

***Basingstoke and Deane Borough
Council***

**Medium Term Financial Forecast
2008/09 – 2010/11**

**February
2008**

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MEDIUM TERM FINANCIAL FORECAST 2008/09 – 2010/11

1 Introduction

- 1.1 The purpose of the Medium Term Financial Forecast is to set a robust overall framework for the Council's spending plans over the next three years to support delivery of the Council Plan priorities.
- 1.2 The main objectives of the Medium Term Financial Forecast are;
- to look to the longer term to help plan sustainable services and budgets and help ensure that the Council's financial resources are sufficient to support delivery of Council Plan priorities.
 - to provide a single document to communicate the financial context, aims and objectives to staff and stakeholders and support working with partners.
- 1.3 The financial forecast includes a three year budget forecast that is reviewed annually. The medium term financial forecast builds on previous medium term strategies to provide the financial foundation for delivery of the Council's policy priorities and to meet the identified performance and resource issues.

2 Internal Policy and Service Context

- 2.1 The Council Plan sets the overall direction for the Medium Term Financial Forecast and annual budgets. The Cabinet has reviewed the Council Plan and is proposing to continue with the current four priority themes as follows;
- **To secure and enhance *prosperity***
 - **To maintain and enhance local community *wellbeing***
 - **To build and sustain a strong focus on *inclusion***
 - **To develop and support effective *partnerships* focused on community priorities**
- 2.2 The Council will continue to direct resources to priority areas that can deliver improvements for local communities. A number of key issues have been identified for increased focus in the Council Plan. These are in addition to the provision of existing services and activities and will help deliver enhanced community outcomes over the plan period.
- 2.3 The Council's performance management process, the Asset Management Plan, Corporate Improvement Plan, Efficiency Strategy, Budget Strategy and Treasury Management Strategy have also identified resource issues that have been taken into account in formulating the financial forecasts.
- 2.4 The Borough continues to grow with new housing developments and an expanding population. These factors place increasing pressure on the delivery and cost of existing Council services to meet the demand.

3 Internal Financial Context

- 3.1 In 2007/08 the Council's net revenue budget requirement was approximately £15.4m (net of fees and charges, rent and interest) and the Capital programme was £14m, together they provide the resources to meet the service delivery plans of the Council.
- 3.2 However the Council's 2007/08 gross revenue expenditure budget was £89m and after excluding capital charges and financing and housing benefit payments the gross underlying expenditure budget was £46m.
- 3.3 The Council's gross expenditure is supported by a considerable level of other, non council tax and government grant income. The budget position is therefore very sensitive to changing investment returns, rental income growth, government grant and pay inflation.
- 3.4 The Council currently has almost £140m of resources which are largely invested to earn interest to support the revenue base budget. However over time approximately £14m will be used to fund the existing and proposed capital programme equating to a reduction in interest of £0.8m.
- 3.5 A key element of the existing and future medium term financial strategy is therefore to generate new capital receipts to be invested to at least replace those resources being used to fund the capital programme and to increase the total amount invested to earn more interest to support the base budget.
- 3.6 On a roll forward basis the Council's budget will increase for pay and price inflation by around £1.5m per year. This is offset by increased fees and charges income, government formula grant, rental income growth, and increased council tax income. However this increased income generally only meets about 62% of the increased cost leaving a potential funding gap that needs to be managed via the financial strategy and forecasts.
- 3.7 In the past this potential funding gap has been managed by a combination of increasing investment income (from increased capital receipts generated from land sales) and reducing costs through efficiency savings.

4 External Economic, Financial and Legislative Context

- 4.1 The Council's medium term financial forecast is set within the context of national economy, public expenditure plans and national legislation.
- 4.2 The general economic environment remains positive with inflation at 2.1% (CPI) which is within the Bank of England's targets but with the economy growing at a lower level than anticipated. Interest base rates increased by 1% during the early part 2007/08 and have since been reduced to now stand at 5.50% with the expectation of longer term reductions.
- 4.3 The Local Government White Paper set out a vision for local government to be empowered to work with others to create sustainable communities and the implementation of the white paper proposals is likely to have a significant impact on the future shape of local government.
- 4.4 The medium term financial strategy will therefore need to remain flexible to respond to any opportunities or threats that this external environment will present.

