

CABINET

8 July 2009

PRINCIPAL SCRUTINY COMMITTEE

13 July 2009

FINANCIAL STRATEGY 2010/11 TO 2014/15

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

CAB1786: Budget and Council Tax 2009/10, 4 February 2009

EXECUTIVE SUMMARY:

The purpose of this report is to give early consideration to the Council's Financial Strategy to be adopted for the 2010/11 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

RECOMMENDATIONS:

1. That Cabinet approves the Financial Strategy 2009, including the key principles to be applied to the General Fund and Housing Revenue Account revenue budgets for 2010/11.

CABINET8 July 2009PRINCIPAL SCRUTINY COMMITTEE13 July 2009FINANCIAL STRATEGY 2010/11 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 2010/11 budget and corporate planning process so that it is conducted in a structured manner and in a way which supports the achievement of the Corporate Business Plan and the broader outcomes set out in the Community Strategy. The Financial Strategy seeks to match these priorities with appropriate resources.

2 Key Stages

- 2.1 As in previous years these will be:

What	By Whom	When
Early consideration of financial strategy	Cabinet & Principal Scrutiny Committee	8 July 13 July
Draft Refreshed Sustainable Community Strategy and budget options 2010/11	Cabinet	14 October
Scrutiny of Cabinet's preliminary view of budget and corporate priorities.	Principal Scrutiny Committee Scrutiny Panels	November/ December cycle
Sustainable Community Strategy and Corporate Business Plan for approval.	Cabinet Council Principal Scrutiny Committee	9 December 6 January 18 January

What	By Whom	When
Summary of GF revenue budgets, & Summary of HRA revenue budget	Cabinet Principal Scrutiny Committee	9 December 18 January
Council Tax report to Cabinet Sustainable Community Strategy, Corporate Business Plan and budget to Council for approval.	Cabinet Council	3 February 18 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.

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 Sustainable Community Strategy and Corporate Business Plan and resource allocation should flow from this.
- 4.2 Whilst this is relatively easy to achieve in order to fund new or expanded initiatives, it is always difficult to review services in order to reduce or stop them, thus releasing resources.
- 4.3 In recognition of this the Administration is continuing a programme of member led reviews which examine 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. Those reviews will assist in formulating the Administration's budget proposals for the coming year.
- 4.4 To further the consideration of areas of lesser priority, Corporate Management Team and Cabinet Members will work together on 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 in October along with the Asset Management Plan.

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 Business Plan 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 Appendix A.

BACKGROUND DOCUMENTS:

Working papers held within the Finance Division

APPENDICES:

Appendix A: Financial Strategy 2010/11 – 2014/15



Winchester
City Council

FINANCIAL STRATEGY

2010/11 – 2014/15

Winchester City Council

Financial Strategy

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Financial Strategy 2010/11 - 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 Business Plan. It aims to provide a financial foundation for delivering the Council's policy objectives by enabling resourced 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 five 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 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 five 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

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 2010/11 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.
- **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 been adopted for Training, Overtime, Agency, & Recruitment 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:-

- the annual increase in the level of Council Tax will be at or below inflation with the initial baseline being set with no increase (the actual Council Tax will of course be set by Members in the final stages of setting the budget and will be influenced by many factors including affordability, priorities, future aspirations and the impact on the Council tax payers.)
- Government grant will be assumed at the levels notified in the three year provisional settlement for 2010/11 and with no increase assumed beyond that year
- there will be an annual increase in the number of households in the district served by the Council with consequential increases in both expenditure and income

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 level of Revenue Support Grant (RSG)
- The review of Government funding for local councils
- The Local Authority Business Growth Incentive scheme (LABGI)
- The amount of Housing & Planning Delivery Grant
- The level of external investment interest rates
- The deficit on the Superannuation Fund
- Growth pressures and changes to national priorities that must be met
- The impact of any revisions to the Local Area Agreement (LAA)

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
 - Guildhall Bapsy Bequest and major maintenance proposals
 - New Park & Ride proposals
 - 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
 - Opportunities to take advantage of external funding where relatively small match funding may be needed
 - The Winchester High Street works
- 2.6 Other than pay increases and inflation written into major third party contracts no provision for general inflation was included in the 2009/10 budget. This is the seventh year that this approach had been adopted in the drive for continuing efficiency savings.
- 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 brokers. Balances will be estimated on the basis of forward cash flow projections and taking into account experience to date.
- 2.8 An indicative assessment of the baseline position for setting the 2010/11 budget is provided at Annex 2.
- 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. The Council continues to be very constrained in its ability to generate additional income from Council Tax which is the prime source of additional finance for services. Capping regulations prevent the Council increasing the Tax above the Government's advised level. As well as the possibility of capping, regard must be had to the ability and desire of the Council Tax payers to finance services in this manner. In addition, the amount of revenue raised is limited – a 1% increase raises about £67,000.

