BALANCES AND RESERVES STATEMENT 2011/12

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SUMMARY

The budget reported to Cabinet and Council in February contained an extract from the Balances and Reserves Statement 2011/12 which summarised the recommended range for unallocated balances. The Balances and Reserves Statement contains more detail on the Council's approach to management and measurement of the requirement to hold balances and reserves than is currently in the public domain. The report explains the technical accounting guidance used to assist this process, and enables Members to scrutinise the detailed background to the core assessment for General Fund balances supporting the Budget Report 2011/12.

RECOMMENDATIONS

That the contents of the report are noted.

REASONS FOR OFFICER RECOMMENDATIONS

The balances and reserves statement has been produced based on a professional assessment of key risks and requirements for which balances and reserves need to be held by the Council, as part of exercising the Section 151 officer's professional duties with regard to budget setting. Appropriate Member scrutiny of this assessment will add weight to authority of the policy in external assessments.

INFORMATION

1 The Chief Finance Officer, as the Council's Section 151 officer has a legal duty to comment on the robustness of the budget estimates for the forthcoming year and the adequacy of the Council's reserves as part of the statutory annual budget setting process. This duty stems from the financial governance framework established under the Local Government Act 2003 that also brought into being other reforms such as the introduction of the Prudential Code.

2 For Hillingdon, this duty is exercised through an extract of the Budget Report to Cabinet and Council in February of each year. This statement on summarises the approach taken to the professional assessment, and expresses a prudent level of unallocated General Fund balances that the Council should hold as a range based on the assessment of the key strategic, operational and financial risks faced by the Council. Where this range has changed from the previous year's assessment, the main material issues that have influenced such change are described, reflecting both positive and negative developments.

3 In the 2011/12 budget report, the recommended range for unallocated General Fund balances is £12m to £24m. This range is based on a professional

assessment separate to the Administration's political target to maintain unallocated balances at £12m. The professional assessment is based on the guidance set out in Local Authority Accounting Panel (LAAP) Bulletin 77 – Local Authority Reserves and Balances (dated November 2008). This arranges the assessment to cover consideration of:

- the general financial climate to which the Council is subject and its track record in budget and financial management
- the treatment of planned efficiency savings / productivity gains
- the robustness of the financial planning process (including the treatment of inflation and interest rates and the timing of capital receipts)
- how the Council manages demand led service pressures
- the financial risks inherent in any major capital projects, outsourcing arrangements or significant new funding partnerships the strength of the financial monitoring and reporting arrangements
- cashflow management and the need for short term borrowing
- the availability of reserves, Government grants and other funds to deal with major contingencies and the adequacy of provisions

4 The attached Balances and Reserves Statement contains an underlying assessment against these criteria that identified the recommended range for unallocated balances contained within the Budget Report. In addition the policy document sets out the range of earmarked balances and reserves that the Council holds, the reasons for these and the relevant processes that apply to their management.

LEGAL IMPLICATIONS

Decisions made by the Cabinet or a Cabinet Member must be 'Wednesbury' reasonable, i.e. Council officers need to present all the facts that are relevant to Members before they make a decision - otherwise decisions can be open to legal challenge.

BACKGROUND PAPERS

General Fund Revenue Budget and Capital Programme 2011/12 - report to Cabinet and Council February 2011

Local Authority Accounting Panel (LAAP) Bulletin 77 –Local Authority Reserves and Balances (November 2008)

STATEMENT ON 2011 ANNUAL REVIEW OF RESERVES

SUMMARY

The Council's Chief Finance Officer has a duty under the Local Government Act 2003 to comment on the robustness of the Council's budget for the coming year. This comment is also required to discuss the adequacy of the Council's reserves. The Chief Finance Officer has recommended that based on the 2011/12 budget an appropriate level of unallocated balances for the authority is in the range from £12m to £24m.

1. BACKGROUND

1.1 Under the Local Government Act 2003 the Chief Finance Officer has a duty to recommend to Cabinet the level of reserves and balances required by the Council. This requirement is met through the inclusion each year in the Budget Report to Cabinet and Council the results of a review of reserves and balances. This is done in line with current CIPFA guidance. This states that when reviewing the Medium Term Financial Forecast and budget the Council should consider the establishment and maintenance of reserves. These can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements – earmarked reserves are accounted for separately but remain legally part of the General Fund.

