APPENDIX 1

GOSPORT BOROUGH COUNCIL

MEDIUM TERM FINANCIAL STRATEGY

2012/13 – 2016/17

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1. 0 INTRODUCTION AND OBJECTIVES

1.1 Introduction

The Medium Term Financial Strategy (MTFS) contains details of the main challenges affecting the Council’s finances over the next few years and indicates how the Council will respond to these. It provides the overall framework for the financial investment in services from 2012 to 2017. Updated and reviewed annually, the MTFS helps to ensure that the Council’s financial resources are targeted to achieve the strategic priorities and values contained within the Council’s Corporate Plan.

It contains sections covering:

- Revenue – the running costs of General Fund services (affecting Council Tax levels),
- Housing Revenue Account – A statutory account which is primarily financed from Council House rents,
- Capital - the Council’s plans for investment in assets used to provide benefit over more than 1 year,
- Treasury Management – management of cash flows, borrowing and investing,
- Budgeting; and,
- Risk Management.

The MTFS also provides a link to other financially related strategies including the Capital Strategy, Asset Management Plan, Treasury Management Strategy and Workforce Development Strategy.

1.2 The Council’s Mission

The MTFS plays a key role in helping achieve the Council’s mission of ‘To work with our community to improve everyone’s quality of life and deliver a sustainable future for the Borough.’ by providing an efficient, effective and robust financial framework which will enable the Council to focus resources on its stated priorities.

1.3 Objectives of the Strategy

The main objectives of the Medium Term Financial Strategy are:-

To help ensure that the Council’s financial resources are sufficient to achieve its stated objectives within the Corporate Plan including strategic priorities and core values;

To seek to minimise net debt and maximise income in order to provide investment in economic and efficient services within Council Tax increases below the level that might result in the possibility capping by the Government;

To ensure that the Council maintains an adequate level of General Reserves to both meet unforeseen events and help reduce vulnerability to significant fluctuations in Council Tax levels;

To provide both a link and framework to other financially related strategies;

To provide a single document to communicate the financial aims and objectives to staff and stakeholders alike; and

To provide a projection of resource requirements over a 5 year period.

2.0 REVENUE

2.1 General Fund Base Budget 2012/13

2.1.1 The current year's budget is divided into the following services:

Gosport Borough Services	Gross Expenditure £'000	Gross Income £'000	Net Budget £'000
Environmental Health Services	1,624	150	1,474
Parks and Leisure Activities	3,232	571	2,661
Housing Services	30,350	29,434	916
Council Housing	11,599	12,664	-1,065
Refuse Collection	1,710	325	1,385
Town Planning & Development	2,165	508	1,657
Transportation	1,084	938	146
Other Services and Expenses	9,136	7,108	2,028
Sub-Total	60,900	51,698	9,202
Net transfer to Balances	1,338		1,338
TOTAL	62,238	51,698	10,540

2.1.2 The net general fund budget for 2012/13 is 1.6% lower than that for 2011/12, resulting in the Borough's Council Tax rates remaining unchanged, as detailed in the following table:-

Gosport-Percentage Council tax increase for 2012/13

Council's budget needs	-8.3%
Government Grant variation	4.7%
Transfer from reserves	5.3%
Change to Council Tax base	-0.5%
Changes to Collection Fund balance	-1.2%
	0.0%

2.2 **Revenue Budget Projections 2013/14 – 2016/17**

2.2.1 The following table shows a forecast of the revenue budget for the next four years and takes into account any significant variations in income and expenditure that are presently known or anticipated. It must be recognised that this projection represents a central forecast and may be subject to considerable variation for a number of reasons such as changes in demand for Council services, new or amended Central Government legislation (including the Government Grant Settlement) and the external economic environment in which the Council has to operate. However, it is essential that this analysis is undertaken and updated as necessary in order that any potential budget problems or opportunities are quickly identified and the appropriate action undertaken.

