Report to: **Cabinet**

Subject: **Financial Strategy 2007-2012**

Date: **15 February 2007**

Author: **Head of Finance**

1. PURPOSE OF REPORT

To recommend to Cabinet the adoption of the Financial Strategy 2007-2012 attached at Appendix 1, which shows the Council has minimal financial risk over the 5 year planning horizon.

2. BACKGROUND

The financial strategy described the framework within which financial decisions are made at this authority providing overall direction and parameters for financial management.

The document itself does not determine individual spending decisions, the annual budget or level of Council Tax but does set out expectations in these areas and does draw together a serious of previous expectations/decisions eg, on levels of balances, allocating of resources to service development and medium term sustainability which assist in developing options for the annual budget.

3. PROPOSAL

The financial strategy is detailed in Appendix 1 and sets out key areas that make up the overall framework these are:-

- Moving resources to meet priorities and new spending pressures
- Setting a minimum level of balances
- Maintaining a sound and sustainable financial position
- Maintaining other earmarked reserves

- Generating/maximising external funding where this meets our priorities and operational objectives

- Ensuring that local taxes play an appropriate part in providing local resources to deliver the Council's programme.

- Ensuring probity and stewardship

- Maintaining and developing sound financial management

- Raising awareness of finance, risk management and governance issues

Links with other strategies and procedures are identified and so this overall document can be seen as a summary of themes that have been developing at this council over several years.

More finite comments on the policy for setting Council Tax have been included in the key areas section. In addition, a new section on sensitivity and risk assessment has been added.

This strategy will continue to develop and will be reviewed regularly and will at least annually be subject to review by members.

4. RECOMMENDATION

Members are asked to approve the adoption of the financial strategy 2007-2012 at Appendix 1

Appendix 1

GEDLING BOROUGH COUNCIL

FINANCIAL STRATEGY 2007 – 2012

C O N T E N T S

GEDLING BOROUGH COUNCIL

FINANCIAL STRATEGY 2007 TO 2012

1. INTRODUCTION

1.1 This strategy effectively sets out the overall framework on which the Council plans and manages its financial resources and to ensure that they fit with, and support, the direction of the Council's key aims – Overall it shows that the Council has **minimal financial risk** over the five year planning horizon.

Its Objectives

1.2 In its broadest terms, the strategy is designed to ensure that:

- Finance contributes to the vision and key aims of the Council as expressed within the Corporate Plan whilst ensuring that:
- The Council's financial position is sustainable,
- Probity and stewardship exist in the use of financial resources.
- Resources are used with due regard to achieving value for money

1.3 The framework is effectively cascaded down and detailed in other plans and strategies, which are:

- **The Annual Budget Strategy** – setting out the short term spending and financing plans.
- **The Medium Term Financial Plan –** sets out the ongoing impact of the annual budget and accounts for known variations in the medium term of 5 years
- **Treasury Management Strategy and Annual Investment Strategy** – setting out how cash, borrowing and investment is managed.
- **Financial Regulations and Procedural Rules** – setting out the procedures to ensure that the use of finance is legal, properly authorised, reported and provides value for money.
- **Audit Plan –** setting out when fundamental financial and other systems will be reviewed over time to test the effectiveness of internal control.
- **Capital Strategy** – setting out how major investment is planned and managed and helps to deliver the Council's key aims.

- **Annual Efficiency Strategy** – setting out how the Council's services will be managed to achieve an annual efficiency of at least 2.5% per annum

- **Asset Management Plan** – which sets out the management of land and property and identifies assets surplus to requirements for disposal.

- **Other Strategies –** the following strategies account either for significant sums of money or set out approach for the management of financial activities and indirectly contribute to the overall financial strategy:-

  - HRA Business Plan
  - Risk Management Strategy
  - Corporate Governance Framework
  - Procurement Strategy
  - Implementing Electronic Government Strategy

Key Areas

1.4 The overall strategy is appropriate for all services. It identifies the key areas making up the overall framework that are considered on a regular basis. It then highlights the factors against each area that are used to meet the objectives (as set out in 1.2, above). These key areas are:

- Moving resources to meet priorities and new spending pressures (2.1)

- Setting a minimum level of reserve balances (2.2)

- Maintaining a sound and sustainable financial position (2.3)

- Maintaining other earmarked reserves (2.4)

- Generating/maximising external funding where this meets our priorities and operational objectives (2.5)

- Ensuring that local taxes play an appropriate part in providing local resources to deliver the Council's programme (2.6)

- Ensuring probity and stewardship (2.7)

- Maintaining and developing sound financial management (2.8)

- Raising awareness of finance, risk management and governance issues (2.9)

1.5 Broadly, the framework has been in place and developing at the Council for several years and this latest strategy builds on that and summarises the overall strategy.

