APPENDIX 1

General Fund Revenue Account

Introduction

1. This report considers the element of the Medium Term Financial Plan relating to the Council's General Fund Revenue Account budgets. As such it covers all of the Council's revenue expenditure other than those elements which relate to the provision of Council Housing which are accounted for within the Housing Revenue Account (HRA).

2. The recommended budgets for both 2016/17 (Estimated Outturn) and 2017/18 (Original Budget) are provided in Table 1 to this Appendix. Table 1 also details the projected position – on the basis of current patterns of income and expenditure – for the years 2018/19 to 2020/21.

2016/17 Estimated Outturn

3. In February 2016 Members agreed a budget in respect of the current financial year (2016/17). Given the requirement to achieve financial savings this year it has been necessary to actively manage budgets including removing agreed savings from budgets. During the year the budget has been under a process of ongoing revision with the Revised Budget (the latest version considered by Executive at its meeting on the 28th November 2016) having evolved from the Original Budget approved in February 2016. For the purposes of this report it is the Estimated Outturn position as set out in Table 1 which is detailed for approval. The main reason for the variation between the Original Budget and the Estimated Outturn is that the savings secured to balance the budget have now been recognised in reduced service expenditure, while increased funding from reserves and S106 funding etc have been brought into the budget. All of these amendments are reflected in changes in the approved budget at cost centre level and have been subject to appropriate Member approval.

4. The majority of the measures that have secured savings in previous and the current financial year will continue to provide ongoing savings for the Council into 2017/18 and beyond. As such they have made an important contribution to the financial sustainability of the Council. If these savings had not been secured then the financial challenges facing the Council during 2017/18 and future years would have been significantly greater.

5. While budgets have been adjusted to minimal levels in order to maximise the level of financial savings secured, officers have continued to operate a policy of restricting expenditure wherever possible. While this management action may be offset by upward cost pressures, officers are of the view that the Council will achieve an outturn position with a significant under spend against the original budget for 2016/17. The forecast Estimated Outturn position in Table 1 incorporates an assumed surplus of £0.423m which will be transferred to the Transformation Reserve. It should, however, be recognised that the continued availability of both Efficiency Grant in 2016/17 and the Transformation Reserve have made an important contribution to the Council's financial position by funding a range of restructuring and service investment costs which otherwise

would have fallen on the General Fund. Officers have continued to budget prudently and on balance of probabilities would expect the outturn position to see a further increase in the level of contribution that can be made to the Transformation Reserve. There are a limited number of areas such as the contribution from the Derbyshire Wide NNDR Pool, from benefits grants and from planning income where the position may be further improved from that set out within the Estimated Outturn position. It was not, however, considered appropriate to include these possible gains within the Estimated Outturn given that they remain subject to some significant uncertainties.

Original Budget 2017/18

6. One of the key purposes of this report is for the Council to agree its detailed income and spending proposals in respect of the next financial year which commences on the 1st April 2017. The provisional budget which is recommended for consideration by Members is detailed in Table 1 of this Appendix. The main factors taken into account in developing the Council's financial plans are set out within the sections below.

Level of Government Funding

7. The current financial year 2016/17 is the first year of the Four Year settlement announced in December 2015 which followed on from the General Election of May 2015. The key issues affecting Bolsover District Council are as follows:

Revenue Support Grant (RSG)

8. The settlement has confirmed the previous policy that Revenue Support Grant will be phased out with Bolsover District Council receiving £2.457m in 2016/17, £1.906m in 2017/18, £1.558m in 2018/19 and £1.169m in 2019/20. Within the figure for Revenue Support Grant is an amount of £0.843m in 2016/17, £0.654m in 2017/18, £0.534m in 2018/19 and £0.401m in 2019/20 which reflects the fact that BDC continues to benefit from Efficiency Grant. Given that Efficiency Grant was a specific grant intended to enable those Council's affected by the most serious grant reductions to reduce expenditure through Invest to Save type initiatives this grant will continue to be transferred to the Transformation Reserve. It will continue to be available to fund new initiatives to progress the Council's Growth and Transformation agenda which are central to the Council's plans to ensure longer term financial sustainability.