5 Budget Strategy 2008/09 – 2010/11

Revenue Strategy

- 5.1 The budget strategy reflects the Council's external and internal context, the budget forecast and addresses identified service pressures and issues. The strategy:
- Targets resources to achieve the greatest positive impact.
 - Looks to the longer term to plan for sustainable services and budgets.
 - Pursues efficiency to make best use of the Council's assets – funds, land, buildings, staff and information technology.
 - Supports working with partners to secure best outcomes for the benefit of local communities.
- 5.2 The Council's underlying budget position is that on a roll forward basis expenditure inflation is likely to be higher than forecast additional income from council tax, government grant, rents and fees and charges increases. The financial strategy is therefore to continue to close this potential gap to deliver a balanced budget position. This will be achieved by;
- Maintaining a downward pressure on supplies and services inflation costs mainly delivered through more effective procurement.
 - Establishing staff/service efficiency savings targets to be delivered through the Council's "fit for purpose" business unit reviews and shared service opportunities.
 - Maximising external income sources including rents and grants to be delivered through effective asset management and partner working.
 - Generating significant capital receipts from the disposal of surplus land to be invested to earn additional revenue interest to support the base budget and to provide funds for future major capital expenditure.
 - Controlling the growth in the council's budget by planning for future new priority costs to be met from within the existing base budget funded by service switching and/or efficiency improvements.
- 5.3 The following key elements of the existing strategy are reaffirmed:
- To plan for a balanced budget over the medium term.
 - To plan for a 2.5% or inflationary increase in Council Tax per year (which ever is the higher).
 - To plan for a 2.5% or inflationary increase in fee and charges income per year (which ever is the higher).
 - To continue to maintain earmarked risk reserves for interest at £1m and rents at £0.5m over the medium term.
 - To continue to maintain a general fund reserve of £1.5m over the medium term.

Capital Strategy

- 5.4 The asset management plan and capital strategy identifies the following strategic capital aims:
- Maintaining the existing operational assets to a good standard. This includes significant property enhancements and the continued provision of appropriate ICT infrastructure and vehicles and plant.
 - Maintaining the Council's investment property portfolio to the standard necessary to protect and enhance the significant revenue rent stream produced.
 - Delivering regeneration and new and enhanced facilities in support of the Council Plan priorities.
 - Supporting the delivery of Council priorities through partner organisations via a program of capital grants and contributions.
 - Enhance asset & infrastructure funding to reflect sustainability/climate change responsibilities.
 - To set a target for future capital receipts generation.
 - Operate an "invest to grow" policy with a maximum spend of £10m earmarked for potential schemes that meet the criteria.
 - To maximise the opportunities to attract external grant and partnership funding to support the capital programme.
 - Maintain the current policy of no borrowing to finance capital expenditure.
- 5.5 In support of the Council Plan priorities the capital strategy will be amended to include a new aim to develop a funding strategy to support planned future major regeneration projects. This will include considering spending an element of future new capital receipts once the budget strategy investment target has been achieved, increasing the revenue contribution to capital reserves, utilising section 106 contributions and securing external grant funding support.

6 Partnership Working and External Funding

- 6.1 The Council Plan has a focus on working with partners to secure best outcomes for the benefit of local communities and investigating opportunities for joint work with other agencies / local authorities. The financial forecast takes a realistic but prudent approach to possible partnership funding that is not yet certain or confirmed. Specific partner funding or grant income is generally not assumed in the forward forecasts unless its allocation has been confirmed.
- 6.2 The Council is a partner in the Hampshire Local Area Agreement (LAA), a process of agreeing community priorities for the county area based on district level community strategies and local priorities. Government reward funding will be allocated to the LAA following achievement of the agreed performance targets. Any such funding will not be allocated until the end of 2008/09 at the earliest. The financial forecast therefore does not assume the receipt of any one off reward funds from the Government for achievement of the LAA performance targets.
- 6.3 The Government has introduced a New Growth Point initiative which will provide pilot funding to support infrastructure projects in areas which are experiencing significant growth. The Borough Council has been awarded funding to support delivery of a number of key corporate projects. The funding includes £171,700 of revenue funding and £1,555,000 of capital funding in 2008/09 and £245,000 of revenue and £2,925,000 of capital funding between 2009/10 and 2010/11.
- 6.4 The Government has previously consulted on a new Housing and Planning Delivery Grant Scheme and proposals to increase planning fees which will replace the existing PDG grant from 2008/09. This new grant will be based more on rewarding housing delivery rather than incentivising the process of planning applications. The medium term financial forecast assumes that the ongoing cost of £235,000 currently met from PDG grant will be matched by an increase in planning fee income and that the Council will receive £225,000 per year from the new grant.
- 6.5 The Council works in partnership with Hampshire County Council, Housing Associations and the Police Service via the Community Safety Forum to deliver community safety initiatives. The financial strategy assumes the continued receipt of partnership funding of £210,000.

