

CABINET

9 July 2010

PRINCIPAL SCRUTINY COMMITTEE

12 July 2010

FINANCIAL STRATEGY 2011/12 TO 2014/15

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[CAB1964: Budget and Council Tax 2010/11, 3 February 2010](#)

EXECUTIVE SUMMARY:

The purpose of this report is to give early consideration to the Council's Financial Strategy to be adopted for the 2011/12 budget process and beyond. The Strategy sets out to establish the principles to be applied in setting the baseline, and looks at how options can be developed to support service change and improvement.

The Emergency Budget recently announced by the Government will have an immediate impact on the Council's finances both in the current year, and on the medium term financial plan. The Comprehensive Spending Review (CSR) in October is expected to bring more clarity on some of the implications. The proposals for the Reform of Housing Finance will also have a significant impact, primarily on the Council's Housing Revenue Account.

RECOMMENDATIONS:

To Cabinet:

1. That the Cabinet approves the Financial Strategy 2010, including the key principles to be applied to the General Fund, and Housing Revenue Account revenue budgets for 2011/12.

To Principal Scrutiny Committee:

2. That the Principal Scrutiny Committee considers any proposals it wishes to make to the Cabinet on the draft Financial Strategy.

CABINET9 July 2010PRINCIPAL SCRUTINY COMMITTEE12 July 2010FINANCIAL STRATEGY 2011/12 TO 2014/15REPORT OF HEAD OF FINANCE1 Purpose

- 1.1 The purpose of this report is to give early consideration to the Council's Financial Strategy to be adopted for the 2011/12 budget and corporate planning process so that it is conducted in a structured manner and in a way which supports the achievement of corporate priorities and the broader outcomes set out in the Sustainable Community Strategy. The Financial Strategy seeks to match these priorities with appropriate resources.

2 Key Stages

- 2.1 These will be linked with the presentation of the Sustainable Community Strategy consultation timetable and new Change Plans (which are the replacement for the corporate business plan), and in respect of the budget will be as follows:

What	By Whom	When
Early consideration of Financial Strategy	Cabinet & Principal Scrutiny Committee	9 July 12 July
Revised Estimate for General Fund Revenue budget for 2010/11 Capital Strategy & Programme	Cabinet & Principal Scrutiny Committee	15 September 20 September
Budget options 2011/12	Cabinet	13 October
Scrutiny of Cabinet's preliminary view of budget and corporate priorities.	Principal Scrutiny Committee Scrutiny Panels	November/ December cycle

What	By Whom	When
Summary of GF revenue budgets, & Summary of HRA revenue budget	Cabinet Principal Scrutiny Committee	8 December 24 January
Council Tax report to Cabinet	Cabinet Council	9 February 24 February

3 The Budget Context

- 3.1 The budget for next year, and the Financial Strategy's forward projections, will be influenced significantly by various external factors that cannot be quantified or assessed fully at this stage. A number of these are identified in the Strategy.
- 3.2 Similarly the budget will also be influenced by factors and aspirations within the Council's control. Items not budgeted for at this stage are noted in the Strategy.
- 3.3 The new Government's Emergency Budget, announced in June, has had an immediate impact on the Council's finances for this year; the following grants have been lost:
- (i) Housing & Planning Delivery grant - £250,000
 - (ii) Local Authority Business Growth Incentive - £74,000
 - (iii) Swimming grants - £68,000
 - (iv) Performance Reward Grant - £249,274
 - (v) There is uncertainty in respect of some of the LEADER funding for which the Council acts as Accountable Body.
- 3.4 As a consequence the Budget for 2010/11 has been put under immediate review and proposals for a Revised Estimate, will be brought to the Cabinet when it next meets in September.
- 3.5 The Emergency Budget also includes the following announcements which will have significant implications on the Council's Financial Strategy and Budget for next year:
- (i) An average cut of 25% in real terms, over the next 4 years from April 2011, across Government departments (other than the NHS and overseas aid)
 - (ii) A freeze on Council Tax for 2011/12, with an option to extend this to 2012/13

- (iii) An increase in VAT to 20% from January 2011
- (iv) A 2 year pay freeze for public sector workers earning more than £21,000
- (v) A review of public sector pensions
- (vi) Housing benefits to be reduced over the next 5 years

3.6 The Government is currently consulting on proposals for the reform of Council Housing Finance, whereby it is proposed to replace the existing national subsidy system with a form of self financing, which would allow councils to retain all rental income in return for taking on a share of the national housing debt.