New Homes Bonus

9. As part of the 2015 Autumn Statement the Government announced that it would be undertaking consultation concerning future New Homes Bonus payments. The outcome of that consultation in December 2016 reduced payments of NHB to five years in respect of 2017/18 and to four years from 2018/19. In addition it introduced a scaling factor into payments from 2017/18 onward to ensure that the overall payments for NHB do not exceed the allocations that have been set nationally in public expenditure plans. For 2017/18 the scaling factor reduces Bolsover's level of payments for New Homes Bonus from £0.251m to one of £0.191m. This introduction of a scaling

factor together with the reduction to four years of payment will have a continued negative impact upon the availability of NHB which is estimated to cost this Council in excess of £0.5m p.a. by 2020/21 when its full cumulative impact will be achieved.

10. Alongside the changes outlined above the Government is also seeking to sharpen incentives to reward those authorities have appropriate planning arrangements in place to promote housing growth. These changes will not be introduced in respect of 2017/18 when the consultation paper indicated that those Council's without a Local Plan might see NHB payments stopped. The options concerning incentives are still being reviewed by Government with a further reduction a clear possibility.

National Non Domestic Rates (NNDR)

11. The Government also announced in November 2015 a review of NNDR with the objective that by the end of this Parliament all NNDR will be retained locally. Currently Bolsover District Council collects £16m of NNDR, of which £12m is paid to central government. Any reform is intended to be 'fiscally neutral' i.e. it will not benefit either central or local government financially, therefore, to the extent to which a Council makes a 'surplus' from the switch to a fully localised NNDR it will be required to accept additional financial responsibilities. This proposal amounts to a significant reform of local government finance which may have a disproportionate impact upon individual authorities even if in overall terms it is fiscally neutral. The Government in its recent announcements appears to be committed to delivering the 100% local retention of rates which it has linked to a review of both the needs and the resources formulas used to allocate NNDR funding to individual Council's. While the Government is clearly aware that it will need to have a formula for resource equalisation to offset major shifts in funding between authorities arising out from the revision to the needs and resources calculation, this fundamental reform introduces a further element of uncertainty into our forward financial planning. On the basis of current information the Government is looking to move to the new arrangements with effect from April 2020 which is the final year of the Planning period set out within the proposed MTFP.

12. The transition to the new arrangements may be particularly difficult for Bolsover District Council. Crucially, we will no longer have access to Efficiency grant which has funded our Transformation Programme. Secondly. Bolsover has benefited significantly from the growth agenda as proximity to the M1 has made the District an attractive location for large scale warehouses which provided a significant uplift to our level of NNDR income. While the Government has said that it will retain incentives in the new system for those authorities which have seen significant growth in NNDR, it also intends that some of the financial benefits of increased NNDR will go into the national pool for redistribution once the new system is introduced. Thirdly, when the Government refreshes the 'needs' assessment it is likely that the progress of Bolsover District over recent years both in terms of economic and wider social factors will mean that the area will have improved against other local authority areas. These factors are likely to reduce the level of funding available to Bolsover District Council. While this will clearly have a detrimental impact, it is equally clear that the Government will introduce some form of equalisation to

ensure that the losses and gains at the level of individual authorities are reasonable and can be effectively managed. Given the lack of any financial exemplifications from Central Government in respect of 2020/21 which is the first year of the revised system the assumption has been made that the reduction in overall Government funding will be of the order of some £0.4m which is in line with that of previous years.

13. At the end of January 2017 the Council submitted its NNDR 1 form to the Department for Communities and Local Government. As an outcome of the work conducted to complete that return Officers have been required to review the level of financial provision that is required to offset any future fluctuations in NNDR , together with the level of NNDR that can be credited to the revenue account in respect of 2017/18. As a result of a better than anticipated outcome of the revaluation appeals that were outstanding as at January 2016 consideration has been given to releasing some of the funding that has been set aside to cover the costs of these appeals. This, however, needs to be balanced against the uncertainties arising from the fact that the Valuation Agency has undertaken a full revaluation which applies from April 2017. While on the basis of the revaluations undertaken to date officers consider a one off amount in excess of £0.5m could be released from the Growth Protection Reserve, until there is greater certainty concerning the outcome of the April 2017 revaluation it is prudent that this retained until the scale of any challenges to the revaluation is known. While this is a significant provision to be retained it needs to be recognised that in the current financial year it was necessary to utilise a contribution from this reserve of some £0.869m in order to maintain the NNDR income in year in line with the Council's underlying level of NNDR income. Once the position with respect to this reserve is clarified then any amounts not required to offset fluctuations in the level of NNDR income can be transferred into the Transformation Reserve to support priority developments as agreed by Members.