A variation in the forecasts of only approximately £56,000 affects the Borough's Council Tax rates by 1%. Major risks to the forecasts are detailed in the Council's Budget Book and include variations in demand for statutory services (such as homelessness), reduced income from Government Grants and reduced income from fees, charges and interest receipts. The projections are believed to be prudent but are particularly susceptible to political decisions on public spending levels by the coalition Government in response to the national economic situation. It is assumed that Government funding will reduce in accordance with the current understanding of the comprehensive spending review projections until 2014/15 and be frozen from 2015/16.

PROJECTED GENERAL FUND FOR THE YEARS TO 2016/17

(AT CURRENT PRICES)

		(£'000)			
		2013/14	**2014/15**	**2015/16**	**2016/17**
A	2012/13 Base Budget	10,540	10,540	10,540	10,540
B	Budget Increases				
	Crematorium (income down)		50	100	150
	Leisure Centre running costs	10			
	Tax Freeze Grant	140	140	140	140
		150	190	240	290
C	Additional Financing Charges *****	252	257	236	228
D	(A+B+C)	10,942	10,987	11,016	11,058
E	Less Budget Decreases				
	Homelessness	100	100	100	100
	New Homes Bonus income	150	250	350	450
	Local Elections	53		53	
	Leisure Centre running costs		120	120	120
	RFR reduced contribution	273	273	273	273
	Other	55	55	55	55
		631	798	951	998
F	**PROJECTED BUDGET TOTALS** (D-E)	10,311	10,209	10,085	10,080

*****Arising from the Capital Programme and accounting requirements

2.2.2 Further action will be taken to cut the projected budget totals as necessary to reduce the required Council Tax rises to an acceptable level. The reductions necessary to the Council's projected General Fund budget to achieve Council Tax increases of 2.5% incorporating latest inflation projections amount to approximately £0.36M over the 3 years from 2014/15. This assumes inflation affecting the Council's net budget requirements averaging approximately 2% each year. A variation of 1% on inflation assumptions impacts on the Borough's Council Tax rates by approximately 2%, due to the expected inflexibility of Government grant funding as national budget deficits are addressed.

2.2.3 Whilst the figures projected in paragraph 2.2.1 represent the best projection that can currently be made, there is a lot of uncertainty regarding future levels of Exchequer support, inflation and interest rates. The most optimistic current forecast beyond 2012/13 is that modest additional expenditure may be possible in some years, working within Council Tax rises of 2.5%p.a., whilst the worst scenario is for ongoing annual budget cuts of between £245,000 and £360,000 being required – over £1.1M over the next 4 years. In the unlikely event that the worst case scenario were to emerge, the Council would have to consider actions similar to those taken 2 years ago, including:

- Reduce expenditure on "back office" functions and lower priority services;
- Increase fees & charges in excess of inflation;
- Raise capital receipts to reduce the impact of new capital investment; and,
- Consider local tax rises in excess of the current policy, possibly requiring a local referendum.

2.3 General Fund Working Balance

2.3.1 A key objective of the Strategy is:-

'To ensure that the Council maintains a realistic level of General Reserves to both meet unforeseen events and help stabilise annual fluctuations in Council Tax Levels'

2.3.2 The Council's Working Balance minimum prudent target level of 7% of net expenditure was dropped from 2009/10 and the balance frozen at £890,000. It had previously required budget contributions and use of council tax collection fund surpluses in order to maintain the percentage link. Although still very low compared to most local authorities, £890,000 is considered to be adequate, subject to the regular review of budget risk. This approach eases pressure on Council Tax levels slightly and allows a faster build up of the Revenue Financing Reserve for application to spend-to save initiatives etc.

2.3.3 Gosport's working balance remains in the lowest quartile compared to other local authorities. This is considered appropriate as the Council is conscious that the balance represents local taxpayers' funds set-aside and not directly contributing to service provision.

2.4 Revenue Financing Reserve

2.4.1 The Revenue Financing Reserve (RFR) is a provision available for general use, although it is particularly targeted at:-
- helping achieve efficiencies by providing funding for spend-to-save initiatives;
-helping to ensure that variations in annual maintenance requirements can be adequately financed; and,
- reducing exposure to risk by helping to underwrite uninsurable risks and by saving premiums where self insurance is undertaken.