1.2 To assess the adequacy of general reserves the Chief Finance Officer has taken into account the strategic, operational and financial risks facing the Council. The Council should retain adequate reserves to cover unexpected expenditure and avoid costly short-term borrowing. Equally the Council should seek to utilise the maximum resources available to achieve its objectives and to ensure that current resources are used for the benefit of the current tax payer. It should therefore plan to maintain reserves at the lowest prudent level. CIPFA guidance states that a well-managed authority, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed authority will ensure that reserves are not only of an adequate amount but are also necessary for the Council to meet its objectives. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

1.3 Over the years, the Council has improved its level of reserves to an appropriate level. However it still has a relatively low level of total reserves due to the relatively limited number and value of earmarked reserves. The level of General Fund reserves has also been negatively impacted by the shortfall in central government funding of asylum services.

1.4 This statement analyses the review of adequacy of reserves, in particular General reserves.

1.5 Each earmarked reserve is subject to its own review of adequacy and a summary of earmarked reserves is provided in Section 3.

2. ADEQUATE LEVEL OF UNALLOCATED GENERAL FUND RESERVES

2.1 To determine the recommended level of reserves the Council has assessed risks it currently faces. Criteria as specified in Local Authority Accounting Panel (LAAP) Bulletin 77 (November 2008) have been followed for this purpose, the details of which are shown in Appendix 1 and include the following:

- The robustness of the financial planning process (including treatment of inflation and interest rates and timing of capital receipts)
- How the Council manages demand led service pressures
- The treatment of planned efficiency savings / productivity gains
- The financial risks inherent in any major capital project, outsourcing arrangements or significant new funding partnerships
- The strength of the financial monitoring and reporting processes
- Cashflow management and the need for short term borrowing
- The availability of reserves, Government grants and other funds to deal with major contingencies
- The general financial climate to which the Council is subject to and its previous record in budget and financial management.

2.2 The assessment, although based on the Council's procedures and structures, does necessarily have an element of subjectivity. In acknowledging this, the optimum level of reserves incorporates a range. The recommended range for 2011/12 is £12m to £24m. The upper end of this range represents the highest level of unallocated balances that the Council could reasonably justify holding (were it in a position of having available balances at this level). If balances were above the upper level, the Chief Finance Officer would recommend that plans were developed to use the excess balances towards enhancing the delivery of the Council's strategic objectives in the current year. The equivalent figures recommended at the time of budget setting for 2010/11 were £12m to £23m.

The array of risk factors that determine the need to hold balances and reserves has changed very slightly since last year's budget setting process. However this review has resulted in an increased assessment of the maximum level of balances. Table 1 shows the adjustments in the level of General Fund reserves from 2010/11 to 2011/12, analysed across the criteria detailed above. The principle determining factor for the change is the general financial climate and the need to hold balances to manage the impact of significantly reduced Government grants.

Table 1: Assessment of Unallocated General Fund Reserves

Assessment of Unallocated General Fund Reserves	**Minimum Level 2011/12 (£ million)**	**Maximum Level 2011/12 (£ million)**	*Minimum Level 2010/11 (£ million)*	*Maximum Level 2010/11 (£ million)*	**Change in Minimum Level (£ million)**	**Principal Reasons for Changes**
The general financial climate to which the Council is subject	2.0	4.0	*3.0*	*6.0*	-1.0	Most funding streams now fairly certain but some issues on capitalisation
The overall financial standing of the authority	1.5	4.0	*1.5*	*4.0*	0.0	Slightly higher forecast balances, but higher contingency in 2011/12
The treatment of planned efficiency savings / productivity gains	2.5	5.0	*1.5*	*3.0*	+1.0	Front loading of CSR cuts requires £25m of savings in 2011/12, significantly higher than last year
The treatment of inflation and interest rates	1.0	2.0	*1.0*	*2.0*	0.0	Inflation remains a risk
The financial risk inherent in major outsourcing arrangements	1.0	2.0	*1.0*	*2.0*	0.0	
The treatment of demand led pressures	1.0	2.0	*1.0*	*2.0*	0.0	Degree of uncertainty on demographic pressures
The financial risks inherent in any major capital developments	1.0	1.0	*1.0*	*1.0*	0.0	Potential for capital programme of works to transfer to revenue funded
Estimates of the level and timing of capital receipts	1.0	1.0	*1.0*	*1.0*	0.0	Impact on MRP reduce through lower receipts
The availability of reserves and other funds to deal with major contingencies	0.0	1.0	*0.5*	*1.0*	-0.5	£4.8m of unallocated contingency built into the 2011/12 budget
The Council's capacity to manage in year budget	1.0	2.0	*0.5*	*1.0*	+0.5	Potential impact of uncertain economic climate