7 The Medium Term Financial Forecast 2008/09 – 2010/11

7.1 Details of the medium term financial forecast for 2008/09 to 2010/11 are as follows:

	2008/09 Forecast £'000	2009/10 Forecast £'000	2010/11 Forecast £'000
Net Cost of Services (excl Rents)	34,804	36,313	36,648
Forecast Changes:			
Inflation	1,337	1,247	1,149
Contract Re-Tendering Contingency	50		300
Demographic Growth	96	96	96
Removing One-Off Costs	-836		-50
Reserve Funded Changes	734	-357	-200
Council Plan Revenue Growth	120	10	
Agreed New Pressures	609	49	129
Agreed New Priorities	435	-220	-55
Efficiency Savings	-315	-80	-250
Fit for Purpose Budget Savings Target	-520	-230	-250
Income Changes / Targets	-467	-50	
Additional Costs	252		
Other Net Changes	14	-130	84
Net Cost of Services	36,313	36,648	37,601
Base Interest Income	-8,391	-8,017	-7,756
Set Aside Interest	-401	-363	-341
Interest from new sale of land receipts	0	-45	-143
Rent Income	-13,829	-13,999	-14,182
Net Operating Expenditure	13,692	14,224	15,179
Contribution to/ (from) Reserves			
Capital Priorities RRCP	739	862	595
Asset & Infrastructure RRCP	698	864	595
Invest to Grow Reserve	340	167	
Invest to Save Reserve	50	50	
Corporate Bond Reserve	401	363	341
Major Capital Schemes and Fees Reserve	184	236	293
Local Development Framework Inquiry	130		
Carry Forward Reserve	-253		
Reorganisation and Pension Reserve	-95	-450	-250
Total Contribution to Reserves	2,194	2,092	1,574
Total Net Expenditure to be met from Government Grant and Council Tax	15,886	16,316	16,753
Met by:			
Government Formula Grant	9,712	9,918	10,123
Collection Fund Surplus	50	50	50
Council Tax Payers	6,124	6,348	6,580
	15,886	16,316	16,753

7.2 The main assumptions included in the forecast are explained below;

7.3 **Pay-** A pay award of 2.5% per year has been assumed with an employer's superannuation rates increasing from 17.7% to 19.1% over the period. An annual saving of 2.75% has been included in the roll forward forecast as a vacancy saving target to reflect in year staff turnover.

7.3.1 **Rents-** this forecast is based on a detailed review by the Head of Property Services of the likely impact of rent reviews and occupation over the period. This shows an increase on the 2007/08 budget of 6.3% in 2008/09 reducing to an annual increase of just over 1% after that, which reflects the impact of the rent review profile of the Council's portfolio.

7.3.2 **Interest-** base rates now stand at 5.50% having reduced for the first time for over two years. City forecasters are suggesting that this is an indication that rates have peaked and will be followed by future reductions. The interest rates used in the medium term forecast have therefore been based on the average return on the Council's fixed investments and an assumed base rate level for non fixed investments.

7.3.3 The estimate of interest and investment income is as follows:

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Base Interest & Investment Income	8,391	8,017	7,756
Set Aside Interest	401	363	341
Interest from new land sale receipts	0	45	143
Estimated Total Interest	8,792	8,425	8,240
Estimated average investment balance	160,500	157,100	155,100
Estimated average interest rate return	5.5%	5.4%	5.4%

7.3.4 **Government grant** –The financial forecast builds in the recently announced government revenue support grant increases.

7.3.5 **Demographic costs** – an estimated cost of £96,000 per annum has been included in the forecast to meet the demands placed on the refuse collection, street cleansing, benefits payments and the concessionary fares scheme resulting from the growth of the borough's population and housing. This is partially offset by an increase in the Council Tax base.

7.3.6 **Existing Budget Strategy items** – the roll forward forecast includes the main elements of the existing budget strategy approved last year including;

- An annual 2.5% increase in Council tax per year
- An annual 2.5% increase in fees and charges income per year
- A below inflation increase in supplies and services budgets
- Funding for new service priorities from previously planned budget growth, identified service switching and efficiency savings.
- Service savings and additional income targets, including an earlier rephasing of the planned £1m "fit for purpose" savings.

