressures. Further information can be found in the Financial Monitoring Report also on this agenda. Specific impacts of Covid-19 are also detailed in the table below.

<u>Inflation</u>	
Pay Award	2021/22 includes allowance for pay awards of £250 for employees earning less than £24,000 p.a. (FTE) and 1% for all employees in 2022/23 and 2023/24. 3; the assumption for teachers pay in 2021/22 is as above, with 2% being included for 2022/23 and 2023/24. 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

Apprentice Levy	<p>either increase or reduce the use of balances/savings requirement.</p> <p>An allowance of 0.5% of the pay bill is included to meet the cost of the Apprentice Levy during 2021/22. Schools will pick up the cost of their element of the levy.</p>
Employer's Pension Contribution	<p>The Shropshire Pension Fund had a funding level of 94% at 31 March 2019, the date of the last triennial evaluation undertaken by independent actuaries. Following this and discussion and negotiation with Pension Fund Officers, the employers' rate was set at 15.8% plus a lump sum payment agreed for each year which has been included in budget projections. The next actuarial valuation is 31 March 2022 which will be implemented in April 2023; this will also take into account the impact of the McCloud judgement.</p>
Employer's National Insurance Contribution	<p>Nil increase.</p>
Non-Pay budgets	<p>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 rises this will place pressure on service budgets and the position will be kept under review through regular financial monitoring.</p>
Contingencies	<p>Total general contingencies total£3.95m plus £0.7m contingency for inflation.</p>
Service Pressures	<p>The difficult economic situation and pandemic 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 Care and Children's Safeguarding &amp; Family Support.</p> <p>Children's Safeguarding &amp; Family Support – there are currently 434 Children in Care (at 13.12.20) and financial monitoring shows a projected overspend for this service of £1.6m in the current year. Safeguarding children from harm and neglect is one of the Council's top priorities and the 2021/22 budget will maintain the Children's Safeguarding &amp; Family Support budget at just over £36m in 2021/22. A cost improvement strategy is in place which is focussed on reviewing and re-modelling services and finding new and innovative ways of doing more for less (see Appendix 11),</p>

	<p>this includes the Council's successful application to join the DFE's Strengthening Families, Protecting Children Programme, where £84m has been invested over 5 years to support up to 20 local authorities, with 'go live' scheduled for May 2021. The position will be continually monitored and reviewed again as part of the 2022/23 service and financial planning process. The Service has developed a rolling 4 year placement model with the aim to reduce the total number of placements.</p> <p>Adult Social Care – the Council has consistently prioritised the protection of vulnerable people and the level of cuts made to the Adult Social Care budgets has been significantly less than other services. In total, the 2021/22 Adult Social Services budget will be increased by £2.3m, taking the total budget to over £47m. 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. An Adult Social Care Continuous Improvement Strategy is also in place which focussed on supporting local people to live as independently as they can in their own home, as far as possible (see Appendix 12).</p> <p>As previously mentioned, pressures relating to Covid-19 will continue into 2021/22. The Government has announced another £1.55bn of unringfenced grant for the pressures expected to emerge in the first few months of 2021/22 - Telford &amp; Wrekin will receive £5.2m of this funding; further the current Sales, Fees and Charges scheme (which refunds 75% of eligible income loss beyond a 5% threshold) is being extended into the first three months of 2021/22. The position will be closely monitored during 2021/22 and actively managed.</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 the growth in locally collected business rates (49% for Telford &amp; 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 planned review of local government funding has been delayed and decisions on reform will be taken in the context of next year's Comprehensive Spending Review.</p> <p>The level of business rates appeals if of particular concern, with a significant part of the total rateable value 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 the VOA adopting</p>



	<p>a Check, Challenge &amp; Appeal process following the 2017 revaluation.</p>
Non Domestic Rates Income	<p>As anticipated, business rates collection has been significantly lower in 2020/21 than previous years due to Covid-19. Projections are difficult due to current circumstances and continuing impact of the pandemic. Where possible payment arrangements will be agreed that will see recovery continuing beyond March 2021. The Government have announced that this deficit can be recovered over a 3 year period, however it is our intention to make provision for this pressure during 2020/21 to avoid increasing the budget shortfall in future years. This is reflected in the 2020/21 financial monitoring position. Further, a tax income guarantee scheme was announced as part of the November 2020 Spending Review which will provide some funding for <u>irrecoverable</u> losses although details of how this scheme will operate are not available at the time of drafting this report.</p> <p>The amount included in the budget for business rates in 2021/22 has been based on local information, including prudent provision for outstanding appeals. The position will be closely monitored.</p>
Council Tax	<p>The Council is proposing to increase council tax by the 3% "Social Care Precept" and by an additional 1.99% (4.99% in total) in 2021/22.</p> <p>Confirmation of the referendum limit thresholds for 2021/22 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.</p> <p>As anticipated, council tax collection has been significantly lower in 2020/21 than previous years due to Covid-19. Projections are difficult due to current circumstances and continuing impact of the pandemic. Where possible payment arrangements will be agreed that will see recovery continuing beyond March 2021. The Government have announced that this deficit can be recovered over a 3 year period, however it is our intention to make provision for this pressure during 2020/21 to avoid increasing the budget shortfall in future years. This is reflected in the 2020/21 financial monitoring position. Further, a tax income guarantee scheme was announced as part of the November 2020 Spending Review which will provide some funding for <u>irrecoverable</u> losses although no details of how this will operate were available at the time of drafting this report.</p>

