

**Appendix A**

Great Yarmouth Borough Council

**Medium Term Financial Strategy**

**2011/12 – 2013/14**

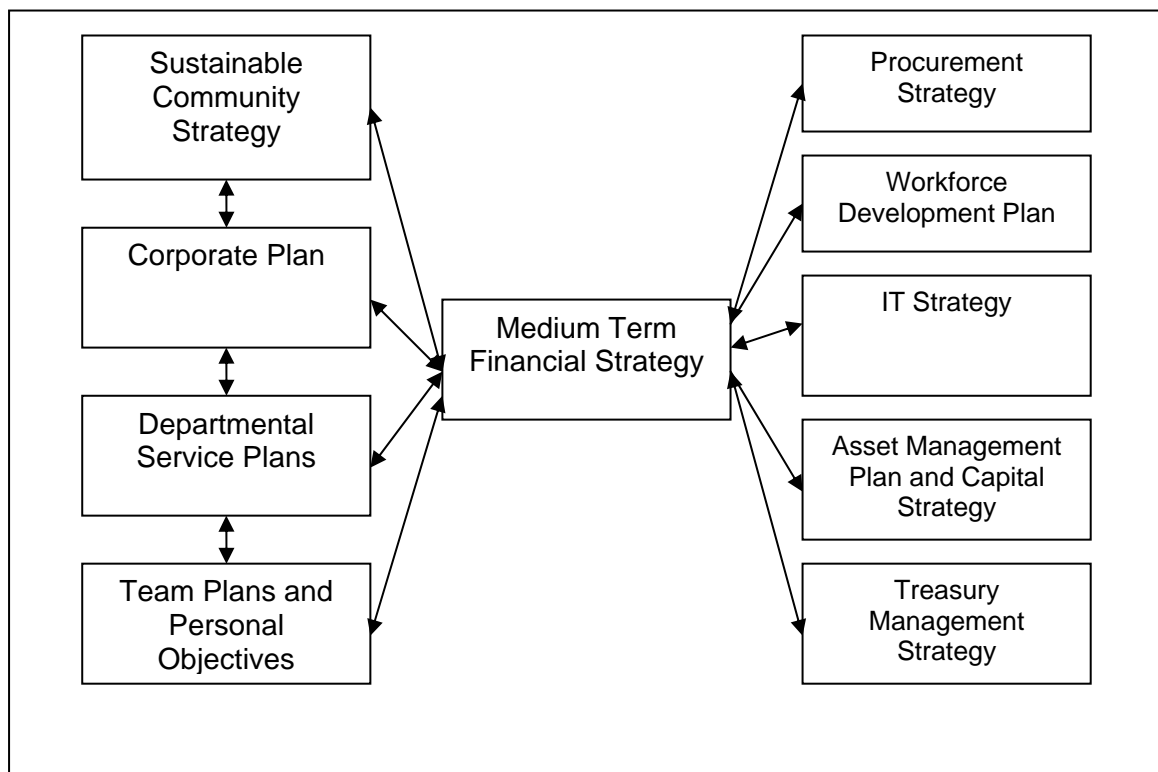
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## 1.0 Background

- 1.1 The purpose of the Medium Term Financial Strategy is to support the Council's corporate planning process and to identify the resource issues and principles that are used to shape the annual budget and medium term financial plans.
- 1.2 The document sets out the current and projected financial forecasts over a three year period from 2011/12 to 2013/14, based on the budget estimates used to prepare the 2011/12 budget, being considered by Council on the 17<sup>th</sup> February 2011.
- 1.3 The Medium Term Financial Strategy is set against a background of the 2010 Spending Review. The Spending Review document states that "while on average, central government funding to councils decreases by around 26 per cent over the next 4 years, councils' budgets decrease by around 14 per cent once the OBR's projections for council tax are taken into account".
- 1.4 Provisional central government funding for 2011/12 and 2012/13 through Formula Grant was announced on the 13<sup>th</sup> December 2010. It was confirmed on the 31<sup>st</sup> January 2011.