Time Frame

1.6 The strategy has a medium-term time frame to fit in with the Council's corporate and service planning framework. However, in principle it will exist for longer as it provides the overall direction and parameters for financial management at the Council.

1.7 Clearly, the strategy continues to evolve and develop in response to new financial opportunities/risks and new policy directions. Therefore, the strategy is reviewed on a regular basis and at least annually. It is updated where necessary.

2. THE KEY AREAS

2.1. MOVING RESOURCES TO MEET PRIORITIES AND NEW PRESSURES

2.1.1 The Council's existing budgets at anyone time, are to a certain extent historically based. Consequently, they may not always meet the latest priorities and spending pressures.

2.1.2 The ability to shift resource to meet priorities is needed if the themes as set out in the Council's Corporate Plan are to be achieved. The strategy to achieve this is:

- **To utilise the Council's approved scoring methodology when evaluating bids for service development and new investment**. The scoring system is constructed to favour bids that are aligned to the Council's priorities, together with national targets.

- **To identify yearly efficiency savings** (as part of the Government's "Gershon" target) and to redirect these resources to priority areas.
- **To gradually disinvest in non-priority areas** by limiting increases in resources and undertaking more fundamental review when opportunities arise.

- **To undertake strategic service reviews** in accordance with the Council's Procurement and I.E.G. strategies.

- **To align and examine council spending against priorities** on an on-going basis. This may from time to time include fundamental reviews of specific areas of the Council's base budget ie scrutiny reviews or value for money studies. This could include making statements that sufficient resources have been allocated in a particular area to meet the Council's priorities.

2.1.3 In order to continue maintaining the ability to show that the Council's resources are being directed towards its priorities it is important that timely reviews of the Council's priorities expressed within the Corporate plan. With an authority election in May 2007 it should be a priority of the new Council to review these priorities so they can influence the setting of the 2008/2009 budget. This task will therefore be required to be completed by September 2007.

2.2 SETTING A MINIMUM LEVEL OF RESERVE BALANCES

2.2.1. It is the responsibility of the Council's Chief Finance Officer (CFO) to recommend a minimum level of general reserves to act as a contingency against any unforeseen events or unexpected liabilities. There is no suggested set figure and the CFO needs to recommend a level to reflect local circumstances.

2.2.2. The Council had for many years, set a minimum level of general reserves of £1 m for the general fund and £400,000 for the Housing Revenue Account at the end of the rolling 5-year financial planning period. This was reviewed during the budget round for 2005/06.

2.2.3 The Council faces many financial and business risks. These are detailed, reviewed and updated as part of the financial risk register.

2.2.4 In addition, the Council's customer requirements continues to change quite rapidly, this brings new and additional demands for services. Furthermore, there is still a lot of uncertainty around the national funding regime, including funding that is not mainstream. Therefore, the Council now:

- **Aims to maintain a minimum general reserve as a contingency measure, of 7.5% of net revenue expenditure on both the General Fund and Housing Revenue Account at the end of every 5-year planning period**.

2.2.5 As the Council undertakes a move towards Large Scale Voluntary Transfer of its stock it is accepted that this is a specific and sizable resource issue. Preparation costs can be as high as £2 m which if successful can be offset against any capital receipt. In these circumstances it may be acceptable to allow balances to fund transfer costs temporarily pending the ballot outcome.

2.2.6 In addition, as a result of a LSVT the Council will need to manage its residue corporate cost post transfer. In this circumstance, maintaining a higher level of HRA balances above the minimum is deemed appropriate. Since these will transfer to the General Fund once a transfer takes place and be available to help ease any reduction in corporate costs. It is, therefore, intended in the next two years to manage HRA balances above £1m.

2.3. MAINTAINING A SOUND AND SUSTAINABLE FINANCIAL POSITION

2.3.1 With a principle set regarding a minimum level of general reserves, the **Council plans and manages its finances within this target, which is detailed in a 5-year Medium Term Financial Plan with associated spending plans and service strategies**.

