

LEVEL OF WORKING BALANCE

| | As at 2011 Range (£'000) | As at 2012 Range (£'000) |
|---|-----------------------------|-----------------------------|
| Adequacy of inflation or interest rate provisions in budgets Nationally agreed pay awards can be uncertain, as can price and interest rate changes, and are outside the control of individual local authorities. | Up to 240 | Up to 230 |
| Effects of Capital Finance As cash flow on capital expenditure is often difficult to predict accurately, any expenditure which cannot be financed from other sources would need to be either charged to revenue balances at the year end or, with the introduction of the prudential code, covered by additional borrowing within the defined limits. The repayment of this would need to be financed from the revenue account. | Up to 100 | Up to 110 |
| Cash Flow Management The availability of resources to assist cash flow management can avoid the need for potentially expensive short-term borrowing for revenue. | Up to 50 | Up to 40 |
| Debt Collection Expenditure/Uncertainty of Income Although proper bad debt provisions are made in accordance with the Guidance Note to the Code of Practice on Local Authority Accounting, a significant surge in bad debts or sudden reduction in income would impact on revenue balances. Uncertainty of income also occurs because of the unpredictability of the annual grant settlement (though the move to three-year settlements has helped in this respect). | -210 to 380 | -60 to 380 |
| Unpredictable and demand-led expenditure Unpredictable expenditure and volatile or demand-led budget heads may be managed through a robust budgetary control system. However, as budgets become tighter, flexibility to accommodate the unexpected recedes and mandatory demand-led items represent unavoidable expenditure which will always require financing. Procedures for allowing supplementary estimates will influence the need for balances | 100-300 | 90-300 |
| Emergency Expenditure One example of unpredictable expenditure is the cost of emergencies, which by their nature are unforeseen and any uninsured costs must be financed. A Government scheme may partially protect from the huge costs of such events but significant costs will still have to be covered from reserves or balances. | Up to 240 | Up to 240 |
| Management of Change Local authorities need to have available resources to manage change (redundancy and retraining) and take advantage of investment opportunities which will produce future savings. The lack of such resources could stifle effective management. | Up to 160 | Up to 160 |
| Localisation of Business Rates Potential for loss of business rates up to a pre-determined safety net of 10% | N/A | Up to 140 |
| Overall Range | -110-1,470 | 30-1,600 |
| Midpoint | 680 | 815 |