pressures						
Total	**12.0**	**24.0**	*12.0*	*23.0*	**0**	

2.3 In summary, there is a broad spread of balances held against the key issues listed in paragraph 2.1. Therefore most of the Council's balances are held to deal with the common risks that virtually all multi-purpose local authorities need to manage on an ongoing basis. However there are two key issues for Hillingdon that drive the need to hold additional balances. Firstly, the unique circumstances surrounding the presence of Heathrow Airport within the boundaries of the Council. In particular this is the driver of the Council's exceptional asylum caseload, which has a fragile, unpredictable and inadequate funding stream attached to the support for care leavers, resulting in recurring funding shortfalls that require additional balances to be held. Secondly, along with all other local authorities, the Council is facing a significant reduction to its funding in 2011/12 as a result of the Comprehensive Spending Review announced in October 2010. Overall formula grant funding was cut by £11.2m in 2011/12, along with several other grants, predominantly education. As a result, the budget for 2011/12 contains savings proposals of £26m, more than double the savings level of previous years.

2.4 Detailed explanation of the range of balances recommended is contained in the annex below.

The upper end of the recommended range of balances of £24m represents just 3% of the overall gross expenditure of the Council as a whole. This is increased to 5% of gross expenditure if Schools budgets and Housing Revenue Account are excluded, on the basis that these functions have their own reserves.

2.5 In the budget report for 2010/11 approved by Cabinet and Council in February 2010, the drawing down of balances of £1.5m was included in the original budget for 2011/12. This has since increased to £1.8m in the final report presented to Cabinet in February 2011.

2.6 The level of unallocated General Fund reserves as at 31 March 2010 was £17.7m. In 2011/12 by Month 9 the Council is forecasting an overall overspend against budget of £0.45m (an underspend of £1.26m on normal activities and a £1.71m overspend on exceptional items). The draw down of balances in year of £1.5m and a transfer from earmarked reserves of £0.7m will leave projected balances at £16.5m at 31 March 2011

- However, the projected balances of £16.5m do not include an £2.5m Icelandic Banks impairment and also assume that £1m priority growth and £0.5m HIP contingency are both fully spent. Currently £0.9m of the £1m priority growth and £0.15m of the £0.5m HIP Contingency remain uncommitted. If no further commitments are made to priority growth or HIP contingency then balances are projected to be £15.1m.

- But there are still a number of outstanding issues to be resolved with central government that may mitigate the £2.5m impairment:

- The government is still considering the Council's application in respect of capitalising redundancy costs. They have already agreed other authorities redundancy capitalisation bids at 38% of the sum requested. If they do the same for Hillingdon then this would enable up to £0.95m of redundancy costs to be capitalised in the current year and improve balances by an equivalent sum.

- A request to central government has been submitted to pay the LAA reward grant as 100% revenue grant rather than 50% revenue/50% capital or, failing that, at as high a percentage as possible in revenue grant. If agreed, this would increase revenue balances by £1.8m.

- If the government rejects these applications then balances at the year end would be around £15.1m after absorbing the impact of the impairment. However, if our redundancy capitalisation bid is treated the same way as other authorities then balances would increase to around £16m. If the revised revenue/capital split for the LAA reward were also agreed then balances would increase to around £17.8m.

2.7 The General Fund revenue budget proposals for 2011/12 include a contingency of £11.8m which is identified against specific risks that are funded within the budget. Many of these risks have a high degree of certainty that they will be called upon in the year. However, the expected total of unallocated balances at 31 March 2011 plus the revenue contingency for 2011/12 is £26.6m, 3.7% of gross expenditure.