4 Policy Driven Approach

- 4.1 Financial planning is an intrinsic part of strategic planning, monitoring and review. The underlying framework for the financial plan is the Community Strategy and Corporate Change Plans which will be outcome focussed with resource allocations to support their delivery.
- 4.2 In the period covered by this plan, it will be necessary to make significant savings, whilst at the same time creating some head room for new or expanded requirements.
- 4.3 In recognition of this the Administration will be considering individual services provided by the Council to ascertain how necessary they are to the quality of life of local residents, consider the relative priority of the service being provided and how it can be delivered in the most efficient way. This will assist in formulating the Administration's budget proposals for the coming year.
- 4.4 To further the consideration of areas of priority, the Change Plans prepared by Assistant Directors, will be used as the focus by the Corporate Management Team and Cabinet Members for their deliberations in respect of corporate priorities and budget allocations for the coming year.

5 Capital Strategy

- 5.1 The Capital Strategy is an integral part of the overall Financial Strategy and is scheduled to be presented to the Cabinet in September.

OTHER CONSIDERATIONS:

6 SUSTAINABLE COMMUNITY STRATEGY (RELEVANCE TO):

- 6.1 The Financial Strategy is part of the Council's corporate policy framework and is key to the achievement of the Council's corporate priorities and Sustainable Community Strategy.

7 RESOURCE IMPLICATIONS:

7.1 As outlined in the Strategy paper.

8 RISK

8.1 This is considered in the Strategy at Annex 1.

BACKGROUND DOCUMENTS:

Working papers held within the Finance Division

APPENDICES:

Appendix A: Financial Strategy 2011/12 – 2014/15



Winchester
City Council

FINANCIAL STRATEGY

2011/12 – 2014/15

Winchester City Council

Financial Strategy

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Financial Strategy 2011/12 - 2014/15

1 Introduction

- 1.1 The Financial Strategy is part of the Council's Corporate Policy Framework and is key to the achievement of the Council's corporate priorities. It aims to provide a financial foundation for delivering the Council's policy objectives by enabling resourced Change Plans to be put in place.
- 1.2 The overall objective of the Financial Strategy is to determine how the Council wants to structure and manage its finances for a rolling four year forward period and to ensure this fits with and supports the objectives and priorities of the Council. It aims to support the rational allocation of resources based on as full and transparent a picture as possible.
- 1.3 The financial management arrangements of the Council including the Financial Procedure Rules and other relevant parts of the Council's Constitution support the delivery of the Financial Strategy.
- 1.4 The budget strategy in which the Council has set a balanced budget for the current financial year, responding to year on year changes and supporting business continuity, addresses short term delivery issues and is focussed on ensuring that fundamental stewardship requirements are met.
- 1.5 The Financial Strategy builds on the budget strategy and considers how it can be enhanced to support and enable transformation in the way that services are provided and funded so that they meet their policy and service priorities in the medium to long term.
- 1.6 In determining the financial strategy consideration is given to the following:
 - Setting the baseline financial position over the four year planning horizon
 - Identifying what resources may be available and how these may be used
 - Establishing Key Budget Principles
 - Developing options to support service change and improvement
 - Determining how performance is to be managed and measured
 - Managing risk
 - Scenario planning

2 Setting the Baseline

2.1 To enable the rational allocation of resources based on a full and transparent picture the Financial Strategy baseline reflects the financial implications of the current position over the planning period i.e. if the Council makes no changes to what it currently does:

- what resources will it have?
- how much will it be spending?
- what will be the budget gap or surplus?

2.2 The current position is determined by taking into account all available information viz:

- **The working budget for the current year** - The capital and revenue budgets for each year are approved by Council in February. The working budget takes into account any changes since the Original Budget was set arising from approved supplementary estimates and virements.
- **The outturn position for the previous year** – Both the Revenue and Capital outturn positions are reported to Cabinet and Council and, as relevant to Scrutiny Panels shortly after the year end. Approved carry forwards will generally only affect the current year and should be excluded when setting the baseline. Further, consideration should be given in setting the baseline for 2011/12 as to the reasons for any over/under-spends in the previous year.
- **Year to date monitoring information and the Revised Estimate for the current year** – as the Council's financial management arrangements are further developed, the future implications of significant variations in the year to date will be reflected in the baseline forecasts.
- **The latest forecast of the capital expenditure programme** will be used to determine the future revenue effects including the loss of interest income resulting from the overall decline in balances, and the Minimum Revenue Provision.
- **Existing contractual commitments** will be fully reflected in the baseline and forecast using inflation assumptions appropriate to the relevant contracts.
- **Paybill commitments** including incremental progression, and fixed term contracts will be fully reflected in baseline forecasts.