- 3.3 About 28% of gross income (Excluding Benefit Payment Income) is derived from Government grants and subsidies, with 82% of this coming from Revenue Support Grant (RSG) and National Non Domestic Rates (NNDR).
- 3.4 Some 39% 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 42% 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 Whilst it is comparatively easy to consider new or expanded initiatives and the resources needed to deliver these, it is often more difficult to review existing services in order to reduce or stop them and release resources.
- 3.6 In recognition of this Cabinet is continuing a programme of member-led reviews which examine 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. Those reviews will assist in formulating the Cabinet's budget proposals for the coming year.
- 3.7 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.
- 3.8 The Council currently has some £10m in useable revenue reserves. A number of these are earmarked for specific purposes and some cannot be used for alternative purposes, but just over half is in the Major Investment Reserve (MIR) and the General Fund Balance and therefore available for more general use. However, baseline revenue budgets must be in line with the revenue income available.
- 3.9 Before allowing for any new growth or savings, and assuming that the savings assumed in 2009/10 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

3.10 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.

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 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 Business Plan and the underlying service strategies and seeks to match corporate priorities with resources.

5.2 There are clear pressures on the Council to deliver more, better and higher levels of service than at present. These pressures arise variously from Government direction, technological change or local aspiration. Some of these pressures will

be accompanied by additional funding and some by a need to change methods, emphasis and even direction.

- 5.3 The various options to deliver, improve and transform services will be accompanied by pressures to resource these options adequately. In some cases there will be a clear choice between competing pressures: in others it will be more of a balancing act.
- 5.4 A continuing integrated approach to spending and service reviews, identifying priorities and pressures for growth, should enable the Council to consider options for future service levels to align with the likely available funding. This will support decisions about priorities, levels of spend and the level of Council Tax.

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 were further developed in 2008/09 with the routine provision of electronic monthly management reports providing information to budget managers, Heads of Division, Directors, and Portfolio Holders, supporting the effective management of the outturn position within budget. This will continue for 2009/10 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.

9 **Links to Other Strategies**

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

- Asset Management Plan
- Capital Strategy
- Efficiency Strategy
- Treasury Management Strategy
- IT Strategy (as outlined in the Council's 2010 Programme and the ICT Business Plan)
- Human Resources 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.

Risk area identified	Potential Impact of Risk	Mitigation
Economic uncertainty arising from the global economic crisis	Financial loss	<ul style="list-style-type: none"> ✓ Prudent forecast assumptions ✓ External advice
RPI	Budget provision insufficient to cover contractual commitments that are linked to RPI	<ul style="list-style-type: none"> ✓ Contractual commitments assessed and reflected in baseline ✓ Maintain adequate level of General Fund working balance
Pay Inflation	Budget provision insufficient to cover actual pay settlements for years 2010/11 and beyond	<ul style="list-style-type: none"> ✓ Budget provision made for pay inflation of 1.5% p.a. ✓ Maintain adequate level of General Fund working balance
Interest Rates	Interest rate forecasts vary from the assumptions made in the financial forecasts resulting in a shortfall in assumed investment interest.	<ul style="list-style-type: none"> ✓ Prudent approach to interest rate & cash flow forecasts ✓ Treasury Management Strategy and Policies
Revenue Support Grant	Shortfall in budget if grant funding is less than that assumed	<ul style="list-style-type: none"> ✓ Provisional settlement figures provided by the Government for 3 years to 2010/11 ✓ Maintain adequate level of General Fund working balance
Housing & Planning Delivery Grant	Future grant funding could be lower than current budget or discontinued.	<ul style="list-style-type: none"> ✓ Monitor Government consultation on future proposals for funding planning improvement
Local Authority Business Growth Incentive Scheme	Initiatives funded by this scheme may raise future expectations and create ongoing commitments. Potential budget shortfall as future LABGI receipts will support the baseline budgets.	<ul style="list-style-type: none"> ✓ Earmarked reserve set up to ensure commitments do not exceed available funding ✓ One off costs could be not progressed if LABGI insufficient