3. EARMARKED RESERVES

3.1 The Council has ring fenced earmarked reserves, detailed in Table 2 with balances as at 31 March 2010. Original forecasts for projected outturn positions are included. These are currently being updated (except for the Housing Revenue Account which is taken from the budget report for 2011/12).

Table 2: Earmarked Reserves

Reserve	**Balance as at 31 March 2010**	**Forecast Balance as at 31 March 2011**	**Forecast Balance as at 31 March 2012**
Housing Revenue Account	£6.0m	£10.6m	£8.5m
Schools Delegated Funds	£11.9m	£6.9m	£6.2m
Schools Earmarked Reserves	£1.8m	£0.1m	£0.1m
Parking Reserve Account	£0.8m	£0.8m	£0.8m
New Roads and Street works Act	£0.2m	£0.2m	£0.2m
Elections Reserve	£0.2m	£0m	£0.1m
Insurance Risk Management	£0.03m	£0.03m	£0.03m
Imported Food Service	£0.2m	£0	£0
Grant Funded Reserves	£1.8m	£0.7m	£0.3m
Library Book Fund and Coffee	£0	£0.1m	£0

Surplus			
Highways Reactive Maintenance	£0	£0.1m	£0
Social Care Development and Integrated Working Grant	£0	£0.3m	£0
Local Safeguarding Children Board	£0	£0.1m	£0
Total	**£22.93m**	**£19.93m**	**£16.23m**

3.2 Housing Revenue Account (HRA)

The Council has a statutory duty to maintain a separate revenue account for the provision of Council Housing. Any surplus on the HRA is accounted for in a separate ring fenced reserve and is managed independently to general reserves.

3.3 Schools Delegated Budgets

It is a requirement of the Schools Standards and Framework Act 1998 that any unspent balances of schools delegated budgets are ring fenced to be spent by the schools concerned and are not available to the Council for general use. The projected balance as at 31 March 2011 of £6.9m represents the aggregate of all school balances.

The regulations controlling the management of these reserves are detailed in section 4 of the Scheme for Financing Schools. The policy on schools balances was revised in January 2007 when the Balance Control Mechanism (BCM) was introduced with effect from 2007/08 in order to implement guidance from the Department for Children Families & Schools (DCSF) as follows:

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2007:

a. the authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;

b. the authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance and any unspent Standards Fund grant for the previous financial year;

c. the authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority, and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Council. In considering whether any sums are properly assigned, the Council may also take into account any previously declared assignment of such sums. However it may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.

d. if the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £10k (where that is greater than either percentage threshold), then the Council shall deduct from the current year's budget share an amount equal to the excess.

Funds deriving from sources other than the Council will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions of this scheme or otherwise.

Funds held in relation to a school's exercise of powers under Section 27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Council.

The total of any amounts deducted from schools' budget shares by the Council under this provision are to be applied to the Schools Budget.

3.4 Schools Earmarked Reserves

Funds are set aside to meet insurance, sickness cover and other schools related expenditure

3.5 Parking Reserve Account

The parking fund reserve represents surpluses from on-street parking income used to fund traffic management and transport initiatives as defined by statute. The Cabinet Member for Planning and Transportation approves all new schemes that are financed from the fund. Usually schemes to the value of the uncommitted surplus are considered however a prudent approach is taken to avoid a deficit occurring.

3.6 New Roads and Street Acts

Income raised under section 74 of the New Roads & Street works Act is required by statute to be ring-fenced for maintaining the highway. Income not spent within the year is set aside in the New Roads and Street works Act Fund. The Cabinet Member for Planning and Transportation approves new schemes to be financed from this fund.

3.7 Elections Reserve

The Council has opted to smooth the impact of the four-yearly cycle of local elections by holding a reserve with a fixed contribution each year to cover the cost of holding local elections.

3.8 Insurance Risk Management Reserve

Exceptional items related to insurance transactions are set aside to finance risk reduction measures with the aim of reducing future insurance costs.

3.9 Imported Food Service

Funds have been set aside to meet fluctuations of income from the Imported Food Service (for example during times of reduced economic activity), in order to mitigate any potential impacts on the Council's General Fund.

3.10 Grant Funded Reserves

Grant income paid in advance of expenditure.

3.11 Library Book Fund

Funds set aside for the Libraries Service.