- The Council's Value for Money Gains (VFM) programme will, where possible, be costed and reflected in the baseline budget.
 - A Zero Based Budgeting (ZBB) approach has already been adopted for Training, Overtime, Agency, & Recruitment costs and will be fully reflected in baseline forecasts. This will be kept under review and consideration given to further roll out as appropriate.
- 2.3 The following key assumptions will be used to set the baseline for the medium term forecasts:-
- Council Tax will be frozen at 2010/11 levels (the Government has said it will compensate Council's for this but the detail is not yet known. This will be adjusted for in the final stages of setting the budget)
 - Revenue Support Grant will be assumed to be reduced evenly by 25% over 4 years commencing 2011/12 for the initial baseline calculations, with adjustment to be made in the final stages of setting the budget when the grant levels are announced.
- 2.4 The budget for next year, and the Strategy's forward projections, will be influenced significantly by various external factors that cannot be quantified or assessed fully at this stage even though they will affect the baseline in due course. These include:
- The Government's announcements in its Emergency Budget of June 2010
 - The Reform of Council Housing Finance
 - The Comprehensive Spending Review – October 2010
 - The level of Revenue Support Grant (RSG)
 - The level of external investment interest rates
 - The deficit on the Superannuation Fund
 - The triennial actuarial review of the Hampshire Pension Fund during 2010
 - The South Downs National Park Authority
 - Growth pressures and changes to national priorities that must be met
- 2.5 Similarly the baseline budget will also be influenced by factors and aspirations within the Council's control, such as changes to corporate priorities. Capital schemes that may have an impact on the revenue budget in the future include:
- City office site redevelopment

- Silver Hill development proposals
 - New Park & Ride
 - River Park Leisure Centre Capital Works
 - Avalon House Capital Works
 - Asset Management Plan - any need for further investment in building fabric – informed by the non-housing property condition surveys remaining to be conducted
 - Capital projects that were “deferred” for future consideration due to lack of funding, when the last budget was set in February.
 - Opportunities to take advantage of external funding where relatively small match funding may be needed
 - The Winchester High Street works
 - Hyde Historic resources centre
 - Abbey Mill
- 2.6 In line with previous years, no inflationary increases will be added to any costs other than contractual commitments. This supports the continuing efficiency drive.
- 2.7 Interest rate sensitivity is to be considered within the budget projections with the central/ base case to be presented using a forecast obtained from the Council’s advisers. Balances will be estimated on the basis of forward cash flow projections and taking into account experience to date.
- 2.8 An initial assessment of the General Fund baseline position for setting the 2011/12 budget is provided at Annex 2. This will be further enhanced following the Revised Estimate for the current year (2010/11) to be presented in September.
- 2.9 The sensitivity to some of the key assumptions is provided at Annex 3. There are too many unknowns at this stage to model more detailed scenarios.
- 2.10 All of the principles in this financial strategy will also apply to the Housing Revenue Account although the detail of this will be considered separately in the 30 year Business Plan for the HRA.

3 Identifying Financial Resources

- 3.1 The main drivers determining the forecast expenditure and income levels for the baseline position for the Council are; statutory requirements, service demands, quality of service to be provided, legislative changes, inflation, resources and funding sources.
- 3.2 Approximately 22% of gross income (Excluding Benefit Payment Income) arises from Council Tax. For 2011/12 the Government has announced a council tax freeze, leaving the Council with no ability to generate additional income from Council Tax (previously the prime source of additional finance for services). It is possible that local government will be compensated for this loss in some way but it is as yet unclear how.
- 3.3 About 26% of gross income (Excluding Benefit Payment Income) is derived from Government grants and subsidies, with 85% of this previously coming from Revenue Support Grant (RSG) and National Non Domestic Rates (NNDR).
- 3.4 Some 43% of the Council's gross income (Excluding Benefit Payment Income) is derived from fees, charges and rents that are within its control (although there are statutory and market restrictions on some of these charges). Parking income amounts to around 41% of this. An annual review of all charges is carried out and this considers both statutory restrictions and the impact on users of the services charged for.
- 3.5 In the period covered by this plan, it will be necessary to make significant savings, whilst at the same time creating some head room for new or expanded requirements.
- 3.6 In recognition of this the Administration will be considering individual services provided by the Council to ascertain how necessary they are to the quality of life of local residents, consider the relative priority of the service being provided and how it can be delivered in the most efficient way. This will assist in formulating the Administration's budget proposals for the coming year.
- 3.7 To further the consideration of areas of priority, the Change Plans prepared by Assistant Directors, will be used as the focus by the Corporate Management Team and Cabinet Members for their deliberations in respect of corporate priorities and budget allocations for the coming year.
- 3.8 The Council will also seek to actively manage its paybill by ensuring staff are used flexibly to meet shifting priorities, and by taking a proactive approach to reducing the paybill in a managed way. This will entail managing vacancies in our staff complement and directing staff to areas of highest priority, and away from areas are not immediately essential to the delivery of the outcomes in the Sustainable Community Strategy.