2.3.2. The budget strategy effectively details the financial plan in order to deliver services set out in the Council's Corporate strategy. Essentially, it:

- Sets out the spending and financing plans over 5 years for general fund revenue services and 3 years for capital investment.

- Maintains and keeps under review a 3-year capital expenditure and financing programme in accordance with the "Prudential Code."

- Maintains and keeps under review a 10-year rolling financial projection on the Housing Revenue Account in accordance with the HRA Business Plan.

- Assesses the affordability of proposed service developments and new capital investment over a 5 year planning periods.

2.3.3. The budget strategy is constructed in detail as part of the Council's yearly budget setting process. It is reviewed and updated where necessary, following the annual budget out-turn.

2.3.4 The budget formulates spending plans in detail for the next financial year and provides forecasts over a 5-year period. As part of this process, the financial risk register is also reviewed and updated.

Approved Service Development Methodology

2.3.5. A key part of the budget process is the assessment of proposals for new spending and investment. The Council has limited resources and cannot meet all new demands for spending. Therefore, this mechanism aims to provide a guide and a more objective assessment against which new spending proposals are prioritised.

2.3.6. It effectively asks Council members/officers to provide a business case for both revenue funding and new capital investment. The system is corporate and the Council's Senior Management Team assesses all bids before review by the Cabinet, who issue draft proposals for Scrutiny Committee consultation. Cabinet then makes final annual budget proposals to Council.

2.3.7 The scoring system takes account of the following:

- How far a bid meets local (Council) priorities
- How far it meets wider regional and national priorities
- The degree of risk involved
- How much partnership working is delivered
- External funding levered in
- Income generation and future cost savings
- Impact on the Council's infrastructure (AMP)

2.4. EARMARKED RESERVES

2.4.1 In addition to general reserves, the Council maintains earmarked reserves that are held for specific purposes. They are provided to meet known commitments and in some cases, to spread expenditure over financial years.

2.4.2 These reserves can exist over a number of years. Although this is a prudent way of safeguarding the Council's financial position, it is equally important to check that resources are not being tied up unnecessarily and that they are in accordance with accounting practice.

2.4.3. Therefore, these reserves are reported and reviewed as part of the annual budget strategy.

2.5. EXTERNAL FUNDING

2.5.1. It is recognised that the Council has limited resources and cannot achieve all of its aims in isolation. However (apart from local taxes) the Council does have access to a variety of funding sources as set out below.

Government Funding

2.5.2. Both in general terms and via specific grants and borrowing allocations, the national exchequer funds over 50% of all council spending – clearly a significant proportion. In addition, some financing is not "mainstream" and not always guaranteed from year to year.

2.5.3 It is critical that the Council receives its fair and equitable share via the various distribution mechanisms used by the Government.

Therefore, the **Council seeks to "lobby" the Government through special interest groups (of councils) that share common issues with Gedling Borough Council where appropriate as determined by the executive.**

Partnership/External Funding

2.5.4 The Council has a good track record of levering in such funding. Delivery of some of the Council's current key aims such as reducing crime and disorder are dependent upon it.

2.5.5 In addition, the provision and enhancement of new recreational facilities, especially in high growth areas are dependent upon securing Section 106 funding via the planning system.

2.5.6. Working with other authorities and agencies has enabled the Council to achieve more within its limited resources eg, joint work with Rushcliffe Borough Council, expansion of the One Stop Shop to include County Council and other services and work over a range of issues with the PCT.

2.5.7 Clearly**, the maximisation of these resources is important and the Council channels efforts in various ways to achieve this. However, funding is only sought if it will contribute and help deliver the Council's priorities or Government targets**.

Where funding is for a fixed period the council's plan should include appropriate sustainability or exit strategies

Resources for Capital Investment

2.5.8 Plans for securing, maximising and utilising financing specifically for capital projects are detailed in the Council's Capital Investment Strategy. This covers:

- Proceeds from selling/disposing of fixed assets (capital receipts)
- Generating additional resources via the Asset Management Plan
- Partnerships and External Funding
- Local Businesses and Developers
- Borrowing

Fees and Charges

2.5.9 The Council generates approximately £5m per year (6% of gross expenditure) from various fees, sales, rents and other charges. The level of some of these is statutorily set or subject to periodic reviews such as rents and leases.