3.12 Highways Reactive Maintenance

Funds set aside for works on Highways.

3.13 Social Care Development and Integrated Care Grant

This is specific grant funding set aside to support and develop integrated working in Hillingdon and to implement the recommendations from the Munro report.

3.14 Local Safeguarding Children Board

These represent funds set aside from a multi-agency pooled budget managed by but not owned by the Council.

4. UNFUNDED RESERVES

4.1 Local authorities also hold other reserves that arise out of the interaction of legislation and proper accounting practice. These reserves, which are not resource-backed and can not be used for any other purpose, are described below:

4.2 **Pensions Reserve**

This is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes. These are done in accordance with those schemes' requirements and the net change in the authority's recognised liability under FRS 17 – Retirement Benefits, for the same period. An appropriation is made to or from the pensions reserve to ensure that the charge to the General Fund reflects the amount required to be raised in taxation. The amount of this reserve was a liability of £414.5m as at 31 March 2010.

4.3 Revaluation Reserve

This is a reserve that records unrealised gains in the value of fixed assets. The reserve increases when assets are revalued upwards. It decreases as assets are depreciated or when assets are revalued downwards or are sold. The amount of this reserve was £31.2m as at 31 March 2010.

4.4 Capital Adjustment Account
This is a specific accounting mechanism. It is used to reconcile the different rates at which assets are depreciated under proper accounting practice and financed through the capital controls system. Statute requires that the charge to the General Fund is determined by the capital controls system. The amount of this reserve was £992m as at 31 March 2010.

4.5 Available-for-Sale Financial Instruments Reserve
This is a reserve that records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from the impairment of the assets. The amount of this reserve was £15k as at 31 March 2010.

4.6 Financial Instruments Adjustment Account
This is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund. The amount of this reserve was a liability of £4m as at 31 March 2010.

4.7 Unequal Pay Back Pay Account
This is a specific accounting mechanism used to reconcile the different rates at which payments in relation to compensation for previous unequal pay are recognised under proper accounting practice and are required to be met from the General Fund. The amount of this reserve was a liability of £0.04m as at 31 March 2010.

4.8 Major Repairs Reserve
This reserve records the unspent balance of HRA subsidy paid to housing authorities in the form of Major Repairs Allowance. The amount of this reserve was nil as at 31 March 2010.

Risk Management

5.1 The Code of Audit Practice makes it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks need to be assessed in the context of the Council's overall approach to risk management.

5.2 The process by which the contingency budget is constructed links directly into the Council's risk management process. Significant risks are identified and recorded in risk registers which are regularly reviewed and updated as part of the risk management process. The process provides for review by senior officers, Group Directors, Cabinet Members and the Audit Committee addressing both executive functions and governance requirements. This process is integral to ensuring the effectiveness of the budget strategy. The key financial risks identified in corporate risk register are reflected either directly in the budget strategy or are covered by the retained level of unallocated balances and reserves.

APPENDIX 1

Further detail on Assessment of Required General Fund Revenue Balances

Area of Risk	Details	Risk	Reserves Required 2011/12 (£m)	*Reserves Required 2010/11 (£m)*
The general financial climate to which the Council is subject	a) Applications to the government to capitalise the costs of redundancy payments and the abortive costs of BS21 remain outstanding which could impact on the level of balances at the start of the year. b) A new funding regime for asylum began part way through 2010/11, which now gives greater certainty over this funding although a small risk does remain.	a) £1.5m to cover the risk these applications being rejected. b) £0.5m to cover the remaining uncertainty over asylum funding	2.0 – 4.0	*3.0 – 6.0*
The overall financial standing of the authority	The financial strength of the council continues to improve with strengthened treasury management, a smaller major capital programme, a prudent projected increase in council tax base and adequate bad debt provision. Financing costs are well managed through effective borrowing strategies and provided for in the MTFF.	Slightly higher balances are forecast at the end on 2010/11, although the contingency include in the 2011/12 budget has also increased to £11.8m. £1.5m is proposed to cover the residual risk.	1.5 – 4.0	*1.5 – 4.0*
The treatment of planned efficiency savings / productivity gains	The budget for 2011/12 contains £26m of new savings, as a result of the front loading of the cuts in the CSR 2010. This is more than double the amount of savings included in previous years' budgets. Savings proposals have been developed through the council's transformation programme and strong project management and	Whilst the governance arrangements on transformation have been strengthened, there remains a risk due to the volume of savings. £2.5m is recommended to cover	2.5 – 50.	*1.5 - 3.0*