- 3.9 From 2008/09 the Council has been set annual targets for Value for Money Gains (VFM) with stricter conditions for eligible gains than under previous systems. This is reportable through one of the indicators in the National Indicator Set (NIS): National Indicator 179 (NI179). NI179 is defined as: the total net value of ongoing cash-releasing Value for Money gains that have impacted since the start of the 2008-09 Financial Year. The Council will set annual targets in respect of this, and an ongoing programme of work is in hand to ensure that these are achieved which includes exploring opportunities for partnership working and various shared services initiatives.
- 3.10 The Council has useable revenue reserves comprising the General Fund Balance, the Major Investment Reserve and various earmarked reserves.. Earmarked reserves have been established for specific purposes with associated spending plans and will be substantially depleted over the medium term financial strategy period. In setting the budget consideration will be given to the requirements for reserves to ensure that there are adequate balances in the future to support essential expenditure. However, recurring baseline revenue budgets must be in line with the recurring revenue income available.
- 3.11 Before allowing for any new growth or savings, and assuming that the savings assumed in 2010/11 will be achieved, there is a projected shortfall/deficit in the budget for next year. Acceding to pressures for growth without concomitant savings would put the budget into further deficit which would have to be made good from reserves. However funding continuing growth from reserves is not recommended as :
- Reserves are finite and do not provide for recurring expenditure
 - Reserves provide a source of income (through investment) that supports the revenue budget
 - The Council's capital aspirations are dependent upon finance being available from reserves or borrowing
- 3.12 Borrowing is an option available to the Council to consider for specific projects, taking account of the revenue impact of those projects. The Prudential Code which has been adopted by the Council provides a clear framework to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. The Council does have a Capital Financing Requirement, matched against specific assets. These are generally those assets for which the financial appraisal can demonstrate value for money in terms that the financial benefits outweigh the financing costs (including the Minimum Revenue Provision).

4 Key Budget Principles

- 4.1 A fundamental principle to be applied to the Strategy is that Members should seek to attain a balanced revenue budget. Accordingly, the following principles will be applied to setting the budget:
- The revenue budget for the forthcoming year will be balanced
 - Reserves will not be used to fund annual, recurring expenditure
 - Savings proposals will be sufficient to fund Growth proposals and to eliminate any projected deficit
 - Growth proposals will not create a revenue deficit in future financial years without equivalent forward savings also being identified
 - Growth and Savings proposals will be considered in relation to the Council's corporate objectives and priorities
 - Inflation will be applied only to budgets for staff and external contracts

5 Developing Options to Support Service Change and Improvement

- 5.1 The Financial Strategy is being developed in line with the policy agenda that is designed to take into account the corporate priorities and targets of the Council. It complements the Sustainable Community Strategy and Corporate Change Plans and the underlying service strategies and seeks to match corporate priorities with resources.
- 5.2 The Emergency Budget and likely continued changes to funding will place significant financial pressures on all Councils who will need to continue to deliver and improve services at much lower costs.
- 5.3 The various options to deliver, improve and transform services will be accompanied by time and cost pressures. It will be necessary for service and performance levels to be managed both upwards and downwards as we will have to adjust to very significantly reduced funding.
- 5.4 A Transformation Plan and Change Plans will provide the focus on priorities and the means of delivery to enable the Council to consider options for future service levels to align with the likely available funding.

6 Managing and Measuring Financial Performance

- 6.1 Regular budget monitoring of all service areas has been a feature of the Council's processes for more than a decade. In recent years this monitoring has become much more systematic and, with effective scrutiny arrangements within

the system, this has played an important role in holding management and Cabinet to account for all aspects of performance, not just financial.