2.5.10 For many others the Council has discretion to recover costs or make market level changes. Maximising income is achieved in two ways:

- **Each year, a target increase on current charges is set for each council Division**. The achievement of the target allows for departmental discretion such as price resistance, high demand, concessionary discounts, meeting the Council's priorities etc, can be accommodated in a way that meets the overall target, whilst achieving the Council's priorities.

- **For Leisure activities the Council undertakes a more comprehensive review of its charging structure including a comparison with other councils and reviews any further areas where charges could be introduced for services**.

- **The Council will consider earmarking elements of income to create maintenance and renewals funds for areas subject to commercial activity/competition.** For example DNA income (the Council's Leisure Membership scheme) may be raised above the target with the increases being earmarked for service development and equipment replacement.

Investment Income

2.5.11 The Council is a net borrower of funds and periodically has surplus cash to invest on a temporary basis. The Council's **Annual Investment Strategy** sets out the way in which income from this source is maximised.

2.5.12. This includes measuring performance against an average market rate. However, the strategy also sets out how **security and liquidity of funds** is safeguarded – a key theme of that strategy.

2.6. <u>LOCAL TAXES</u>

2.6.1. Most council spending is ultimately financed from the "public purse." At a local level, the main tax that contributes to the provision of local services is the Council Tax.

2.6.2. The Council is mindful of the level of local tax that falls on its local residents and how much they are asked to contribute to the delivery and improvement of services.

Council Tax

2.6.3. The Council has a below average level of council tax compared with its "family" group of authorities and neighbours. The Council does have discretion over the level of increases each year, although the Government have "reserve powers" to cap increases at individual councils. In addition, broad parameters are signalled to councils each year.

2.6.4 The Council aims to set its council tax each year within these central government guidelines and consults with local residents on its proposals and priorities via the Corporate Plan and other consultation methods as appropriate.

Recent policy has been to move the Council's taxation level closer to the Nottinghamshire average when measured at both band D level and householder level and is reviewed periodically as part of the Medium Term Financial Forecast. In this medium term stability in the level of Council Tax increase is aimed for.

2.6.5 In general the Council will aim for annual increases in Council Tax but will be mindful of the increasing burden that local taxation places upon its residents. This has to be balanced with the need to have a buoyant income source. The Council's policy on taxation levels is to set an increase that is within the parameter of RPI +/- 2% and below any capping levels threats.

Based on RPI at 31 December 2006 of 4.4% and a cap threat at 5% a Council Tax rise of between 2.4% and 5% will be considered.

Second/Empty Homes Charging

2.6.6. With effect from 18 December 2003, operative from 1 April 2004, the Government has allowed local authorities to reduce the Council Tax discount on second homes from 50% to a minimum of 10%, remove or reduce the existing 50% discount for unfurnished long term empty homes and grant additional discounts and exemptions.

2.6.7 The billing authority and any major precepting authorities such as Nottinghamshire County Council, the Nottinghamshire Police Authority and the Nottinghamshire Fire Authority will retain any additional council tax raised from second homes locally, however, this is only expected to raise less than £10,000 for Gedling Borough Council, who would also need to absorb any additional collection costs.

2.6.8 The Government does not propose to reduce revenue support grant to reflect council's ability to raise more council tax because of any reduction in the second homes discount.

- **Collection costs would absorb the majority of the benefit from charging council tax on second homes, therefore, current policy is not to charge Council Tax in these circumstances**

2.6.9 In connection with long term empty properties, any increased revenue will be retained locally in the first year but not in subsequent years. The extra resources will be kept for the purposes of local government at a national level. It is expected that this could raise a one-off amount of less than £40,000.

2.6.10 Historically, it has been difficult collecting council tax on second homes and long term empty homes resulting in a high cost in recovering any additional charge. Should any discount be reduced, it is therefore expected that collection costs in respect of these properties may increase.

- **The short term benefits of removing discounts on long term empty properties are not considered sufficient to consider undertaking this action.**

- **The Portfolioholder for Finance will annually review the Council's position in respect of second/empty homes and where it is considered that the Council change its current stance recommendations will be made to Cabinet**.