2.4.2 It is considered that maintaining a viable RFR is an essential element for improved management of the Council's finances. In order to achieve this, the approved Council policy is that the RFR receives General Fund Contributions from year end savings, a base budget contribution and Council Tax Collection Fund surpluses (subject to the working balance first being maintained at an appropriate level).

3. HOUSING REVENUE ACCOUNT

3.1 Housing Revenue Account (HRA)

3.1.1 The HRA comprises expenditure and income relating to stock of over 3,100 Council dwellings and the provision of services to tenants. This includes management, the repair and maintenance of stock and the rent and income collection services.

3.1.2 The determination of future expenditure patterns relies upon the following key elements:

- Repair and maintenance needs of the stock
- Meeting the decent homes and post decent standards
- Aspirations of the tenants
- Rent convergence
- The resources available.

3.2 HRA Self Financing

3.2.1 The HRA subsidy reform happened in April 2012. For Gosport this meant buying ourselves out of a negative subsidy position. This also means that full responsibility for managing and maintaining the stock rests entirely with the authority. All income will be collected and managed locally and long term investment needs of the stock can now be planned in consultation with the tenants.

3.2.2 Due to the current level of financial uncertainty the level of debt calculated as the settlement figure for the authority plus what has previously been borrowed under the prudential code will be the debt limit. The debt limit for Gosport is therefore £63.07m .This means that there will be a constraint on the potential for investment for this authority in the early years of self financing.

3.2.3 The cap on debt restricts the ability of authorities to take on additional borrowing under the prudential code, even if the borrowing is affordable for the HRA. The localism Act does allow for the reopening of the settlement, but only in very limited circumstances.

3.3 HRA Business Planning

3.3.1 An HRA business plan has been developed as part of the requirement for self financing with an accompanying financial model to show that self financing is a viable option and that debt can be repaid within the timeframe. The business plan describes the council's vision for the future of the housing stock under self financing and details how the council intends to finance investment in the housing stock. The plan sets out the long term priorities, objectives and actions for council housing for the coming years.

3.3.2 The viability of the plan has been established through the completion of a detailed financial model. The model is calculated over thirty years and shows the baseline position for the HRA. It shows the impact of the increase in housing debt as a consequence of the required borrowing of £57.03m and the HRA's ability to both repay the debt and manage the stock over the next thirty years.

3.3.3 Detailed calculations are provided within the model for future rent levels, management and maintenance costs as well as capital spend, depreciation, debt repayment and working balances. This model will be updated annually and rolled forward to give a continual assessment of income and expenditure over the life of the plan.

3.4 HRA Rent Income

3.4.1 The Council is currently operating its rent setting policy within the national rent restructuring framework which was introduced in 2002/3. This has now been amended to take into account the HRA reform and is expected to be completed in 2015/16.The importance of achieving guideline rent levels by 2015/16 has been discussed in other documents. It remains unclear as yet as to what if any policy will be introduced beyond 2015/16 although for the basis of any modelling, increases will be assumed at RPI levels.

3.5 Improvement and Repairs

3.5.1 The Housing services Asset Management Strategy and Action plan 2011/12 was submitted to Housing Board in March 2012.It is recognised that the full aspirations of this strategy cannot be achieved when taking into account current and predicted Capital resources (as included in the Housing Revenue Account Business Plan).It is planned for a comprehensive Asset Management Strategy to be produced for March 2013.This will be populated by data from the Asset Management software module and take into account all of the changes brought about under self financing.

3.6 Housing Revenue Account working balance

3.6.1 The HRA working balance is a reserve of the Housing Revenue Account and is "ring fenced" for this purpose.

3.6.2 The draft HRA balance as at 31 March 2012 is estimated to be in the region of £600,000. The balance is still lower than the target figure of approximately £800,000 (based on £250 per property)

3.6.3 It is estimated that this balance will increase significantly by March 2013 to more than £1,000,000 due to the interest payments on the self financing loan being significantly lower than the housing subsidy payments. It is anticipated that there will be a marked increase in reserves over subsequent years. Asset management plays a crucial role in self financing and appropriate levels of reserves will need to be retained to ensure that capital improvements can be carried out when planned. Under self financing there is no additional funding available outside of the HRA for capital works.