14. With respect to next financial year the recommended budget has assumed that the Council will not secure any additional benefit from NNDR growth. Instead the potential NNDR growth anticipated for 2017/18 and future years is shown as part of the efficiency savings to be achieved during the course of the year. This prudent approach reflects the reality that under the Government's localism agenda there is a considerably greater degree of uncertainty over the level of income that will be secured, with assumptions about NNDR being subject not just to new business opening but also to revaluation appeals and to existing business closing or relocating.

15. Executive will be aware that with effect from 2015/16 a 'pool' of all authorities across Derbyshire was established in respect of Non Domestic Rate Income. Membership of a Derbyshire Wide pool was agreed by Council at a meeting in October 2014 in recognition of the fact that authorities which are members of a pool generally benefit from retaining a higher level of locally generated NNDR income. Within the budget we have assumed that this Council will continue to benefit from membership of the Derbyshire Wide Pool by an amount of £200,000, in respect of next financial year although given the uncertainty concerning the availability of such income in respect of 2018/19 or future years no assumptions have been made regarding additional income beyond next year.

Four Year Settlement

16. As part of the Autumn Statement of 2015 the Government committed itself to providing Council's with an option of accepting a four year financial Settlement to remove some of the uncertainties over longer term financial planning. By submitting an Efficiency Plan to Central Government this Council has been able to take advantage of the greater certainty offered by the Four Year Settlement. The Settlement, however, only covered Revenue Support Grant, transitional funding and Rural Services Delivery Grant together with a limited number of other specific grants. In contrast both NNDR and New Homes Bonus fluctuate according to a variety of circumstances, leaving Council's with a significant level of uncertainty in their Medium Term financial planning. This Council agreed an Efficiency Plan covering the period to March 2020 at the meeting of Executive on 3rd October 2016. That Efficiency Plan will need to be updated once the budgets and financial plans included within this report are approved and it may be appropriate to give consideration to utilising the framework of our locally agreed Efficiency Plan in order to co-ordinate our approach to securing financial sustainability over the period of the current MTFP.

Council Tax

17. Over the period of the previous parliament the Coalition government made it clear that it opposed any increase in Council Tax providing grant support to those Council's which did not increase Council Tax. That policy was linked with the objective of keeping inflation low. In the Autumn Statement of 2015 there was a distinct change of emphasis in that alongside the existing flexibility allowing authorities to raise Council Tax by up to 2%, those authorities which provide Adult Social Care are able to increase Council Tax by an additional 2% i.e. up to 4% overall. These additional revenue raising powers to fund Adult Social Care indicate that the Government is now of the view that modest increases in Council Tax may be necessary to protect basic service levels, within the context of the policy objective of reducing the national deficit. With respect to next year the draft principles concerning Council Tax increases were set out as part of the December settlement. While those authorities providing social care are still entitled to increase Council Tax by up to 4% before a Referendum is required, for District Council's the principles are that Council Tax can be increased by the greater of 2%, or those Council's with a low Council Tax can increase the Council Tax by up to £5 on the notional band D Council Tax for 2016/17. With respect to Bolsover District Council that would allow a Council Tax increase of up to 3.08%, which would be a £4.97 increase for those in a Band D property. This would generate in the order of £0.1m in additional revenue for the Council.

18. Consideration also needs to be given to the operation of the Local Council Tax scheme. Executive will be aware that when the revised arrangements were originally introduced central Government provided additional financial support for the Parish Councils as part of Revenue Support Grant. Given that Revenue Support Grant is scheduled to come to an end in the 2019/20 financial year the burden of funding the grant to Town and Parish Councils is falling upon the District Council. Given the growing impact of the withdrawal of Government funding on the District Council which culminates in a projected financial

shortfall of some £1.9m by the end of the current planning period it is increasingly clear that this support is no longer affordable. Council reviewed the scheme at its meeting of 3rd February 2016 and agreed to phase out the payments by the 2019/20 financial year. In the light of representations from the town and Parish Councils Members took the decision at the meeting of Council on the 5th January 2017 to delay the introduction of the accelerated withdrawal of grant for one year by reverting to the original arrangements (phasing out by 2022/23) for 2017/18 only.

19. Having given consideration to the extent of the financial deficit facing the Council over the period of the MTFP it is considered that the operating the scheme on the basis that it will be phased out by 2022/23 is not affordable. The recommended proposals is that the Council should revert to phasing out the scheme over a three year period ending in 2020/21, allowing the Town and Parish Councils a further year to adjust. This scheme would save the Council some £278k in comparison with arrangements which continued to make payments until 2022/23. The proposals are considered to provide an appropriate balance between protecting the financial position of the District Council whilst allowing the Town and Parish Council an appropriate period of transition between the current and the recommended arrangements. While consideration was given to ending the scheme in 2019/20 that was considered to place too great a burden on the Town and Parish Councils to either make savings or raise revenue in order to compensate for the loss of this grant. The position is set out in the table below.