Council House Rents

2.6.12 Although not strictly a tax, this is the main way in which the cost of council housing is financed. Central government now effectively set local rent levels through their rent setting formula. This is designed to equalise rent levels with other housing providers across the Borough.

2.6.13 The Council does have some flexibility to vary rents, but this would be penalised through the system the Government use to subsidise council housing. Therefore,

- **The Council sets its yearly rent increase in accordance with the Government's rent setting formula.**

- **Rent increases are set so they avoid housing subsidy penalties where possible**

<u>BUSINESS RATES</u>

Business Improvement Districts (BIDS)

2.6.14 This programme helps local authorities and businesses work in partnership to improve their local area, using resources raised from that partnership. This will fund a range of additional improvements that are agreed by each BID area partnership.

Funding will be raised through a supplementary business rate levied on participating businesses in the bid area.

Given the relatively modest size of Gedling Borough Council's Business Rates income and the fact that no major business development area exist in the Borough, the Council does not expect to use BIDS as financing option.

Local Authority Business Growth Incentive Scheme (LABGI)

2.6.15 This is currently a 3 year scheme, introduced for payment in 2005/2006, that rewards a local authority for growth in its rateable value above a pre-determined floor. Business rates income above this floor is shared in two tier areas between Districts and Counties. Income from this scheme could be significant but income levels cannot be guaranteed and there is currently no commitment for payments beyond the three year period. The authority will only know its award for 2006/2007 in February 2007.

Due to the uncertainty surrounding the level of LABGI income resources gained will initially be allocated to one off developments with a priority to utilise some of this funding for "invest to save" projects or reserves. Finally money will be used for ongoing service developments only where this remains affordable in the long term.

2.7 PROBITY AND STEWARDSHIP

2.7.1 Ensuring probity and stewardship in the use of public funds is enshrined in the Council's constitution and is based on best practice set out by the Chartered Institute of Public Finance.

Financial Regulations

2.7.2 These set out the policies in relation to:

- Financial Management
- Financial Planning
- Risk management and Control of Resources
- Financial Systems and Procedures
- External Arrangements

Financial Procedural Rules

2.7.3 These provide an interpretation of the regulations and set out responsibilities and detailed guidance for Members and Officers.

2.7.4 Both the regulations and procedures are subject to continuous review by the CFO who submits any additions or changes necessary to full Council for approval. In addition, the CFO will report, where appropriate, breaches of the rules to full Council.

2.8 MAINTAINING AND DEVELOPING SOUND FINANCIAL MANAGEMENT

2.8.1 Staying on track and monitoring financial plans and the use of resources is clearly a vital part of this strategy. This is achieved through a system of:

- **Regular budget monitoring and analysis of spending with finance staff and budget holders/spend managers**.

- **Regular financial and performance reporting to the Council's Personnel and Resources Committee, Cabinet and Senior Management Team**.

- **Carry forwards**

- **Virements**
- **Overall cash limits**

2.9. RAISING AWARENESS OF FINANCE

2.9.1 Local government finance is very technical and diverse. It is governed by a myriad of legislation, regulations and complex distribution mechanisms. This can be over-bearing to the "non-finance" person.

2.9.2 The CFO plays a pivotal role in setting the strategy, but the whole Council is involved in its delivery at various stages. For example, the responsibility for managing budgets and using resources rests not with the CFO, but with Chief Officers and their service managers. The ultimate responsibility for allocating resources rests with elected members.

2.9.3 It is important therefore, that those having this responsibility have the necessary awareness and knowledge, etc. to manage budgets and make decisions. This is the role of the CFO.

2.9.4. Raising awareness and training is an on-going issue. It can be gained as a matter of course (and often is) through experience and the gathering of knowledge from regular involvement.

2.9.5. In addition, the CFO provides other (more formal) means of raising awareness and this is achieved in a number of ways:

- Through the induction process for new employees
- Induction training for new members
- Seminar/workshop for members
- Ad-hoc teach-ins for individual services
- The provision of documents and guidance notes on the Council's Intranet

2.9.6 This financial strategy will be updated and reviewed annually by Cabinet as part of the annual budget process.

3. FINANCIAL RISK AND SENSITIVITY ANALYSIS

3.1. SUMMARY MEDIUM TERM FINANCIAL PLAN

Based upon latest information presented to the Council, the following is the estimated MTFP.