## 2.0 Policy Framework

- 2.1 The Council's policy and planning framework is set out in the diagram below:



The diagram attempts to illustrate the interconnectedness of the Council's plans and strategies, demonstrating that they feed into one another in both directions. The Medium Term Financial Strategy is a key element being fed from and feeding into both the corporate strategies and the supporting strategic documents.

2.2 The Sustainable Community Strategy has as its basis the 2020 vision which was developed in 1997, and updates this original vision to take account of the changes which have taken place over the past decade within Great Yarmouth. The strategy has been developed by the Local Strategic Partnership, which is made up of over fifty partners representing the public, private, voluntary community and faith sectors. The revised Sustainable Community Strategy "Changing Lives" was adopted by the Council on the 30th October 2008.

2.3 At the heart of the Sustainable Community Strategy is a vision for Great Yarmouth which states:

**"We want our community to offer a high quality of life and a secure future for all our residents."**

From the Sustainable Community Strategy, the Borough Council has developed a **Corporate Plan**, the purpose of which is to set the broad strategic direction, priorities and targets for the Council. This document shows clear links to the Sustainable Community Strategy, as demonstrated by the Council's mission statement:

**"Providing excellent services that are accessible, responsive and sustainable to ensure Great Yarmouth is a healthy and vibrant place to live, work and visit".**

Supporting the mission statement are the Corporate priorities and objectives, which knit together, and expand upon the overarching themes contained within the Sustainable Community Strategy. These priorities are:

- Economic – Delivering regeneration projects and providing employment and learning opportunities
- Environment – Helping to provide a safe, cleaner and more sustainable environment for everyone
- Social – Reducing inequalities, increasing prosperity and improving housing conditions for all
- Customers – Ensuring that customers are at the heart of everything we do
- Resources – Managing resources for the whole Council efficiently and effectively
- Performance – Delivering active, continuous and effective performance management across every part of the Council

- 2.4 The Corporate priorities are embedded into the Council’s performance framework through the service planning process; individual departments prepare their own service plan which details the service specific priorities, and links them to the Corporate Priorities, providing a “golden thread” along which it is possible to show how each service contributes to the achievement of the Council’s overall mission statement.
- 2.5 As illustrated in the above diagram, the Medium Term Financial Strategy sits alongside a number of other plans and strategies for the use of the Council’s internal resources/

*Procurement Strategy (2008)* – this strategy has been updated and refreshed to ensure that the Borough is maximising the value of corporate contracts and that the Council continues to adopt innovative and value for money procurement options.

*Workforce Development plan 2010/11* – considers organisational development, leadership and skills development and recruitment, retention and pay and rewards.

*IT Strategy* – Identifies Great Yarmouth’s IT requirements over the next few years. Financial implications will be incorporated into ongoing revenue and capital projections.

*Capital Strategy and Asset Management plan* – establishing how the Council will raise and deploy its assets and capital resources to meet its ongoing objectives and priorities.

*Treasury Management Strategy* – (updated annually in March) Details the Council’s borrowing requirements and debt management arrangements, the Annual Investment Strategy and the Prudential Indicators for treasury management all taken into account as part of the decision making process in setting the Council’s spending plans.

### 3.0 The Council’s Strategic Objectives for the Medium Term Financial Strategy

- 3.1 At the heart of the Medium Term Financial Strategy lies the Council’s Corporate Plan priorities.

<b>Corporate Plan Priority</b>	<b>Medium Term Financial Strategy Objective</b>
Economic – Delivering regeneration projects and providing employment and learning opportunities	<p><b><i>Optimum support from Government</i></b> – through RSG, Benefit Subsidy and other external funding streams – realising all the benefits of financial incentives for high performance, and maximising contributions to the Council’s actual costs of administration and support.</p> <p><b><i>Investment in sustainable capital projects</i></b> which add value and achieve the council’s strategic objectives – supported by external funding, direct revenue financing, capital receipts and borrowing.</p>
Environment – Helping to provide a safe,	<b><i>Increased capacity of the Council for</i></b>