- 6.2 The Council's financial management arrangements continue to be developed and the provision of electronic monthly management reports providing information to budget managers, Heads of Division, Directors, and Portfolio Holders, has supported the effective management of the outturn position. This will continue as well as planning further improvements, to be achieved through changes in the finance system scheduled for implementation in 2010/11.
- 6.3 Portfolio Holders continue to be responsible for regularly monitoring performance with Scrutiny Panels developing a more strategic focus to hold them to account for delivery of key projects and programmes of improvement.
- 6.4 Overview budget monitoring reports on both revenue and capital budgets are presented to Cabinet with Principal Scrutiny Committee keeping an overview.
- 6.5 Annual outturn reports showing financial performance against budgets are presented after the end of the financial year to Cabinet, Principal Scrutiny Committee and Scrutiny Panels. These reports show the most significant variances and explanations for them.

7 **Managing Risk**

- 7.1 In managing risk it is important that risks are recognised and dealt with appropriately. There are various types and level of risk that have to be considered in the Financial Strategy. The most obvious is that the resources available are insufficient to meet service needs of the Council. This must be addressed by either securing additional resources or reducing the cost, level or quantum of services provided. This aspect is identified as one of the Council's strategic risks.
- 7.2 Both financial and service based risks need to be reflected and considered as part of the financial strategy. The Council's risk management framework is used to support a comprehensive review of the financial risks for forecasting and scenario planning, and budget proposals include a risk assessment including risks identified, potential impact and mitigation actions.
- 7.3 The budget for next year and the forward projections will be influenced significantly by various factors that cannot be quantified or assessed fully at this stage; some external and outside of the control of the Council; and others that relate to factors and aspirations within the Council's control. Consideration has been given to these factors and an initial risk assessment is provided at Annex 1.

8 Consultation

- 8.1 There will be consultation on the budget proposals with the business community, local strategic partners, parish and town councils, community groups in Winchester and the Winchester Town Forum. TACT will be consulted on the Housing Revenue Account Budget and Business Plan proposals.

9 Links to Other Strategies

- 9.1 The Council's Financial Strategy is driven by the Sustainable Community Strategy and the Corporate Change Plans, and the Council's priorities are reflected in Divisional Business Plans. Other strategies and policies linked to this Financial Strategy include:

- Asset Management Plan
- Capital Strategy
- Efficiency Strategy
- Housing Revenue Account Business Plan
- IT Strategy (as outlined in the Council's 2010 Programme and the ICT Business Plan)
- Treasury Management Strategy
- Workforce Strategy

10 Conclusion

- 10.1 The Financial Strategy has been developed to support the delivery of corporate objectives and to provide a more effective integration between service and financial planning. It will continue to evolve. It recognises that there are constraints to achieving all the aspirations that Members and citizens have for their District, but sets out a framework for decisions on priorities to be made in the knowledge of the Council's ability to finance them.

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
1	Budget Imbalance (SR0009)	Economic uncertainty arising from the global economic crisis	Unexpected Financial losses		Prudent forecast assumptions
					Maintain adequate level of General Fund working balance
					Increased budget monitoring
2	Budget Imbalance (SR0009)	RPI	Budget provision insufficient to cover contractual commitments that are linked to RPI	+/-1% = c£90k	Contractual commitments assessed and reflected in baseline
					Maintain adequate level of General Fund working balance
3	Budget Imbalance (SR0009)	Budgeted Net Interest Receivable not met	Interest rate forecasts or balances vary from the assumptions made in the financial forecasts resulting in a shortfall in assumed investment interest.	Interest income £239k in 2010/11 +/-0.25% interest rate = £26k	Prudent approach to interest rate & cash flow forecasts
					Treasury Management Strategy and Policies
4	Budget Imbalance (SR0009)	Revenue Support Grant	Government has announced public sector cuts of 25% over the next three years. Budget shortfall if grant cuts are greater than budget assumptions.	+/-1% RSG = c£70k	Maintain adequate level of General Fund working balance

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
5	Budget Imbalance (SR0009)	Government Capping	Government considers that the budget decisions taken by the Council should be subject to capping resulting in the costs of rebilling etc.	£high	Council will consider Government guidance when setting council tax
					Effect of Town Account decisions also considered
6	Performance Management Failure (SR0012)	Efficiency Targets	Failure to deliver ongoing budget cashable VFM Gain targets leading to a funding shortfall	2010/11 cumulative forecast £1.95m ongoing	Ensure that targets are realistic and achievable within the timescales set
	Budget Imbalance (SR0009)				Allocate ownership and develop action plans to deliver
7	Budget Imbalance (SR0009)	Concessionary Travel	Budget provision is insufficient to cover full costs of the scheme for 2011/12 and legal claims related to the service from 2007/08 to 2009/10		Budget reflects latest advice of consultants for the Hampshire Countywide scheme
			Consultation proposing the transfer of responsibility for Concessionary travel to the County may result in		