Risk area identified	Potential Impact of Risk	Mitigation
Government Capping	Government considers that the budget decisions taken by the Council should be subject to capping resulting in the costs of rebilling etc.	<ul style="list-style-type: none"> ✓ Council will consider Government guidance when setting council tax ✓ Effect of Town Account decisions also considered
Efficiency Targets	Failure to deliver ongoing budget cashable VFM Gain targets leading to a funding shortfall	<ul style="list-style-type: none"> ✓ Ensure that targets are realistic and achievable within the timescales set ✓ Allocate ownership and develop action plans to deliver ✓ Maintain adequate level of General Fund working balance
Concessionary Travel	Budget provision is insufficient to cover full costs of the scheme for 2009/10 and legal claims related to the service in 2007/08 and 2008/09	<ul style="list-style-type: none"> ✓ Budget reflects latest advice of consultants for the Hampshire Countywide scheme
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	<ul style="list-style-type: none"> ✓ Maintain a prudent approach to budget and forecasting (as above) pending Government response ✓ 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
Equal Pay	Unexpected claims for back pay	<ul style="list-style-type: none"> ✓ Equal Pay audit completed and no issues raised ✓ Union agreement that there were no equal pay issues when new pay structure was introduced

Risk area identified	Potential Impact of Risk	Mitigation
		<ul style="list-style-type: none"> ✓ Maintain adequate level of General Fund working balance
Further potential changes to fee structure for land charges searches and continuing potential impact of HIPS packs upon search levels	The statutory limit on personal search fees has yet to be changed, notwithstanding consultations by Government. HIPs have increased personal search levels which adversely affect the Council's potential income	<ul style="list-style-type: none"> ✓ Prudent provision for income levels made at this stage
Growth pressures and changes to national priorities that must be met	New pressures and requirements, likely to carry additional costs	<ul style="list-style-type: none"> ✓ To be considered as individual initiatives and requirements emerge
New office accommodation	Escalation of costs for new provision <u>or</u> growing costs of existing accommodation	<ul style="list-style-type: none"> ✓ Option appraisal for new offices to take full account of current financial outlook and detailed project risks
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	<ul style="list-style-type: none"> ✓ Detailed risks managed as part of Silver Hill project by Head of Estates
Any need for further investment in building fabric/capital repairs	Budget may be insufficient to meet requirements	<ul style="list-style-type: none"> ✓ First two stages of detailed needs assessment / prioritisation completed. Further assessments due for consideration in Autumn 2009 as part of the budget process ✓ Capital growth will be identified for next year
Further expansion of the Park and Ride scheme	There may be further substantial costs from 2010/11 as a result of expansion of the scheme –	<ul style="list-style-type: none"> ✓ Keep scheme and current charging levels under review ✓ Maintain adequate level

Risk area identified	Potential Impact of Risk	Mitigation
	this depends on the level of usage and resulting income from the new services	<ul style="list-style-type: none"> of General Fund working balance ✓ A financial appraisal to be conducted on the potential impact of the new scheme.
VAT – breach of the 5% limit	Additional irrecoverable VAT costs as a result of breaching the limit	<ul style="list-style-type: none"> ✓ VAT implications considered as part of capital appraisal for each project
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	<ul style="list-style-type: none"> ✓ Maintain adequate level of General Fund working balance
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	<ul style="list-style-type: none"> ✓ 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
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	<ul style="list-style-type: none"> ✓ Seek to undertake within existing resources but monitor as supplementary estimate may be required depending upon unpredictable timing/volume of workload
Impact of additional S106 work for highway infrastructure contributions on Legal Services	Additional budget required or adverse impact upon other priorities in Legal Services	<ul style="list-style-type: none"> ✓ Seek to undertake within existing resources and additional fees generated but monitor and outsource any peaks of work that cannot be undertaken in house.

Risk area identified	Potential Impact of Risk	Mitigation
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	<ul style="list-style-type: none"> ✓ Currently compliant Working on achieving and maintaining compliance as further Govt changes expected ✓ Dependent on funding for upgrades to network and PCs
Reduced level of and timing of capital receipts	May impact upon the need to undertake prudential borrowing earlier than anticipated.	<ul style="list-style-type: none"> ✓ Ensure compliance with the Prudential Code
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 partners' own budgets.	<ul style="list-style-type: none"> ✓ Seek to undertake from partner budgets ✓ Consider greater sharing of resource across the 11 district partnerships ✓ Monitor the impact on statutory duties
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.	<ul style="list-style-type: none"> ✓ Take advantage of possible savings from new contractual arrangements with DC Leisure (community leisure partnership) ✓ Invest in further energy-saving measures, particularly during refurbishment/repair programmes
Introduction of Heritage Protection Bill	Increased workload for historic environment service, unlikely to be absorbed by current establishment or financial resources	<ul style="list-style-type: none"> ✓ Improvements to working practices and greater availability of on line resources to maximise staff time for new duties ✓ Succession planning in hand to ensure continuity of service in absence of specialist staff