This shows that with an estimated 3% rise in Council Tax, the Council's balances would be some £626,000 below the desired level at the end of the 5 year planning horizon.

Summary Medium Term Financial Plan

	2007/08	**2008/09**	**2009/10**	**2010/11**	**2011/12**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Total Estimate Expenditure	14,292	14,954	14,429	15,518	16,028
Net External Support	(8,668)	(8,864)	(9,063)	(9,267)	(9,475)
Cllr Fund Deficit	84	60	-	-	-
Council Tax Yield (3%)	(5,080)	(5,260)	(5,446)	(5,639)	(5,839)
LABGI	(510)	(670)	-	-	-
Use of Balances	**118**	**220**	**(80)**	**612**	**714**
Balance b/fwd	(2,160)	(2,042)	(1,822)	(1,902)	(1,290)
Balance c/fwd	(2,042)	(1,882)	(1,902)	(1,290)	(576)
Required balance	(1,072)	(1,122)	(1,082)	(1,164)	(1,202)
Actual balances above required level	Yes	Yes	Yes	Yes	**No**

3.2. BUDGET INFLATION ASSUMPTIONS

The Council's annual budget strategy sets out its base assumptions in respect of inflation for a range of items. These are detailed below for the major categories of expenditure, for sensitivity analysis the downside risks of the above assumption being wrong by 10% are highlighted.

Expenditure	Base Inflation/Increase Over Medium Term	Sensitivity Amount 10% Downside Risk
		£000s
Salaries	2.25%	30
Supplies and Services	Nil	35
Fuel	3%	5
Pensions	0.86%	10
Fees and Charges	5%	20
Total 10% Downside Sensitivity		100

3.3. CENTRAL GOVERNMENT FUNDING

The Council receives both specific and general funding of its activities from central government. Specific grants are either readily estimated eg Planning Delivery Grant or have specific policies or use eg LABGI that minimise the sensitivity impact of these grants. However, general grant in respect of Revenue Support Grant and Business Rates re-distribution are received on a 3 yearly cycle. In 2007/2008 Comprehensive Spending Review 2007, will be released which will give allocations for 3 years beginning 2008/2009.

An increase of 2 ¼% has been estimated although a downside risk of ¼% is a realistic proposition; this could reduce grant income by £22,000 pa.

3.4. **SERVICE DEMANDS**

The annual budget strategy is based upon latest trends available for service demands and usage figures. However, two areas stand out as potential downside risks namely concessionary fares and waste recycling, the Council does not regulate demand for these services by using pricing mechanisms although theoretically service demand charges are reflected in external support arrangements. It is estimated that a downside risk of up to £200,000 exists as a result of changes to service demands.

3.5. **RISK ASSESSMENT**

In assessing the financial risks to the authority there are many variables, the sensitivity analysis can only examine in summary terms the main areas.

Sensitivity has also been examined with a view to “downside” risk ie, in a worse case scenario. Clearly, there are many potential “upside” risks ie, increase numbers of customers paying for services, improve procurement techniques giving rise to savings, investment in more modern working practices that produce efficiency savings. However, the most significant area of income generation that the authority has most control over is Council Tax, therefore, the overall risk assessment based on the ability to manage Council Tax, within the limits of this strategy (see section 2.6.5) to fully manage the downside risk over the 5 year planning horizon.

The risk assessment of the Financial Strategy is assessed using a local risk scorecard which has been developed, see below. This score card is on a similar basis to that used in the Council’s Corporate Risk Strategy and examines the extent to which Council Tax alone can manage the “downside” risk and maintain balances to the required level (see section 2.2.4), over the planning period.

Risk Score Card

IMPACT				
	H			
	M			
	L	**RISK LEVEL**		
		L	M	H

LIKELIHOOD

Impact This measures the extent that Council Tax alone can manage downside risk. Low impact shows that over 66% of downside risk can be contained with Council Tax rises at the maximum that this strategy allows; with high impact this falls to less than 33%.

Likelihood Manages the time period that above minimum balances are held. High likelihood shows balances at below minimum level within the following accounting period. Low impact shows balances are above minimum level in year 4 or beyond.

This financial strategy assessed risk at 31 March 2007, is low impact with a low likelihood of balances being reduced below the minimum point. This is the best possible risk position. Therefore, the Council has **minimal financial risk over the five year planning horizon.**