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
			Winchester losing more funding than it was given to start with due to the Government's 'damping' formula being applied.		
8	Budget Imbalance (SR0009)	The review of Government funding for local councils and the possibility of the County Council using new power to levy local business rate supplement income	Uncertainty in future funding mechanisms and levels of support		<p>Maintain a prudent approach to budget and forecasting (as above) pending Government response</p> <p>Two BID areas already introduced in Winchester District already provide a scheme for raising additional finance from local businesses for schemes affecting the BID areas</p>
9	Budget Imbalance (SR0009)	Equal Pay	Unexpected claims for back pay	nil	<p>Equal Pay audit completed and no issues raised</p> <p>Union agreement that there were no equal pay issues when new pay structure was introduced</p> <p>Maintain adequate level of General Fund working balance</p>

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
10	Land Charges Legislation (OP0048)	Further potential changes to fee structure for land charges searches and property market situation upon search levels	The statutory limit on personal search fees is under review by Government. \Personal search levels adversely affect the Council's potential income		Prudent provision for income levels made at this stage
11	Budget Imbalance (SR0009)	Growth pressures and changes to national priorities that must be met	New pressures and requirements, likely to carry additional costs	£unknown	To be considered as individual initiatives and requirements emerge
12	Failure to manage assets in the Asset Management Plan (SR0014)	New office accommodation	Escalation of costs for new provision <u>or</u> growing costs of existing accommodation	£unknown	Property Repairs & Renewals Reserve has been included within the current capital programme to be used for urgent works.
13	Silver Hill Project (SR0021 - PJ0003)	Silver Hill development proposals	Costs arising due to Council input, revenue costs post-implementation or risks to return on Council assets and any impact of current economic situation		Following the administration of Thornfield Ventures officers are reviewing the position with external advisors and discussions with the administrators

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
14	Failure to manage assets in the Asset Management Plan (SR0014)	Any need for further investment in building fabric/capital repairs	Budget may be insufficient to meet requirements	£unknown	Property Repairs & Renewals reserve has been included within the capital programme for urgent works
15	Car Parking Fees not meeting budget (OP0086)	Further expansion of the Park and Ride scheme	Forecast income targets may not be met due to substantial shifting in usage to cheaper parking options such as the new park and ride.		Keep scheme and current charging levels under review
					Maintain adequate level of General Fund working balance
					Prudent income budgets for 2010/11
16	Performance Management Failure (SR0012)	VAT – breach of the 5% limit	Additional irrecoverable VAT costs as a result of breaching the limit		VAT implications considered as part of capital appraisal for each project
17	Budget Imbalance (SR0009)	VAT - January 2011 increase to 20%	As parking charges are approved in advance of being applied are inclusive of VAT, this increase in VAT will lead to a reduction in income receivable by the Council which may lead to an adverse budget variance		Consider raising parking charges in line with VAT increases if necessary
					Maintain adequate level of General Fund working balance

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
18	Budget Imbalance (SR0009)	Pensions costs	Falls in the value of the pension fund as a consequence of the global financial crisis which may lead to increases in employer contributions		Consult with scheme administrator and reflect latest information in forecasts
					Maintain adequate level of General Fund working balance
19	Pay bill SR0009 - Budget Imbalance	Pay budgets	Baseline may be insufficient to cover costs of maturing workforce. Turnover assumed and resultant savings from flexible resource management may not be achieved	c£354k	Detailed review and close monitoring with monthly review and reporting on FRM savings achieved and target savings remaining
					Maintain adequate level of General Fund working balance
20	Complaints handling - SR0012 Performance Management Failure	Uncertain impact of transfer of filtering of complaints from Standards Board to local level	Additional budget required or adverse impact upon other priorities in Legal/Democratic Services		Seek to undertake within existing resources but monitor as supplementary estimate may be required depending upon unpredictable timing/volume of workload
21	Additional S106 Highway workload - SR0012 Performance Management	Impact of additional S106 work for highway infrastructure contributions on Legal Services	Additional budget required or adverse impact upon other priorities in Legal Services		Seek to undertake within existing resources and additional fees generated but monitor and outsource any