cleaner and more sustainable environment for everyone	<p><b>continuous improvement</b> – through investment in training, business development and other measures</p> <p><b>Supporting the Carbon Reduction programme</b> – through identification of spend and savings attributable to carbon reduction</p>
Social – Reducing inequalities, increasing prosperity and improving housing conditions for all	<b>Proactive financial measures</b> – to reduce reliance on temporary accommodation and improved access to benefits
Customers – Ensuring that customers are at the heart of everything we do	<b>Systems Thinking</b> – becoming a systems thinking organisation
Resources – Managing resources for the whole Council efficiently and effectively	<p><b>Efficient use of existing resources</b> – ensuring that optimum use is made of money allocated to delegated budgets each year.</p> <p><b>Long term sustainability</b> – of the council's overall financial position by a willingness to make investments which release long term revenue savings for reinvestment in new or existing services.</p> <p><b>Optimum returns on the council's assets</b> – with regular reviews of the need for asset disposal and acquisition which meet the council's strategic objectives</p>
Performance – Delivering active, continuous and effective performance management across every part of the Council	<b>A year on year reduction in the overall cost of current services</b> – being more efficient and avoiding an adverse impact on the standard of service provided creating savings that can be used to finance funding shortfalls and reinvest in achieving the Council's vision/ year-on-year budget priorities.

## 4.0 Income

### 4.1 Formula Grant

The formula grant settlement was confirmed on the 31<sup>st</sup> January 2011. A two year settlement was announced, rather than the expected 3 year settlement. This is detailed in the table below. For 2013/14 no further reduction in Formula Grant has been anticipated.

Year	Formula Grant	% change
2010/11	£10,782,305	
2011/12	£8,648,975	-19.8%
2012/13	£7,575,461	-12.4%
2013/14	£7,575,461	0%

The reduction in Formula Grant is offset by the transfer of Concessionary Fares funding from district councils to the County

Council. £708k of expenditure has been removed from the budget as a result.

#### 4.2 Area Based Grant

Area based grant ceases in 2011/12. In 2010/11 the Council received £4,323,512. The majority of this funding was ringfenced to Neighbourhood Management (Working Neighbourhoods Fund) and Enterprise GY (Local Economic Growth Initiative. Over the period of the funding there has been an underspend, which has been ringfenced in an earmarked reserve. It is proposed that the earmarked reserve will be utilised in 2011/12 and 2012/13 to allow continuation on a smaller scale of both these projects.

#### 4.3 Council Tax Freeze Grant

The Government announced that they would grant fund local authorities which froze Council Tax in 2011/12. This grant would equate to a 2.5% increase in Council Tax. For Great Yarmouth this equates to additional central government funding of £114,767 in 2011/12 through the period of the MTFS.

#### 4.4 Transition Grant

At the time of the announcement of the Formula Grant Settlement the Government also announced Transition Grant, payable to authorities which would see a reduction in “revenue spending power” of more than 8.8% in either year. Due to the loss of Area Based Grant and the significant reduction of Formula Grant, Great Yarmouth Borough Council benefits from Transition Grant as set out in the table below.

Year	Transition Grant
2010/11	£0
2011/12	£3,706,076
2012/13	£3,235,391

For 2013/14, no transition grant has been included in the budget estimates, as this is a 2 year grant settlement. There is likely to be a review of the Formula Grant methodology by 2013/14 which may change the overall level of grant funding which the Council receives.

#### 4.5 Council Tax

For 2011/12 the government is providing a grant to enable local authorities to freeze Council Tax at current levels. For future years no increase in Council Tax has been built into the projections at this stage. A 1% increase in Council Tax will raise £46k.

Council Tax increases will be decided on an annual basis, based on the potential for capping or referendum, and the budget requirement.