	monitoring arrangements have been put in place.	this risk.		
The treatment of inflation and interest rates	Very limited amounts of inflation have been included in the 2011/12 budget however, the underlying rate of inflation continues to rise as does the price of commodities. The low interest rate environment continues and this has been factored into the budget.	Based on assumptions regarding the level of inflation in the economy and the potential impact on costs to the Council £1.0m is proposed to cover this risk.	1.0 – 2.0	*1.0 – 2.0*
The financial risk inherent in any significant new funding partnerships or major outsourcing arrangements	The Council is reliant on external providers for a range of key services. This is especially in social care for residential and nursing care provision, and housing providers for temporary accommodation. Some of these suppliers are reliant on private finance linked to asset values for their viability. In the current financial climate this poses an increased risk of service failure to the Council. The Council has outsourced facilities management, leisure management and revenues services, and these contracts create residual risks remaining to be managed by the Council.	The risks around these arrangements although well managed, are not fully mitigated and it is proposed that £1.0m is required to cover these.	1.0 – 2.0	*1.0 – 2.0*
The treatment of demand led pressures	The Council has a robust financial planning process (MTFF) that embedded across the organisation. As part of the MTFF service managers have made reasonable assumptions about demand and funding pressures and taken a prudent view of volatile areas. This process has identified all known pressures across the Council	This risk area is being managed through the MTFF and by including a £10 million contingency within the budget. Even taking this into account it is prudent to have	1.0 – 2.0	*1.0 – 2.0*

	and has included them as funded items in the MTFF, with additional funding in future years linked to forecast demand. The budget includes a contingency of over £11 million largely to take account of potential demand led pressures on key expenditure and income streams.	additional cover of £1.0m in reserves in order to mitigate the uncertainty over these pressures.		
The financial risks inherent in any major capital developments	The Capital Programme contains fewer large projects than in recent years, but continues to include a significant volume of programme of works projects. Uncertainty remains over the timing and volume of capital receipts and with the cost of borrowing set to increase, a risk remains that some capital expenditure may be transferred to revenue funded.	£1.0m is proposed to be held in reserves to cover the impact of this risk.	1.0	*1.0*
Estimates of the level and timing of capital receipts	The estimate of the capital receipts in the 2011/12 - 2014/15 Capital Programme is based on a schedule of assets that have been identified for sale. Before assets are included on the disposal schedule there has to be political commitment to the sale, plus a realistic prospect of selling. Performance on disposing of these assets is monitored monthly through the Land Sales & Implementation Team. Performance is also reported to the Strategic Property Group (SPG). If disposals are lower than projected the SPG will consider alternative options to achieve disposals or compensatory improvements to asset utilisation. The Council in addition has flexibility to borrow or use accumulated cash balances to cover such timing differences. The capital	Risk has been minimised by only including receipts from identified surplus sites. The monitoring structure in place ensures that if receipts are lower than projected the impact on the capital programme is managed. However, the timing of receipts can have a significant impact on financing arrangements especially Minimum Revenue Provision (MRP) (typically 4% of the historic net capital financing	1.0	*1.0*

	programme assumes General Fund capital receipts of £21.3m in 2011/12 and £32.6m over the following two years.	requirement). For this reason £1.0m should be held in balances.		
The availability of reserves, Government grants and other funds to deal with major contingencies and the adequacy of provisions	There is £4.8m of unallocated contingency built into the 2011/12 budget.	Low risk	0.0 – 1.0	0.5 – 1.0
The Council's capacity to manage in year budget pressures, and its strategy for managing both demand and service delivery in the longer term	There is a well-developed monthly budget monitoring process in place, ensuring adverse variations are identified promptly by service managers. The monthly challenge and review process ensures the early identification and resolution of issues. In the longer term, the Council's transformation programme is addressing service delivery in the longer term.	Although risk has been reduced by robust monitoring procedures an amount for this area is still included.	1.0 – 2.0	*0.5 – 1.0*