4.0 CAPITAL

4.1 Capital Priorities and Selection Process

4.1.1 In order to ensure that the Council's Capital expenditure is targeted at achieving the Council's Priorities capital projects must be evaluated and prioritised before they are recommended for inclusion in the Draft Capital Programme which is considered by Members as part of the budget process.

4.1.2 Proposed schemes are assessed using the Council's Capital Scheme Proposal Form which covers a number of key areas of information including examining how the scheme will contribute to the Council's Strategic Priorities and the outputs/outcomes that will be achieved. The form also requires other important information to be detailed including that relating to the cost (both capital and associated revenue implications), funding, programming and risk associated with the project.

4.1.3 The projects are then considered by the Council's Management Team with particular attention to the contribution to the priorities detailed within the Corporate Plan and associated Corporate Action Statement. The Team then make recommendations to Members on which Schemes should be included as part of the Council's Capital Programme.

4.4 Prudential Framework/Impact on Revenue Account

4.4.1 The Local Government Act 2003 introduced major changes to the capital funding regime with effect from 1 April 2004.The previous system of controlling Councils capital expenditure by limiting borrowing through the use of credit approvals was replaced by a more flexible system based on affordability.

4.4.2 The prudential capital finance system (Prudential Framework) allows the Council to make its own borrowing decisions using agreed professional principles as set out in the Prudential Code to ensure that any new borrowing is affordable and prudent. It is accepted that use of the Code by the HRA will necessitate proper arrangements for debt repayment, although not currently required by statute.

4.4.3 The main advantages of the increased freedom to borrow under the Prudential Framework are:-

(i) The ability to bring forward capital schemes that would not otherwise have been possible to fund in the short to medium term under the previous capital financing regime.

(ii) Spend-to-Save Schemes where the cost of the borrowing associated with the capital expenditure on a Scheme can be wholly or partly met by revenue savings arising as a result of the project being carried out.

(iii) The ability to raise funding up to 3 years in advance when market conditions are favourable.

4.4.4 The expenditure possible under (i) will be limited by the ability of the Council to afford the revenue consequences of the borrowing undertaken. In any event, the anticipated low levels of supported borrowing, capital grants and other capital funding resources together with the national pooling of Housing Capital Receipts has resulted in an increase in the need to borrow to finance Capital Expenditure. The anticipated increase in financing charges can be seen within the projected General Fund Budget (paragraph 2.3).

4.5 Projected Expenditure

4.5.1 Capital Programme 2012/13-2016/17

	2012/13 £,000	2013/14 £,000	2014/15 £,000	2015/16 £,000	2016/17 £,000
Community (Housing Stock)	2,990	3,030	3,100	3,170	3,250
Community (General Fund)	7,708	1,334	620	690	1,570
Economic Development	10				
Policy & Organisation	557	368	270	235	235
Total Capital Programme	**11,265**	**4,732**	**3,990**	**4,095**	**5,055**
Revenue Contribution - HRA	2,990	3,030	3,100	3,170	3,250
Specific Capital Grants - GF	240	240	240	240	240
Developer Contributions for Open Spaces -GF	70				
Other Grants and Contributions - GF	990	359		110	990
Capital receipts & contributions -GF	152	550	550	1,125	50
Capital Funding Requirement - GF	6,823	553	100	-550	525
Total Capital Funding	**11,265**	**4,732**	**3,990**	**4,095**	**5,055**

4.5.2 A significant proportion of the planned capital expenditure relates to the Community and Environment Board, the main scheme being the new Gosport Leisure Park due for completion in 2012/13.

5.0 TREASURY MANAGEMENT STRATEGY

5.1 The treasury management service is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. Whilst the prudential indicators above consider the affordability and impact of capital expenditure decisions and set out the Council's overall capital framework, the treasury management activity covers the effective funding of these decisions. Taken together they form part of the process which ensures the Council meets the requirement of setting a balanced budget.

5.2 The CIPFA code of practice requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report will be produced after the year-end to report on actual activity for the year together with the mid-year position. This report includes extracts from the Treasury Management Strategy for 2012/13.