## **5.0 Expenditure**

- 5.1 The previous Medium Term Financial Strategy recognised that the Council would be facing a significant shortfall in funding for 2011/12. Action has been taken during 2010/11 to reduce expenditure to meet the expected shortfall.
- 5.2 Through a process of allowing staff to leave the organisation on a voluntary basis, or by removing vacant posts, the Council has reduced the staffing budget by £894k. However, in 2010/11 there was a £997k savings target for the non filling of vacancies, which has been reduced to £100k in 2011/12. This will enable vacancies to be filled as and when they arise in 2011/12, without a period of holding vacant posts to make savings, although all vacancies will still be subject to rigorous review as to the ongoing need for the post.
- 5.3 Other significant changes include a £160k reduction in income from property, as a result of a one-off backdated payment being received in 2010/11.
- 5.4 Parking income has reduced by £150k. Income in 2009/10 exceeded expectations, and this formed the basis of the 2010/11 budget. 2009/10 appears now to have been a one off occurrence in terms of additional income, and therefore estimates for 2011/12 have been adjusted accordingly.
- 5.5 Income from recycling credits has increased by £142k in 2011/12 due to a better contract being negotiated for waste recycling.
- 5.6 Benefits overpayment recovery has improved, leading to a £200k increase in income.
- 5.7 £51k has been included in the budget for 2011/12 for the mayoral referendum.
- 5.8 Pump priming funding of £50k has also been included as a growth item for Big Society projects.
- 5.9 The Council is required to set aside amounts of money from the budget each year for the repayment of debt. For 2011/12 this has increased by £134k, while a more modest increase in interest charges is also anticipated of £40k.
- 5.10 These factors have been rolled forward into budgets for 2012/13 and 2013/14. No new significant factors have been built into the forward budgets at this stage.

## 6.0 General Fund

6.1 The table below details the projected financial position for the General Fund for the period of the Medium Term Financial Strategy. This table has been prepared based on the current reporting structure. At the time of writing, the Council is consulting on a new management structure, which will form the basis of future management information.

	2010/11 Current Budget £000s	2011/12 Estimate £000s	2012/13 Estimate £000s	2013/14 Estimate £000s
Central Services	784	765	715	724
Community Services	3,860	3,881	3,946	3,950
Customer & Revenue Services	2,244	1,767	1,772	1,772
Financial Services	4,154	2,571	2,538	2,543
Planning & Development	674	564	486	488
Policy & Improvement	4,613	1,467	1,150	1,154
Regeneration & Environment	7,955	6,465	6,096	6,117
Other	(4,021)	(1,668)	(638)	(591)
<b>Net Budget</b>	<b>20,263</b>	<b>15,812</b>	<b>16,065</b>	<b>16,157</b>

	2010/11 Current Budget £000s	2011/12 Estimate £000s	2012/13 Estimate £000s	2013/14 Estimate £000s
Central Government Funding	15,106	12,355	10,811	7,575
Council Tax & Parish Precepts	4,883	5,072	5,072	5,072
(Added to)/Taken From Reserves	274	(1,615)	182	1,142
<b>Net financing</b>	<b>20,263</b>	<b>15,812</b>	<b>16,065</b>	<b>13,789</b>

<b>Savings target</b>	-	-	-	<b>2,368</b>
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6.2 As can be seen from the above projection, the Council will return £1.6m to reserves in 2011/12. On current projections, the Council would utilise some of those reserves in 2012/13, although this does not include any efficiency savings made in 2011/12, nor is there any increase in Council tax assumed for 2012/13 at this stage.

6.3 It is, however, in 2013/14 when the Council faces a significant shortfall. The methodology for addressing this shortfall is set out in section 10.0 below.

## 7.0 Housing Revenue Account

7.1 The table below sets out the proposed income and expenditure for the Housing Revenue Account.

	2010/11 Revised Budget £000s	2011/12 Estimate £000s	2012/13 Estimate £000s	2013/14 Estimate £000s
Income	(18,210)	(19,316)	(20,424)	(21,752)
Expenditure	18,181	20,119	20,371	21,203
Taken From/(Added to) reserves	(29)	803	(53)	(549)