Level of Grant to Parish Councils – Cost to BDC

Options	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total Cost
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
1	278	209	139	70	-	-	695
2	278	185	93	-	-	-	556
3	278	232	85	139	93	46	973

Option 1 is the recommended approach (based on a 2020/21 end date) which saves this Council £278,000, over a scheme based upon a March 2023 end date.

Option 2 is based upon a March 2020 end date which was considered to be too severe a reduction in the level of support given to the Parish Councils.

Option 3 is based upon a scheme which continues until March 2023 and is recommended for rejection because it is unaffordable for the District Council.

20. **Expenditure, income levels and efficiencies**

In developing the financial projections covering the period 2017/18 to 2020/21 which are included within Appendix 1 to this report, officers have made a number of assumptions. The major assumptions which have been made are as follows:

- Pay increases of 1% in respect of all financial years across the period of the Plan.

- Employer superannuation contributions increase by 1% with effect from April 2017 and remain unchanged over the period of the current MTFP. A similar assumption is made is respect of the lump sum deficit recovery where an increase takes effect from April 2017.
- In respect of the Apprentice levy the Council is only assuming a cost of some £38k p.a. Any proposals that increase costs above that level will need to be funded from the Transformation Reserve in respect of the 2017/18 financial year.
- With regard to inflation specific budget heads such as energy costs and business rates have been amended to reflect anticipated price changes. Given the recent fall in the exchange rate of sterling this position will need to be monitored carefully. To the extent to which the Council is not able to manage inflationary pressures then the additional costs will need to be met from our vacancy management programme.
- New Homes Bonus to be payable for 4 years with a scaling back reduction with effect from 2017/18, with no further losses arising from the Government initiatives to introduce penalties / incentives around Planning matters.
- With respect to Planning Fees an amount of £400k has been included within the budget. Where income levels – and the associated workload - increase above that level then part of the additional income may be used to fund such costs as Agency Staff which are necessary in order to maintain performance levels. It is important that performance levels are maintained both in order to protect the Council's reputation as a 'good place to do business' and to ensure that poor performance does not lead to a reduction or withdrawal of New Homes Bonus funding. It is recommended that delegated powers are granted to the Chief Executive in consultations with the Leader to agree any necessary increase in planning expenditure to meet peaks in demand, on the basis that these costs can be met from an increase in planning fees above the budgeted level of £400k.
- Fees and Charges – service specific increases as agreed by Members.

21. Government policy is that local government should seek to secure local sources of funding rather than continuing to be dependent upon central funding. In part the Government see this objective being realised by local authorities maximising their local development potential by way of Non Domestic Rates (growing the level of business activity) or by way of New Homes Bonus (increasing housing numbers). In addition authorities have been encouraged to look at raising other local sources of income. Over the past three years the Council has taken a number of steps to improve the level of income that it receives from a range of services and in particular Leisure. In addition the Council has secured full occupancy of the Tangent Business Centre, whilst income levels from Pleasley Vale have continued to grow reflecting higher occupancy levels. A number of agreements with external / partner organisations have been agreed in respect of the office space at the Arc. With effect from 2017/18 Officers have assumed significant income growth from the Enhanced Leisure facilities at the Arc. While Officers will seek to continue to secure further incremental improvements it does perhaps need to be recognised that the majority of gains that are readily achievable have already been secured and are incorporated within the budget proposed in this report.

22. While local authorities will continue with efforts to identify and secure additional income with which to support services it is clear that both locally and nationally the key opportunity for the Council to balance its budget arises in respect of managing expenditure levels and securing efficiencies.

23. With respect to next financial year the Council has a savings target of £0.170m to secure a balanced budget. While this is a target that should be readily achievable it is important to recognise that as the Government continues to withdraw RSG and New Homes Bonus reduces that the Council's financial position becomes increasingly challenging with savings targets of £1.138m in 2018/19, rising to £1.709m in 2019/20 and £1.873m in 2020/21. By maintaining an approach based on growth and transformation across the period the Council will reduce the impact on services of the ongoing reduction in central funding. On the basis that the Council takes action in the next financial year to start the process of securing the £1.9m of savings required then that will minimise the detrimental impact of funding cuts on local residents as the Council will be able to adopt a more gradual and considered approach to securing cost reductions. The areas where officers intend to seek to secure savings are outlined below:

- Vacancy Allowance

  All vacancies – including maternity leave, requests for additional annual leave, etc - will continue to be subject to review by Management Team and will be controlled to secure financial savings. Where appropriate reports will be brought forward for Members to consider the disestablishment of lower priority posts which it is not considered appropriate to fill. Over recent years these savings have generally arisen as a result of the time lag between one employee leaving and the replacement starting. While this should secure savings during next year in the order of £100k these may need to be utilised to offset price rises arising from the forecast increase in the level of inflation.