Risk area identified	Potential Impact of Risk	Mitigation
Condition of River Park Leisure Centre	Major repairs will continue to be needed on a regular basis, or substantial capital to invest in new build	<ul style="list-style-type: none"> ✓ Repairs Option to be considered by Cabinet and Options appraisal being carried out by officers in partnership with Test Valley and East Hants ✓ Potential for shared procurement/ management to reduce costs ✓ Technical study commissioned for summer 2009 to identify extent of repairs needed to make building fit for purpose over next 10 years
Less car park income than anticipated	Shortfall in income	<ul style="list-style-type: none"> ✓ Maintain adequate level of General Fund working balance
Inability to cover recharges on engineering services	Unrecoverable costs, shortfall in budget	<ul style="list-style-type: none"> ✓ Budget growth bid
Planning Fee income	Reduction in level of income due to reduction in number of planning applications received	<ul style="list-style-type: none"> ✓ Maintain adequate level of General Fund working balance
Major developments	Reduction in number of applications received and subsequent development carried out. Lower HPDG awarded	<ul style="list-style-type: none"> ✓ Maintain adequate level of General Fund working balance
Shortfall in Building Regulation applications and fee income due to downturn in the economy	Unable to achieve income targets	<ul style="list-style-type: none"> ✓ Careful management of expenditure ✓ Marketing service to increase business

Risk area identified	Potential Impact of Risk	Mitigation
Avalon House	Budgeted Rental and NNDR savings not achieved Deteriorating fabric condition leading to further costs and safety problems	✓ Maintain adequate level of General Fund working balance
Abbey Mill	Budgeted Rental Income not achieved	✓ Maintain adequate level of General Fund working balance
Finance System - Upgrade	Delays in implementation leading to lack of support for the current system. Project budget inadequate to implement.	✓ Project management including cost monitoring and control ✓ Contract with appropriate costed deliverables and milestones.
Guildhall Capital Works	Potential partial close down for capital works leads to unbudgeted loss of income	✓ Comprehensive financial appraisal ✓ Maintain adequate level of General Fund working balance
Guildhall Catering Contract	Increased net costs arising at the end of the current catering contract in 2010	✓ Early appraisal of options ✓ Maintain adequate level of General Fund working balance
IT Support Contract	Uncertainty over costs for IT support when current contract expires in 2010.	✓ Early appraisal of options ✓ Maintain adequate level of General Fund working balance
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
Broad Rental Market Area Review	Financial impact on housing benefits subsidy settlement following review of Broad Rental Market Area (Portsmouth, Southampton & Winchester) by the rent officer.	✓ Maintain adequate level of General Fund working balance

FINANCIAL STRATEGY 2010/11 - 2014/15 - INDICATIVE BASELINE FORECAST FOR THE GENERAL FUND

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Note
Funding	£000	£000	£000	£000	£000	£000	
Council Tax	6,689	6,689	6,689	6,689	6,689	6,689	1
Collection Fund transfer	(20)	0	0	0	0	0	
Other Government Grants	89	89	50	50	50	50	2
Revenue Support Grant & Non-domestic rates redistribution	6,978	7,013	7,013	7,013	7,013	7,013	3
Forecast available funding	13,736	13,791	13,752	13,752	13,752	13,752	
Net cost of services - opening	21,276	21,276	22,032	22,862	23,630	24,333	
<i>less: one-off costs included in the base</i>		(105)	(49)	(131)	(215)	74	
Contractual commitments		400	412	424	437	450	4
Employee costs		461	467	474	481	488	5
Net cost of services - forecast for the year	21,276	22,032	22,862	23,630	24,333	25,346	
<u>Less:</u>							
Reversal of Capital Financing	(6,135)	(6,135)	(6,135)	(6,135)	(6,135)	(6,135)	
Net Interest & Investment income receivable	(485)	(542)	(620)	(560)	(491)	(422)	
<u>Appropriations:</u>							6
Transfers to or (from) Major Investment Reserve	(473)	(30)	(20)	0	0	0	
Transfers to or (from) Earmarked Reserves	(468)	(291)	(252)	(141)	74	0	
Transfers to or (from) Winchester Town Reserve	(18)	0	0	0	0	0	
Forecast net budget requirement	13,697	15,034	15,835	16,794	17,781	18,789	
(Headroom) / shortfall	(39)	1,243	2,083	3,042	4,030	5,037	

Notes / assumptions:

- 1 With 0% increase in tax levels and Council tax base
- 2 LABGI assumed at £50k pa and ABG not assumed to continue beyond 2010/11
- 3 RSG Indicative levels assumed for 2010/11 with no increase beyond that
- 4 Contractual commitments assumed to increase at c.3%
- 5 Employee pay inflation assumed at 1.5%
- 6 Appropriations per 2009/10 budget