7.3.7 **Contract risk items** – a risk allowance of £350,000 has been made to reflect the possible increased costs associated with future contract re-tenders.

7.3.8 **New Pressures** – the new service pressures identified in the budget strategy have been updated and included in the financial forecasts.

7.3.9 **New Priorities** - Cabinet will continue to direct resources to priority areas that can deliver real and sustained improvements for local communities. Several key issues have been identified for increased attention and/or accelerated action and a number require additional resources to deliver. Cabinet have agreed an allocation of additional revenue resources to the following priorities:

	2008/09	2009/10	2010/11
	£'000	£'000	£'000
Image of the Borough	100	0	0
Climate change initiatives	100	80	60
Bus route support	135	35	0
Capital priorities feasibility budget	100	100	100
Total	435	215	160

7.4 **Capital Receipts** - The financial forecast includes a target of £4.8m for new capital receipts by 2010/11 to be invested to support the base budget and to help balance the third year of the budget forecast. Interest on receipts received and invested before 2010/11 will be allocated to the revenue reserve for capital purposes to support delivery of the capital strategy.

“Invested” Capital Receipts Target	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000
South View / Basing View			2,000	2,000
Central Car Parks				500
Other	118	188		13
Total	118	188	2,000	2,513

7.5 **Revenue contributions to capital** - The Council Plan includes proposals to deliver major regeneration projects in the town that will require significant capital finance. The financial forecast therefore includes making revenue contribution to a new “major capital schemes and fees reserve” over the medium term to start to build up resources for these schemes and the upfront fees associated with their development.

7.6 **Other contributions to reserves** - The budget proposals include the allocation of £50,000 to a new invest to save earmarked revenue reserve in 2008/09 and 2009/10. This reserve will support the Council's efficiency programme by enabling the one off pump priming of revenue efficiency projects.

8 Capital Programme 2008/09 – 2010/11

8.1 The Council operates a rolling three year capital programme to support the capital strategy aims and delivery of Council plan objectives. The programme is split between asset and infrastructure schemes, which relate to the improvement or replacement of existing operational and non-operational land and buildings, capital priorities rolling programmes which are annual grant and redevelopment schemes and other portfolio capital priorities which are individual one-off schemes. The programme also includes provision for schemes where the precise details are not yet established (e.g. re-letting works for units in the Malls).

8.2 The table below summarises the proposed future capital programme:

Capital Programme	2008/09 £'000	2009/10 £'000	2010/11 £'000	Total £'000
Asset & Infrastructure Schemes				
Operational Land & Buildings	280	118	235	633
Operational Vehicles, Plant, Furniture & Equipment	1,127	812	1,069	3,008
Non-Operational Land & Buildings	228	1,054	55	1,337
Capital Programme Provisions	700	0	0	700
Sub Total Asset & Infrastructure	2,335	1,984	1,359	5,678
Non Asset & Infrastructure Schemes				
Portfolio Rolling Programmes	1,849	2,119	1,938	5,906
Other Portfolio Schemes	1,757	1,849	519	4,125
Capital Programme Provisions	218	150	0	368
Total Capital Programme	6,159	6,102	3,816	16,077

8.3 The table above includes the allocation of a total of £3.4m to the capital programme, with £1.8m for asset and infrastructure schemes and £1.6m to extend existing rolling programmes.

8.4 The capital programme is financed mainly (62%) from the revenue reserve for capital purposes for asset and infrastructure and capital priorities (RRCP) along with section 106 and other contributions.

8.5 The capital programme is therefore resourced from within the Council's own funds and external contributions with no actual or planned borrowing as follows;

Financing	£'000	%
RRCP - Asset & Infrastructure	5,588	35%
RRCP - Capital Priorities	4,410	27%
Capital Receipts	915	6%
S106 Developer Contributions	3,267	20%
Lottery/Miscellaneous Contributions	1,897	12%
Total Financing	16,077	100%

8.6 After financing the capital programme and allowing for the annual revenue contribution to the RRCP of £1.2m and the budget proposals, it is estimated that the resources available for the future capital programme will be:

- Asset & Infrastructure £4.7m
- Capital Priorities £4.3m
- Section 106 Contributions £6.5m
- Earmarked for Malls Redevelopment £5.7m
- Major Capital Schemes & Fees £0.7m
- Growth Point Capital Funds £4.5m

9 Reserves Review

9.1 The Council maintains four types of revenue reserves; reserves to fund capital expenditure, specific reserves to cover interest rate and rent risks, earmarked reserves for specific purposes and a general fund balance.