- Transformation Agenda

  Transformation, Secondments and Joint Working £150,000 - As part of the decision made in the autumn of 2013 to progress the Strategic Alliance as a vehicle for securing further savings it was agreed to progress a transformation agenda. As part of this Transformation Agenda a savings target of £150,000 in respect of each financial year is recommended. In particular the approach will seek to ensure that opportunities for savings arising from 'natural wastage' are maximised.

- Property Rationalisation Savings

  While the Council has made significant financial savings during previous financial years from more efficient use of property assets the main savings from this area of work appear to have been secured. These include improved letting of space at the Arc, optimising occupancy at the Tangent, co location in the contact centres. While additional income will be secured once the extension to the Tangent opens and work will continue to increase occupancy levels at Pleasley Mills Business Centres the key requirement is to consolidate the achievements that have been made to date. Accordingly it is not considered appropriate to set a savings target in respect of 2017/18.

24. The table below summarises the savings options that the Council is intending to progress in 2017/18, together with detailing their financial impact upon 2018/19 to 2020/21:

Summary of Savings Opportunities

	2017/18 £000's	**2018/19 £000's**	**2019/20 £000's**	**2020/21 £000's**
Efficiency Target / Budget Shortfall	**170**	**1,138**	**1,709**	**1,873**
Savings Proposals				
NNDR Growth Target		(100)	(200)	(300)
Impact of inflation upon costs	100	100	100	100
Vacancy Management	(100)	(100)	(100)	(100)
Transformation, Secondments &Joint Working	(150)	(300)	(450)	(600)
Council Tax Increase – **Subject to Council Approval**	(100)	(200)	(300)	(400)
Total Savings Options	**(250)**	**(600)**	**(950)**	**(1,300)**
Unidentified Savings Target	(80)	538	759	573
(Call on General Fund Balances)	**(80)**	**538**	**759**	**573**

While the position in respect of next financial year is a good one, it is equally clear that we see deterioration over the following three financial years even on the basis that targeted savings opportunities can be secured. In broad terms even allowing for good progress on the Growth and Transformation agenda there remains an underlying shortfall in the Council's level of resources. It is important that good progress is made in addressing the forecast shortfall at the earliest opportunity. Against this background Officers are of the view that Council needs to consider very carefully the option of increasing the level of Council Tax over the period of the current Medium Term Financial Plan. On the basis of the details given above the impact of reducing levels of government support is that by 2020/21 it is likely that the Council will be facing decisions agreeing significant reductions in service standards or ceasing to provide non – statutory services. Given the importance of securing the above savings to the financial stability of the Council, progress will be reported on a regular basis to Executive. It should also be noted that it is proposed that the Council should approve that actual budgets are amended to take account of identified savings as soon as those savings are formally approved. This will help to ensure that cost centre managers are fully aware of the budgets that they are working to, and that those savings which are identified are fully achieved during the initial year.

<u>Options for Council Tax Levels</u>

25. Members will recall that between 2011/12 and 2015/16 the Council decided not to increase Council tax enabling the authority to take advantage of successive

Government schemes which provided grant to partially compensate for the income lost as a result of a decision to freeze council tax. Given the Council's financial position arising from the ongoing reduction in the level of central government grant, together with the withdrawal of central Government grant for operating a Council Tax freeze Council in 2016/17 took the decision to increase Council Tax by 1.95%.

26. Any decision concerning Council Tax Levels needs to be taken against the background of the Council's financial position over the period of the Medium Term Financial Plan which can be summarised as follows:

	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Efficiency Target / Budget Shortfall	**170**	**1,138**	**1,709**	**1,873**

27. In summary officers are currently forecasting that over the period April 2017 to March 2021 expenditure reductions (or increased income) of £1.9m will be necessary. It should be noted that it is highly likely that a ceiling on Council Tax increases will be in place over the period of this parliament. Therefore if the Council is of the view that it may have difficulties in securing a balanced budget over this period then it needs to give careful consideration to increasing levels of Council Tax for 2017/18. In respect of the Council's financial position the Table of Proposed Savings given at section 24(above) sets out the currently identified areas that could be targeted for securing savings. The forecast indicates that on the basis of existing information there is a cumulative shortfall over the period of the current MTFP in the order of £1.9m which is only partially addressed by the savings opportunities identified.