<p>Council Tax Support</p>	<p>The Council is continuing its Local Council Tax Reduction (CTR) Scheme in 2021/22. The CTR scheme is a banded discount scheme with levels of discount awarded ranging between 25% and 90% depending on family size and weekly income.</p> <p>The council tax hardship fund will continue and has been doubled in size for next year. It is available to award discretionary discounts in cases of extreme financial hardship. Council tax reduction 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 have some council tax to pay. The impact of the new CTR has been included in the setting of the council tax base for 2021/22.</p> <p>The Council has been allocated £1.7m new unringfenced funding to meet additional costs associated with increased CTR caseloads in 2021/22 due to Covid-19. The Council may use this funding flexibly as it is received by way of an unringfenced grant.</p>
<p>Interest Rates</p>	<p>Base rates have remained at 0.10% throughout 2020/21 to date and are not expected to increase in the short term. The Bank of England’s increased its Quantitative Easing programme to £895bn in November 2020. Our investment and borrowing strategies for 2021/22 are set within this context.</p> <p>The assumption for new borrowing is 2.5% in 2020/21 and subsequent years which is a considerable reduction on recent years (4% for 2020/21) reflecting the expectation that low interest rates are likely to prevail for some years to come. This will impact on the in-year treasury surpluses that the Council has benefitted from in recent years as a result of our policy of maintaining relatively high levels of short-term temporary funding as the difference between the temporary rates and the assumption for long term rates built in to the budget will be considerably less resulting in reduced in-year surpluses.</p> <p>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</p>

	<p>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 2021/22 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 2021/22 Treasury Strategy was presented to Audit Committee on the 28 January 2021 for their consideration and comments. The Committee will monitor progress during the year.</p>
Non-Treasury Investments	<p>The Investment Strategy for 2021/22, included as part of the suite of Service &amp; Financial Planning papers, focuses on non-treasury investments. These investments are made to support local public services and include some investments which deliver council priorities, such as regeneration, provision of high quality homes for rent and a return to the Council.</p>
Dedicated Schools Grant (DSG)	<p>The total allocated by the DfE in December 2020 for the 2021/22 Dedicated Schools Grant was £178.2m (including academies). There are four blocks making up the total DSG figure:</p> <ul style="list-style-type: none"> <li>• Schools;</li> <li>• High Needs;</li> <li>• Early Years; and</li> <li>• Central School Services.</li> </ul>
Schools Block	<p>The largest of these four blocks is Schools, which funds mainstream schools. This has increased by approximately £11m in 2021/22 to £136.3m, due to a combination of the DfE moving previously separate teachers' pay grants into DSG, an increase in funding per pupil, arising from the Government's increase in funding for schools generally and rising pupil numbers in Telford &amp; Wrekin, particularly in the secondary sector</p>
High Needs	<p>The next largest block is High Needs at £28.1m. This too has increased compared to 2020/21, by around £3m. Despite the</p>

Early Years	<p>funding increase, high needs budgets will remain under pressure, due to increasing demand for high needs support.</p> <p>The Early Years block, £12.7m, will be adjusted for actual numbers of early years pupils in January 2021 and January 2022 and so will be finalised retrospectively in Summer 2022. The increase in early years funding, at less than 2% for Telford &amp; Wrekin, is much more modest than the increases for schools and high needs.</p>
Central School Services	<p>The Central School Services block, £1.1m, was introduced in 2018/19 following the demise of the Education Services Grant, which ceased in August 2017. Funding for education central services – statutory obligations for local authorities, not discretionary support – has sharply declined in recent years. As an illustration of this, the Education Services Grant (ESG) for Telford &amp; Wrekin was £2.9m in 2013/14. In addition to the Central School Services Block, representatives of maintained schools on the Schools Forum agreed to de-delegate an additional £0.4m for 2021/22 to cover costs of statutory services that apply only to mainstream schools, but nonetheless the removal of the ESG has represented a further significant loss of funding to local authorities.</p>
Estimates on the level and timing of capital receipts	<p>The revenue budget and capital programme assume around £24m 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> <p>The Government has offered some flexibility on the use of capital receipts generated up to and including 2021/22. 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 a total of £4.8m in 2020/21 and 2021/22.</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)</p>