9.2 The purpose, use and level of each reserve have been reviewed as part of the budget strategy planning. For details of the purpose of each reserve see Appendix 1. The estimated use of these reserves over the medium term forecast period is summarised below:

	Estimate 31-Mar-08 £'000	Estimate 31-Mar-09 £'000	Estimate 31-Mar-10 £'000	Estimate 31-Mar-11 £'000
Reserves to Fund Capital Expenditure				
Assets & Infrastructure RRCP	8,131.6	6,524.6	5,464.6	4,700.6
Capital Priorities RRCP	6,472.4	5,999.1	5,042.3	4,257.7
Major Capital Scheme & Fees Reserve	0.0	183.7	419.2	711.7
Risk Reserves				
Rent Risk Reserve	500.0	500.0	500.0	500.0
Interest Rate Risk Reserve	1,000.0	1,000.0	1,000.0	1,000.0
Earmarked for Specific Purposes				
Invest To Grow Reserve	493.0	833.0	1,000.0	1,000.0
Invest To Save Reserve	0.0	50.0	100.0	100.0
Local Development Framework Inquiry	178.5	308.5	308.5	308.5
Insurance Reserve	150.6	150.6	150.6	150.6
Reorganisation and Pension Reserve	1,598.3	1,503.4	1,053.4	803.4
Budget Carry Forward Reserve	252.8	0.0	0.0	0.0
General Reserves				
General Fund Balance	1,500.0	1,500.0	1,500.0	1,500.0
	20,277.2	18,552.9	16,538.6	15,032.5

The Medium Term Financial Strategy assumes that there will be no draw on the risk reserves and that the general fund balance will remain at approximately 9% (£1.5m) of net expenditure during the forecast period.

10 Risk Assessment & Sensitivity

- 10.1 There are a number of risks associated with the medium term forecast as a relatively small change in key underlying assumptions can produce a significant change in the forecast. The key sensitivities are outlined below;

Sensitivity Analysis	Change	Annual Impact
Pay Award	0.25%	£50,000
Rent Income	1.00%	£135,000
Government Grant	1.00%	£95,000
Interest Rates – Impact in the Short Term	0.25%	£190,000
Interest Rates – Impact in the Medium Term	0.25%	£290,000
Interest Rates – Impact in the Long Term	0.25%	£350,000
Capital Receipts Delay of 1 Year	£5m	£262,500

- 10.2 The key risks to the Medium Term Financial Strategy are:
- 10.3 **Investment income risk (high)** - the medium term strategy forecast includes significant assumptions around future interest rates and the delivery of anticipated capital receipts from planned land sales. Whilst a realistic approach has been taken to forecasting interest rates and capital receipts over the period these are notoriously difficult to predict.
- 10.4 This risk is managed through the Council's treasury management strategy which has increased the amount of fixed rate investments. To manage the in year interest rate risk the Council maintains an interest rate reserve of £1m which would cushion the impact of adverse interest earnings arising from rate changes or slippage in the receipt of planned land sales. The budget strategy also proposes significant revenue contributions to capital over the medium term which could be reduced should an adverse position arise.
- 10.5 **Concessionary fares expenditure risk (high)** – there is considerable uncertainty around the ongoing cost of the existing national bus pass scheme following the recent bus company appeals and the future cost of the new national extended bus pass scheme. The medium term forecast currently includes a risk provision for a £400,000 increase in cost.
- 10.6 **External income risk (high)** – the medium term forecast assumes levels for rental income, government grant and other external contributions. Prudent assumptions have been made but actual government grant and external contributions will vary from the assumptions made and rent income can be affected by the prevailing economic climate.
- 10.7 The government grant announcement in December is expected to include a three year grant indication. This will enable the grant assumption to be updated for inclusion in the final budget report. The Council also maintains a rent risk reserve of £0.5m to cover in year rent variations.
- 10.8 A more detailed risk assessment is attached as Appendix 2.