28. The maximum permitted Council Tax increase – without incurring the costs of a referendum – is one of up to £5 on a notional Band D property. This would generate additional funding for Bolsover District Council in the order of £0.1m. If that approach were replicated over the period of the current MTFP then a total of £0.4m would be realised. While this is a significant sum to raise from local taxpayers it needs to be recognised that the reduction in New Homes Bonus – which is being undertaken to increase funding for Adult Social Care – will cost this Council well in excess of £0.5m per annum by 2018/19. Nationally that funding is being transferred to support Adult Social Care so in there is a clear link between the require - meant to raise Council Tax at District Council level and the funding of Adult Social care. In addition – over the planning period – the Council will lose in excess of £1m in Revenue Support Grant even after the growth of funding through NNDR is taken into account. In this sense an increase in Council Tax is necessary as part of the strategy of protecting the level of services to local residents as the Government increasingly withdraws national funding from local services.

29. While there are clear financial advantages for opting to increase the level of Council Tax in 2017/18 in order to strengthen the Council's underlying financial position and to reduce the reliance on reductions to expenditure and services as a means of balancing the budget, this needs to be balanced against the detrimental impact which the current economic situation and increasing costs are having on local residents. The impact of a decision to increase Council Tax levels by an amount of up to £5 at Band D (3.08%), at the various Council Tax

Bands is as follows:

Band	A (£'s)	B (£'s)	C (£'s)	D (£'s)	E (£'s)	F (£'s)	G (£'s)	H (£'s)
2016/17 Charge	107.49	125.40	143.32	161.23	197.06	232.89	268.72	322.47
Up to £5 increase at Band D (3.08%) – p.a.	3.31	3.87	4.41	4.97	6.07	7.18	8.28	9.93
2017/18 Charge With up to £5 Increase	110.80	129.27	147.73	166.20	203.13	240.07	277.00	332.40
Cost per week without increase	2.07	2.41	2.76	3.10	3.79	4.48	5.17	6.20
Cost per week with increase	2.13	2.49	2.84	3.20	3.91	4.62	5.33	6.39

Members need to consider the option of an increase in Council Tax both in respect of the benefits that would flow from protecting the level and quality of services to local residents, against the detrimental impact of the additional financial burden upon our residents.

Financial Reserves

30. The Council's main uncommitted Financial Reserves are the General Fund Balance of £2.0m and the uncommitted element of the Transformation Reserve of just over £2m. Against the background of the growing level of uncertainty surrounding local authority income and the fact that the Council itself has reduced all budgets to a minimal level thus reducing its financial resilience it is important that the Council continues to review what is an acceptable level of General Fund balances. Given that the Council has continued to effectively achieve the in year savings targets and has a range of other balances available £2m would appear to be a reasonable level of balances going forward. This position is supported by the General Fund Risk Register as set out in Appendix 1 Table 2 which details the financial risks currently faced by the Council which indicates notional financial risks with a total value of £1.825m.

Risk Register

32. A financial Risk Assessment is set out in Table 3, which outlines the risks, the mitigation which is in place, the potential impact and the probability of the event occurring in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is currently facing. This indicates that the identified risks which the Council is currently facing amount to £1.825m. This is broadly in line with the current General Fund balances of £2m. Given both the volatility of the local income streams upon which the Council is increasingly dependent upon under the localism agenda, together with the current level of uncertainty concerning future levels of Government funding this would appear to be an appropriate level.

33. The assessment concerning the level of risk is essentially used for two purposes. In the first place an understanding of the risks which the Council faces is crucial in agreeing an appropriate level of financial reserves. Secondly, the identification of the risks is the first stage in the process of more effectively managing, or of mitigating those risks. By identifying the risks it is possible to avoid them, to insure against them, to transfer the risk, or most likely, actions can be taken to reduce or to mitigate the risk. The Council's Financial Risk Register is closely linked to both the Strategic and Operational Risk Registers. The Council has in place a comprehensive approach to Risk Management which is reported on a regular basis to Executive, and this process will continue to be utilised in order to manage the key financial risks.

RECOMMENDATIONS

The recommendations arising from this Appendix are set out in section 6 of the covering report.