	<p>- have been prudently applied in setting the 2021/22 budget strategy.</p> <p>The MRP policy is in line with the previous year.</p> <p>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. The Council's external auditors, are comfortable with this approach.</p> <p>Full details of the MRP approach is included in the Treasury Strategy report (also on this agenda).</p>
Prudential Borrowing / Prudential Indicators	<p>The use of prudential borrowing is in line with the capital programmes approved by full Council.</p> <p>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 2022/23 and an additional ongoing budget is included in the budget strategy totalling £1.270m with effect from 2022/23. In addition, a provision totalling £8.92m is also available. There is the potential for some 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 this one-off provision.</p>
Savings	<p>The Council has an excellent track record of delivering savings in accordance with agreed plans. Since 2009/10 savings totalling over £126m have been delivered and the outturn position has consistently been within budget.</p> <p>Additional gross savings totalling £5.9m in 2021/22, rising to £7.2m in 2022/23 have been identified. Work will continue to identify additional income and savings to bridge the potential budget shortfalls currently projected for 2022/23 and 2023/24.</p> <p>There is a capital receipts flexibility to meet severance costs and the potential to increase the invest to save/capacity fund, which supports the delivery of ongoing savings, using part of the anticipated 2020/21 underspend.</p>
Financial Risks inherent in any new funding	<p>There are a number of major capital projects that have been identified which require careful project management and monitoring during 2021/22 and beyond to ensure commitments are matched by funding actually achieved,</p>

partnerships, major outsourcing deals or major capital developments	particularly the reliance on capital receipts and future government funding levels for the Council and its public sector partners. Major capital projects in the medium term strategy include the Housing Investment Programme and the Property Investment Portfolio Growth Fund.
The availability of other funds to deal with major calls on contingencies	<p>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 £20m is available to use in the overall budget strategy, which is after meeting the commitment to use £0.4m in 2021/22.</p> <p>Current projections for 2020/21 indicate that there will be a balance remaining in the corporate contingency at year end, part of which may be invested in key community priorities, or transferred into a budget strategy or other reserves to support the delivery of the overall medium term service and financial planning strategy in future years.</p>
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.</p> <p>The overall projected net indebtedness position at 31 December 2020 was £242.5m; net additional prudential borrowing anticipated in 2021/22 is £60.2m, 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 £24m 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 2020/21 onwards is 99.25%. For each 1% not collected the cost is approximately £0.729m in lost income to the Council. Legislation requires that any collection fund deficit is corrected through Council Tax in the next year, although as mentioned above, the Government have announced that any exceptional deficit relating to Covid-19 in 2020/21 can be recovered over a three year period.</p>

	<p>Cumulative collection rates to date for recent years are</p> <table> <tr><td>2014/15</td><td>99.48%</td></tr> <tr><td>2015/16</td><td>99.42%</td></tr> <tr><td>2016/17</td><td>99.29%</td></tr> <tr><td>2017/18</td><td>99.11%</td></tr> <tr><td>2018/19</td><td>98.86%</td></tr> <tr><td>2019/20</td><td>97.99%</td></tr> <tr><td>2020/21</td><td>62.93%</td></tr> </table> <p>Final recovery rates for all years are normally projected to be over 99.25%.</p> <p>Close monitoring of the impact of CTS and Covid-19 on collection rates will continue during 2020/21 and into 2021/22.</p>	2014/15	99.48%	2015/16	99.42%	2016/17	99.29%	2017/18	99.11%	2018/19	98.86%	2019/20	97.99%	2020/21	62.93%
2014/15	99.48%														
2015/16	99.42%														
2016/17	99.29%														
2017/18	99.11%														
2018/19	98.86%														
2019/20	97.99%														
2020/21	62.93%														
The authority's track record in budget and financial management	<p>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 11 years:</p> <ul style="list-style-type: none"> <li>• 2009/10 – underspent by £0.332m (0.27% of budget)</li> <li>• 2010/11 – underspent by £0.083m (0.07% of budget)</li> <li>• 2011/12 – underspent by £1.843m (1.42% of budget)</li> <li>• 2012/13 – underspent by £0.055m (0.04% of budget)</li> <li>• 2013/14 – underspent by £0.099m (0.07% of budget)</li> <li>• 2014/15 – underspent by £1.145m (0.89% of budget)</li> <li>• 2015/16 – underspent by £0.121m (0.10% of budget)</li> <li>• 2016/17 – underspent by £0.167m (0.10% of budget)</li> <li>• 2017/18 – underspent by £0.150m (0.10% of budget)</li> <li>• 2018/19 – underspent by £0.275m (0.20% of budget)</li> <li>• 2019/20 – underspent by £0.146m (0.12% of budget)</li> </ul> <p>This demonstrates an outstanding track record of continuous strong financial management, despite considerable pressure on service budgets, notably Adult Social Care and Children's Safeguarding and an unprecedented protracted period of significant cuts to Government funding.</p>														
Virement	<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 Director or Service Delivery Manager should plan to overspend. All expenditure should be consistent with approved service priorities and the overall approved budget.</p>														

<p>The adequacy of the authority's insurance arrangements to cover major unforeseen risks</p>	<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 (Appendix 3 of this report) 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.</p>
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These assumptions are reviewed on at least 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 assessment of need undertaken by the Service and Financial Planning Group (which includes all Executive Directors) with SMT and Cabinet Members 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 an overall comment on the appropriateness of the values 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.