- 7.2 The proposed budget estimates ensure that Great Yarmouth Community Housing builds on the strategic objectives of Great Yarmouth Community Housing, and of the Council as a whole.
- 7.3 The Council's Housing Revenue Accounts Business Plan identified three priority areas for investment in the housing stock as:
- achieving the decent homes standard in all of the Council's housing stock by December 2010
  - addressing difficult to let issues, which exist mainly within the sheltered housing schemes
  - continuing to deliver established local priorities through long-term programmes of repair, replacement and refurbishment, including those, such as environmental improvement schemes, which, whilst not delivering decent homes, meet tenant aspirations and contribute to wider Council priorities.
- 7.4 It was acknowledged by Council in 2009 that the pressures on the HRA revenue budget and the reduction in available capital resources meant that many of the programmes designed to deliver established local priorities were no longer affordable and that we would, therefore, need to concentrate on maintaining the stock in good repair, with there being little potential for major improvements, especially environmental schemes. The proposed HMWPs for 2011/12 and beyond have been assembled accordingly, with the majority of expenditure focussed on maintenance and health and safety issues.
- 7.5 The programme to deal with difficult-to-let properties has been virtually completed, with just two developments – West Road/Frederick Road and Beatty Close – remaining. There are no vacancies at either site, all of the dwellings meet the decent homes standard and the costs of the works are particularly high. It has, therefore, been decided to defer these two schemes until after the reform of council housing finance has taken place.
- 7.6 The reduction in capital resources over the last few years has meant that the goal of meeting the decent homes standard in all of the Council's housing stock by 31 December 2010 was not quite achieved. There were, in fact, 204 non-decent dwellings at that date. The majority of these – 168 – require remedial works following programmed

electrical testing earlier in the year and these are due to be completed by 31 March 2011. The remaining 36 are non-decent for a variety of reasons, such as the need for kitchen or bathroom improvements, the lack of central heating or inadequate loft insulation. Of these, 22 are included in this year's HMWP and 14 in next year's.

## 8.0 Capital Programme

8.1 The table below sets out the Capital Programme for the period of the MTFS.

Expenditure	2010/11 Current Budget £000s	2011/12 Estimate £000s	2012/13 Estimate £000s	2013/14 Estimate £000s
Housing	5,223	7,709	3,875	3,725
Community Services	7,374	850	600	600
Financial Services	10	-	-	-
Planning & Development	30	-	-	-
Policy & improvement	47	-	-	-
Regeneration & Environment	5,980	7,426	625	556
Revenues & Customers	1,018	1,752	-	-
<b>Total Capital Programme</b>	<b>19,682</b>	<b>17,737</b>	<b>5,100</b>	<b>4,881</b>

Funded by	2010/11 Current Budget £000s	2011/12 Estimate £000s	2012/13 Estimate £000s	2013/14 Estimate £000s
Supported Capital Expenditure	300	-	-	-
Borrowing – Unsupported	3,899	9,384	315	317
Capital Receipts	1,757	630	250	250
Government Grants	8,941	3,764	910	839
Major Repairs Allowance	4,328	3,934	3,600	3,450
Revenue	457	25	25	25
Finance Leases	-	-	-	-
<b>Total Financing</b>	<b>19,682</b>	<b>17,737</b>	<b>5,100</b>	<b>4,881</b>

8.2 As can be seen from the table above, the Council has been successful in obtaining government grants to finance the Capital Programme. It is unlikely that significant government grants will be available in the medium term, and therefore the capital programme is being scaled back to meet the available resources.

## 9.0 Reserves

9.1 The Council is required to set a policy on the level and nature of reserves and balances, and for it to be approved by Members. This Council's policies on reserves and balances, and methodology for determination of these reserves and balances is set out below.

9.2 LAAP Bulletin 77 from November 2008 gives guidance on the level of Local Authority Reserves and Balances. It states that it is the responsibility of the Responsible Finance Officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for the establishment and use. The guidance specifically argues against imposing a statutory minimum level of reserves.

The guidance discusses three main types of reserves:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

9.3 In setting the level of reserves, the Council should take into account the key financial assumptions underpinning the budget, alongside a consideration of the authority’s financial management arrangements. Reserves should also be considered at a minimum and maximum level to ensure that cash is not unnecessarily tied up as a reserve.

9.4 For earmarked reserves consideration and identification should be made of the purpose, usage and the basis of transactions.

9.5 Appendix B considers the factors which influence the level of General Fund and Housing Revenue Account reserves for the period of this Medium Term Financial Strategy. As a result of these factors, a reasonable level of General Fund reserves would be within the range of £948k to £1,934. For the Housing Revenue Account reserves would range between £695k and 1,696k.