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
	Failure				peaks of work that cannot be undertaken in house.
22	Budget Imbalance (SR0009)	Government Connect	No interaction with DWP for Benefits checking or other Central Government departments i.e. DVLA. Possibility of action being taken by DWP. Other Central Government departments using Govconnect will need to monitor		Currently compliant Working on achieving and maintaining compliance v4.1 released with further changes required Dependent on funding for upgrades to network and PCs
23	Budget Imbalance (SR0009)	Reduced level of and timing of capital receipts	May impact upon the need to undertake prudential borrowing earlier than anticipated.		Ensure compliance with the Prudential Code
24	Community Safety Partnership (CP0002)	Community Safety Partnership – reduction in Home Office grant funding	Support of voluntary sector projects and joint post funding could be expected to be found from		Seek to undertake from partner budgets Consider greater sharing of resource across the 11 district partnerships

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
			partners' own budgets.		Monitor the impact on statutory duties
25	Climate Change (SR0020)	Continued sharp rises in energy prices	Uncontrollable cost increases for WCC, particularly at River Park Leisure Centre and Guildhall / Office Accommodation. Onward implication for fees charged to customers.		Growth bids made within the 2010/11 budget for a part Energy Management Officer and Climate Change Projects.
	Replacement of Key Contract (SR0024)				Capital Investment in further energy-saving measures, particularly during refurbishment/repair programmes such as the Guildhall
26	Failure to manage assets in the Asset Management Plan (SR0014)	Condition of River Park Leisure Centre	Major repairs needed before start of new management contract in April 2011, requiring capital investment and causing loss of income during close-down(s). Substantial capital to invest in new build for 10 - 15 years' time when current building comes to end of useful life.		Major repair programme and costings to presented to Cabinet (CAB1965) and included within the Capital Programme
					A prudent loss of income provision of up to £780,000 (funded from MIR) has been included within the 2011/12 budget forecast.

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
					to trading during major repairs. Potential for shared procurement/ management of new centre to reduce costs - being explored with two other districts.
27	Car Parking Fees not meeting budget (OP0086)	Less car park income than anticipated	A small percentage deviation in parking income would have a significant impact on budgets		Maintain adequate level of General Fund working balance
28	Budget Imbalance (SR0009)	Planning Fee income	Reduction in level of income due to reduction in number of planning applications received. South Downs National Park - Uncertainty over the reduction in RSG grant versus the possible delegated fee structure		Maintain adequate level of General Fund working balance

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
29	PUSH (OP0022)	Major developments	Reduction in number of applications received and subsequent development carried out		Maintain adequate level of General Fund working balance
30		Shortfall in Building Regulation applications and fee income due to downturn in the economy and changes in fee schedule.	Unable to achieve income targets		Careful management of expenditure
					Marketing service to increase business
31	Failure to manage assets in the Asset Management Plan (SR0014)	Avalon House	Budgeted Rental and NNDR savings not achieved	c£285k	Maintain adequate level of General Fund working balance
			Deteriorating fabric condition leading to further costs and safety problems		
32	Performance Management Failure (SR0012)	Finance System - Upgrade	Delays in implementation leading to lack of support for the current system.		Project management including cost monitoring and control
			Project budget inadequate to implement.		Contract with appropriate costed deliverables and milestones.

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
33	Failure to manage assets in the Asset Management Plan (SR0014)	Guildhall Capital Works	Potential partial close down for capital works leads to unbudgeted loss of income		<p>A growth of £300,000 (funded by MIR) has been included in the 2010/11 budget to offset the loss of income caused by the major Guildhall works and transition to new catering arrangements.</p> <p>Maintain adequate level of General Fund working balance</p>
34	Budget Imbalance (SR0009)	Guildhall Catering Contract	Increased net costs arising at the end of the current catering contract in 2010		<p>A growth of £300,000 (funded by MIR) has been included in the 2010/11 budget to offset the loss of income caused by the major Guildhall works and transition to new catering arrangements. Prudent catering income forecasts have been made from 2011/12 onwards. (CAB1894)</p> <p>Maintain adequate level of General Fund working balance</p>
35	Project IT Support (PJ0013)	IT Support Contract	Uncertainty over costs for IT support when current contract		Options appraised (CAB1868) and work underway on transferring

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
			expires in 2010.		contractor staff to the Council at the end of current contract Maintain adequate level of General Fund working balance
36	Replacement of Key Contract (SR0024)	Waste Contract	Delays in completion of project within timescales required incurring extra costs if contract over runs. Increased costs associated with Waste and Recycling when current contract expires.		Adequate resourcing of project Maintain adequate level of General Fund working balance
37	Climate Change (SR0020)	Carbon Reduction			Maintain adequate level of General Fund working balance
38	Failure of Treasury Management Financial Investment Strategy (SR0018)	Investment in Heritable Bank	Administrator's expectations may not be realised and the outstanding cash to be recovered remains at risk until fully repaid	£463k	LGA coordinated process for ensuring recovery is maximised, and ensure claims process fully applied. Maintain adequate level of General Fund working balance