5.3 A key requirement of the strategy is to explain both the risks associated with the treasury service and how those risks are to be managed.

This strategy covers:

- The Council's debt and investment projections;
- The Council's estimates and limits on future debt levels;
- The expected movement in interest rates;
- The Council's borrowing and debt strategy
- The Council's investment strategy
- Treasury performance indicators;
- Specific limits on treasury activities;
- Any local treasury issues.

5.4 **Treasury Position**

5.4.1 The council had net borrowing of almost £74M at 31 March 2012 which is forecast to increase slightly during 2012/13 at which point it is expected to level off before reducing as capital receipts and Housing Revenue Account surpluses are raised and applied to reducing debt and capital funding.

5.4.2 The Council's capital expenditure plans will be partially financed by external funds such as capital receipts, capital grants, external contributions and deposits. The remaining element which is not able to be immediately financed from these sources will impact on the Council's borrowing need (the Capital Financing Requirement, or CFR). This borrowing or net financing need is known as unsupported capital expenditure and must be paid for from the Council's own revenue resources. It is anticipated that the Council will need to borrow substantial amounts over the next few years in order to finance its capital programme, although some of the debt will subsequently be repaid when capital receipts are raised as the property market recovers.

5.4.3 A key risk of the capital funding plan is that the estimated sources of external funding are subject to confirmation and/or negotiation which may cause changes to the budgeted funding pattern. For instance, anticipated asset sales may be postponed due to the continuing impact of the recession on the property market. This will become increasingly important as interest rates begin to rise.

5.5 **Expected Movement in Interest Rates**

The following tableand commentary gives the Sector (Council's appointed treasury advisors) central view as at January 2012.

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	**1 year**	**5 year**	**25 year**	**50 year**
Mar 2012	0.50	0.70	1.50	2.30	4.20	4.30
June 2012	0.50	0.70	1.50	2.30	4.20	4.30
Sept 2012	0.50	0.70	1.50	2.30	4.30	4.40
Dec2012	0.50	0.70	1.60	2.40	4.30	4.40
Mar 2013	0.50	0.75	1.70	2.50	4.40	4.50
June 2013	0.50	0.80	1.80	2.60	4.50	4.60
Sept 2013	0.75	0.90	1.90	2.70	4.60	4.70
Dec 2013	1.00	1.20	2.20	2.80	4.70	4.80
Mar 2014	1.25	1.40	2.40	2.90	4.80	4.90
June 2014	1.50	1.60	2.60	3.10	4.90	5.00

UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above the Monetary Policy Committee inflation target. Hopes for an export led recovery appear likely to be disappointed due to the Eurozone sovereign debt crisis depressing growth in the UK's biggest export market. The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.

Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crisis have evolved.

This challenging and uncertain economic outlook has a several key treasury management implications:

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2012/13;
- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

5.6 **Borrowing and Debt Strategy 2012/13– 2013/14**

5.6.1 The continuing uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy. The Borough Treasurer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the Interest Rate Forecasts above.

5.6.2 All long-term loans (in excess of 365 days) to be raised through the Public Works Loans Board (PWLB), Bond Issue or Loan Receipt (1989 Housing Act) and variable rate loans may be considered. There may also be opportunities to borrow from other public bodies

5.6.3 All short term money market loans (less than 365 days) will be raised through dealings using brokers at the discretion of the Borough Treasurer, including

- Garban Harlow Ueda Limited,
- Tradition UK Limited
- ICAP
- R P Martins

Further funds may be raised directly (ie from other public bodies) without using intermediary brokers or the Council's bank.

5.6.4 In view of the uncertainties and higher risk levels in the money markets, a risk averse policy is being operated that is substantially within the parameters set by Council. Returns are to be maximised by efficiency rather than risk – primarily by enhanced monitoring of capital fund projects rather than by exposing the Council to the market.