9.6 The table below sets out the proposed levels of reserves for the period of this MTFS:

	2010/11 Current Budget £000s	2011/12 Estimate £000s	2012/13 Estimate £000s	2013/14 Estimate £000s
General Fund Reserves	1,184	2,800	2,618	2,000
Earmarked Reserves	2,756	1,884	1,967	2,050
Housing Revenue Account	1,759	956	1,009	1,558
	5,699	5,640	5,594	5,608

The levels of General Fund and Housing Revenue Account reserves proposed for the period of this MTFS are therefore considered adequate. The level of General Fund reserves exceeds the maximum level of £1.9m in order to account for the uncertainty posed by the future Formula Grant funding. It is estimated that in 2013/14 there would be some use of reserves to mitigate the sudden reduction in central government funding.

9.7 The Council currently has the following earmarked reserves as at the end of 2009/10:

- Building Control (£nil) – this reserve is a ringfenced reserve as required by the Statement of Recommended Practice to ensure that Building Control Fees break even over a rolling three year period. This reserve is determined by the level of surplus or deficit on Building Control Fee income. For budget purposes a small surplus is shown year on year.
- Area Based Grant (£2,312) – this reserve was established to enable the matching of income and expenditure for the purposes of the Area Based Grant. This reserve will be utilized as the Area Based Grant projects are concluded.
- Insurance Fund (£168k) - The Insurance Fund operates to provide internal insurance provision to cover excesses on external insurance policies and smaller items not covered externally. As part of the annual closedown process the level of liabilities will be assessed to determine the adequacy of this reserve, based on experience and claims history. For budget purposes only small increases have made to the level of this reserve.
- Miscellaneous Revenue Reserves – These reserves range in value and type from Grave Maintenance to the Helping Hands fund. At the end of 2008/09 £189k was included in these various reserves. For budget purposes a payment is being made in 2010/11 towards the purchase of a refuse freighter for the implementation of the Green Waste collection.
- South Gorleston Reserve (£nil) – This reserve was fully utilized in 2009/10 to enable the purchase of EEDA's share of Beacon Park.
- SHARP (£417) – this reserve was set up in 2008/09 to ringfence the unspent funding related to the SHARP project. It is envisaged that this reserve will be extinguished by the end of 2011/12.
- Parish Projects (£10k) – this reserve was established from interest earned on s106 projects which had not been applied to capital projects, to be used on projects within the parishes. It is proposed that this fund is utilised in 2010/11.
- Planning Delivery Grant (£338k) – an earmarked reserve arising from receipt of Planning Delivery Grant, which is being utilised to support the Planning service. This reserve will be used throughout the period of the MTFs. No further Housing and Planning Delivery grant will be received.

## **10.0 Medium Term Strategy**

- 10.1 This strategy is being written in a time of uncertainty over the medium term future of the Council's finances. While the settlement has given certainty for 2011/12 and 2012/13 in terms of the Council's ability to balance the budget and to replenish the General fund reserves, there are a number of significant issues which may impact on the financial position in future years:
- the impact of the reform of Council Housing Finance
  - changes to the Formula Grant methodology
  - interest rate changes
  - further requirement for savings in future budget announcements
- 10.2 The previous Medium Term Financial Strategy outlined a four strand approach to delivering savings over the medium term. These were
- Systems Thinking
  - Procurement
  - Fees and Charges
  - Discretionary spend
- 10.3 Work through 2010/11 has identified that savings in relation to procurement would be limited on the basis that the majority of the Council's significant revenue contracts were being delivered through a partnering arrangements with other public sector or charitable bodies. Significant savings would not be found through procurement alone, but Service Managers would be given training to enable them to obtain the best deals when negotiating contract.
- 10.4 Fees and charges have also been reviewed to understand whether there were opportunities to maximise income in this way. However, again, it was found that increases to fees and charges would only yield small increases in income, and so again this strand has been left to service managers to pursue on an annual basis as part of the budget setting process.
- 10.5 Systems Thinking has yielded significant improvements to services, and also delivered significant savings by eliminating waste within the organisation. The Council has embraced this methodology, and this would continue to be the central strand to delivering the savings required over the medium term.
- 10.6 Alongside this, the council has entered into a number of shared service arrangements, most notably in the IT and Legal Services. These arrangements have delivered savings, and improved resilience. The Council is currently exploring Shared Services with South Norfolk District Council. Preliminary estimates show that a wholesale sharing of services could deliver savings of up to £3m in the medium term, based on estimates for shared service savings prepared by SOLACE. These figures are at a very early stage of verification, but it is envisaged that sharing services with another authority in this way would deliver a significant proportion of the savings required over the