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
39	Failure of Treasury Management Financial Investment Strategy (SR0018)	LAMIT Investment	If the valuation of this investment remains below the historical cost it may result in a charge to the General Fund as the statutory provisions for the deferment of impairment are temporary and time limited and have not been extended.	£87k at 31/3/10	Maintain adequate level of General Fund working balance
40	Budget Imbalance (SR0009)	Increase in Housing Benefit / Council Tax Benefit workload and associated costs	That additional resources are required to assist with administering and processing Housing Benefit and Council Tax Benefit claims due to the economic downturn. Additional government of £64k has been received		Maintain adequate level of General Fund working balance Close monitoring of Flexible Resource Management
41	Performance Management Failure (SR0012)	SEE Contract Renewal	Accountancy contract to support SEE is due for renewal mid 2010 and will be going out to tender. Therefore WCC may no longer provide	income = recovery of costs c£34k	Would be necessary to review team structure if the contract is lost.

No.	Risk Register Link	Risk area identified	Potential Impact of Risk	Financial assessment of risk - Up to (£)	Mitigation
			this service.		
42	LEADER	Acting as Accountable Body for SEEDA funding programme from 2009/10 to 2013/14	Initiatives funded by this scheme may raise future expectations for Council support. SEEDA may not approve payment of claims if procedures not strictly followed. Possible discontinuation or major change of scheme as a result of reduction of Government funding to SEEDA.	£2.2m	<p>Staff trained to ensure strict adherence to SEEDA regulations and contract.</p> <p>Staff run workshops and produce information for applicants clearly indicating the limit of the support available.</p> <p>Staff use funding expertise to apply for new streams to replace LEADER when it ends.</p>

FINANCIAL STRATEGY 2011/12 - 2014/15 - INDICATIVE FORECAST FOR THE GENERAL FUND

	2010/11	2010/11	2011/12	2012/13	2013/14	2014/15
	Original Estimate	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000
Net Cost of Services b/f	18,992	19,336	19,082	20,014	19,557	20,118
Contractual commitments	220	220	350	361	371	382
Employee costs	322	252	202	202	202	202
Net Cost of Services	18,653	18,927	20,014	19,557	20,118	20,712
<u>Less:</u>						
Reversal of Capital Financing	(3,921)	(3,921)	(3,921)	(3,921)	(3,921)	(3,921)
Interest & Investment income (net)	(247)	(247)	(239)	(189)	(328)	(333)
<u>Plus:</u>						
Minimum Revenue Provision	51	39	174	194	194	194
Appropriations:						
Transfers to or (from) Major Investment Reserve	(413)	(413)	(800)	0	0	0
Transfers to or (from) Earmarked Reserves	(103)	(103)	(8)	(8)	(8)	(8)
Transfers to or (from) Winchester Town Reserve	36	36	0	0	0	0
Forecast net budget requirement	14,056	14,318	15,220	15,633	16,055	16,644
Funded by:						
Council Tax	6,886	6,886	6,886	6,886	6,886	6,886
Other Government Grants	119	45	-	-	-	-
Revenue Support Grant & Non-domestic rates redistribution	7,013	7,013	6,575	6,136	5,698	5,260
Forecast available funding	14,018	13,944	13,460	13,022	12,584	12,145
(Headroom) / shortfall	38	374	1,760	2,611	3,471	4,499
Collection Fund (surplus) / deficit	(38)	(38)				
(Headroom) / shortfall		336				

Assumptions

1) RSG & NDR forecast reductions	6%	13%	19%	25%
2) Pay inflation forecast	0%	0%	0%	0%
3) Contractual Inflation forecast	3.5%	3.5%	3.5%	3.5%

FINANCIAL STRATEGY 2011/12 - 2014/15 - GENERAL FUND SENSITIVITY ANALYSIS

	1%	5%	10%	15%	25%
	£000	£000	£000	£000	£000
Net Cost of Services					
Contractual commitments	90	450	900	1,350	2,250
Employee costs	140	700	1,400	2,100	3,500
Transport	6	31	61	92	154
Third Party Payments	82	412	823	1,235	2,058
Supplies & Services	45	225	450	675	1,125
Interest & Investment income (net)	52	260	520	780	1,300
<u>Funding:</u>					
Council Tax	69	344	689	1,033	1,722
Revenue Support Grant & NNDR redistribution	70	351	701	1,052	1,753