11 Chief Finance Officer's (Head of Finance, Local Tax and Procurement) Report to Council

- 11.1 Part II of the Local Government Act 2003 places a duty on the Chief Finance Officer to report on the robustness of the budget and adequacy of reserves.
- 11.2 The budget has been constructed following a detailed process involving Cabinet, budget holders and finance staff, starting with the Medium Term Financial Strategy formulation and refined by the final estimates. Expenditure and income estimates have been carefully considered during the budget process which included a review of the implications of last year's outturn as well as a zero base budget approach in a number of areas.
- 11.3 Account has been taken of financial issues identified during the current year and of new legislative requirements such as concessionary fare changes. Realistic budget assumptions have been made and key risks identified. These risks are managed through a comprehensive and timely in year budget monitoring process which acts as an effective early warning system in identifying potential problems and for managing risk.
- 11.4 The proposed capital programme to 2010/11 includes funding to support the asset management plan and is fully financed from identified resources and revenue contributions with no external borrowing. The budget proposals have been prepared with regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code.
- 11.5 Challenging but deliverable targets have been set as part of the budget strategy for 2009/10 and 2010/11 and realistic assumptions about the timing and amount of new property sale receipts have been made. However there is risk associated with the delivery of new capital receipts.
- 11.6 The general fund balance is forecast to remain at £1.5m (9% of net expenditure), the interest risk reserve at £1m and the rent risk reserve at £0.5m during the period of the medium term forecast. There is no planned use of reserves to fund ongoing revenue expenditure. I therefore consider that the overall budget has capacity to meet unforeseen costs or a reduction in planned income and that the level of reserves is adequate to manage the risks.
- 11.7 The Council will need to continue to develop and implement a longer term budget strategy to ensure that the budget beyond this period is sustainable.
- 11.8 The budget proposals have been reviewed by Strategic Management Team and the budget strategy process by the Audit and Governance Committee.
- 11.9 The above, and the other relevant sections of the report to the Cabinet meeting on 29 January 2008, support my advice to Council that the 2008/09 budget is robust and is supported by adequate reserves.

Details of Revenue Reserves

Reserve	Purpose
Revenue Reserve for Capital Purposes – Asset & Infrastructure	To provide resources for the Asset Management Plan and to establish a major refurbishment fund for the property portfolio.
Revenue Reserve for Capital Purposes – Capital Priorities	To provide resources for future capital expenditure.
Corporate Bond Reserve	To set aside funds to cover capital depreciation on corporate bond investments.
Major Capital Schemes & Fee's Reserve	To provide resources to fund major capital schemes, the associated fees and detailed feasibility work.
Rent Risk Reserve	To cover the risk of not achieving the required amount of rent income supporting the revenue budget.
Interest Rate Risk Reserve	To cover the risk of not achieving the required amount of interest income supporting the revenue budget.
Invest to Save Reserve	To provide one off pump priming for revenue efficiency saving initiatives
Invest to Grow Reserve	To provide resources to finance the revenue implication of the time delay between capital spend on a scheme and receipt of financial returns.
Local Development Framework Inquiry Reserve	To provide resources for provision of the Local Plan.
Insurance Reserve	To provide self-funding for specific elements of insurance claims in order to save costs.
Reorganisation and Pension Reserve	To meet one off reorganisation costs and reimbursing the Hampshire County Council superannuation fund for early retirements.
Budget Carry Forward Reserve	To provide funds for items budgeted for in one year that will not be spent until the following year.
General Fund Balance	To cushion the effect of any unexpected events.

Risk Assessment

Risk	Level	Mitigation
Interest base rates reduce faster than anticipated	High	The interest risk is managed through the Treasury management strategy which has increased the amount of fixed rate investments and therefore reduced the impact of an interest rate change. A specific interest risk reserve is also maintained to cushion the in year impact of any adverse returns resulting from rate changes or slippage in the receipt of planned capital sale proceeds.
Planned capital receipts are delayed	High	
Rent income does not achieve the budget targets	High	The property portfolio is actively managed and a specific rent reserve is maintained to cover in year rent variations.
The cost of the new extension to the concessionary fares scheme exceeds the additional government grant received	High	The medium term forecast includes a risk provision of £400,000 for a possible increase in the cost of concessionary fares. If costs exceed this then the revenue contribution to reserves would need to be reduced.
The anticipated formula change to Government grant does not occur	Med	The revenue contributions to reserves would need to be reduced.
Planned budget “fit for purpose savings” and other service restructure changes and savings are not achieved	Med	SMT are reviewing and monitoring the business unit restructure proposals to ensure delivery of the planned savings.
Expenditure is not contained within approved budgets	Low	The council has a well developed in year budget monitoring process that identifies any variations early to allow corrective action to be taken. A general fund balance of £1.5m is maintained to meet any unavoidable unexpected costs in year.
External grants and contributions are less than forecast	Low	