medium term. The Council is in the enviable position of having two years in which to deliver the savings, allowing this to be explored thoroughly.

- 10.7 Due to the early nature of these discussions, officers have also prepared proposals which would see the required level of savings being delivered within the timescales, although some of these options would result in a diminution of services offered. However, a number of options are currently being explored, including disposal of surplus assets to reduce overall levels of borrowing, and other shared services on a service by service basis. Some savings options are already being delivered, for example the closure of Maltings House and the co-location of all staff within two buildings on the Town Hall site.

## **11.0 Conclusions**

- 11.1 The Council is well placed to meet the financial challenges it faces in the medium term. By anticipating the future shortfalls it has acted to reduce expenditure year on year, to deliver a balanced budget without drastic action or affecting the levels of service that it currently provides. It has also benefited from central government's recognition of the problems posed by a sudden significant reduction in income.

## Appendix B - Assessment of the adequacy of Reserves.

This assessment is prepared in line with para 2.5 of the LAAP Bulletin 77.

Issue	General Fund	Housing Revenue Account
The treatment of inflation and interest rates	Inflation and interest rates have been determined in the light of best information available. Recent significant changes in interest rates has increased the need for a more significant level of reserve (1.5-3% of net budget requirement excluding Area Based Grant (ABG))	Inflation and interest rates have been determined in the light of best information available. Recent significant changes in interest rates has increased the need for a more significant level of reserve (1-2% of gross expenditure)
Estimates of the level and timing of capital receipts	A prudent approach has been taken when considering the level of capital receipts. This is combined with an ability to undertake prudential borrowing. Significant reserves not required.	A prudent approach has been taken when considering the level of capital receipts. This is combined with an ability to undertake prudential borrowing. Significant reserves not required.
The treatment of demand led pressures	A corporate risk assessment has been carried out which includes an assessment of the impact of a reduction in demand for fee generating services, or and increase in demand for other services. (1-2% of net budget requirement excluding ABG)	A corporate risk assessment has been carried out which includes an assessment of the impact of a reduction in demand for fee generating services, or and increase in demand for other services. (1-2% of gross income)
The treatment of planned efficiency savings / productivity gains	Efficiency savings/productivity gains have been built into base budgets and there is a programme to identify the further savings for 2011/12 in year. (0.5 -1% of net budget requirement excluding ABG)	Efficiency savings/productivity gains have been built into base budgets and there is a programme to identify the further savings for 2011/12 in year. (0.5 -1% of gross expenditure)
The financial risks	No significant new	No significant new

<p>inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments</p>	<p>funding partnerships, major outsourcing arrangements. Some major capital developments are being negotiated, with a level of risk attached to the funding. (0.5 -1% of net budget requirement excluding ABG)</p>	<p>funding partnerships, major outsourcing arrangements or major capital developments. Significant reserves not required)</p>
<p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions</p>	<p>Some earmarked reserves exist to deal with major contingencies. Some potential for reserves to be required in relation to equal pay. (0.5 – 1% of net budget requirement excluding ABG + Bellwin threshold)</p>	<p>Some provision for major contingencies. Some potential for reserves to be required in relation to equal pay, and contractual arrangements. (0.5 – 1% of gross expenditure)</p>
<p>The general financial climate to which the authority is subject.</p>	<p>Financial climate has deteriorated, and the Council has a significant investment tied up with the Heritable Bank (in administration) (2.5%-5% of net budget requirement excluding ABG)</p>	<p>Financial climate has deteriorated, but impact on HRA moderated by the relatively secure income stream (1%-2% of gross expenditure)</p>