5.6.5 The authority to respond to different interest rates throughout the financial year is delegated to the Borough Treasurer. In his absence the Council's response to short term fluctuations is jointly agreed between any two of the Financial Services Manager, the Head of Accountancy and the Group Accountant. There is a clear segregation of duties between setting up and authorising loans and investments. The Council is now in a substantial net borrowing position following the exercise to fund the exit of the HRA from the Housing Subsidy system. £57M was successfully raised from the PWLB in accordance with the principles outlined to Board in March 2013 at an average interest rate of less than 3%.

5.6.6 Maturing investments will be required to fund the capital programme and the projected need for available cash resources will be balanced against new capital receipts and the availability of low rates of interest for long term loans through the Public Works Loans Board. The robust management of capital budgets and schemes is a prerequisite to forward planning to ensure the availability and effective use of cash resources.

5.7 **Investment Strategy 2012/13 to 2014/15**

5.7.1 The key objectives of the Council's investment strategy are security, liquidity and yield in that order.

5.7.2 In order to limit interest rate exposure all investments other than short term surplus funds are to be fixed rate transactions. No Investments are to exceed 3 years although most will not exceed 364 days.

5.7.3 New investments to be placed with:-

- The top three building societies (currently Nationwide, Coventry and Yorkshire)
- The Council's bank – NatWest (part of the RBS Group)
- The major British banks and their wholly owned subsidiaries (Royal Bank of Scotland, HSBC, Lloyds/HBOS, Barclays and Co-op)

5.7.4 Short term surplus funds are to be invested in either deposit accounts as operated by the Royal Bank of Scotland and the Bank of Scotland or UK Regulated Qualifying Money Market Funds.

5.7.5 A £3m limit applies with any single group other than the Council's Bank.

5.7.6 Whilst credit ratings may be considered, undue reliance will not be placed on these. There is a clear operational difficulty arising from the current banking situation. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness and interest rates suggests short dated investments may provide lower exposure to risk.

6.0 BUDGET STRATEGY AND PROCESS

6.1 The Council's Corporate Plan 2009-2012 details the Council's Strategic Priorities which are categorised under four main headings namely, People, Places, Prosperity and the Pursuit of Excellence.
The Corporate Action Statements (contained within the Corporate Plan) underpin the delivery of the Corporate Priorities. Any budgetary implications arising from the actions outlined in Service Improvement Plans are included within the Council's initial Draft Budget. Depending on the resource constraints affecting the Council these are either ultimately approved or, if this is not possible, the unit SIP is amended to reflect this.

6.2 Budget preparation commences annually in July and incorporates requirements resulting from Council priorities identified from Capital Strategies, Community Strategy, Corporate Plan and Best Value action plans, culminating in recommendations to Boards and Council the following January/February.

6.3 Budget preparation is "zero-based" where appropriate and new bids are minimised. Maintenance proposals are provided for according to the latest Asset Management Planning requirements.

6.4 Prudent inflation parameters are used in the build up of the initial budgets.

6.5 In the interest of sustainability, the Council will not generally budget to use one-off or short-term income (including grants) on expenditure that is properly part of its base budget requirements.

6.6 Capital projects bids are considered for inclusion within the Capital Programme in terms of affordability, including impact on local tax levels as part of the Budget Process.

6.7 Once the Council's budget is set and the precepting authorities' requirements known, the Council sets Council Tax levels for the forthcoming year. (This has to be done by 11 March).

7.0 RISK MANAGEMENT AND INSURANCE

7.1 Risk Management

7.1.1 The Council recognises the importance of an effective risk management process covering all aspects of the significant business risks that the authority faces. Although much has already been achieved, further development of the risk management process remains a key priority of the Council and significant resource has been earmarked for this purpose.

7.1.2 The Council has an agreed Risk Management Strategy in place. All capital schemes must be risk assessed as part of the approval process. In addition a risk register is in operation that assesses financial risks as part of its overall framework. Finally, a corporate risk management group meets to discuss key risk issues that influence the Council's day-to-day business and to further develop and critically review the risk management process.

7.1.3 The Budget report to Council and the Budget Book highlight the principal areas of risk to the budget with an assessment of likelihood and impact.

7.2 Insurance

The Council has a range of insurance policies which help safeguard against many of the higher financial risk areas particularly relating to property and public liability insurance.