

RISK APPRAISAL – RISK BLIF

Recommendation:		
1. Council is invited to provide guidance to officers as to alternative ways of managing risks and reserves relating to Schedule 3.		
	Yes	No
Does the decision involve new expenditure?		No
Is there an existing budget for the proposed expenditure (insert code)	N/A	
What procurement level is required?	N/A	
Are there equalities impacts / an equalities assessment required?		No
Does this require a full council decision? (Reports for full council decision should still be sent to the relevant committee where possible.)	Yes	
Is there a background paper or papers? (provide links below).		No
Background		
<ol style="list-style-type: none"> 1. The arrangement between council and the Freemen Trust, set out in the 1926 Act and the subsequent arbitration agreement, provides no certainty for the council as to the likely amount of any surplus on Schedule 3, and hence no certainty as to the level of income likely to be received by council. 2. Prior to 2017 council sought to treat the income from Schedule 3 as a windfall, or exempt from being treated as income for the purposes of calculating the precept, resulting in the accumulation of significant, and non-specific reserves. Whilst this approach was both reasonable, and understandable, the External Auditors made clear their view, in 2017, that a reasonable effort should be made to estimate the likely level of Schedule 3 income, and to take account of it in the setting of the precept. 3. The situation has arisen where each year the Town Clerk has to warn council that there is a risk that the estimate may be incorrect, and that less income might be received than was predicted. It is clear that at some stage this prediction will come true, and that council's over-reliance on income from a source over which it has little or no control is an essential weakness. 4. This is not an attempt to rehearse the argument that the role of the five trustees appointed by council should be to provide council with both a measure of control over the investment strategy of the trust, and a measure of intelligence as to likely levels of income, regardless of how rational it might seem. Rather it is to set out the reasoning behind officer's recommendations as to how risk might be mitigated. 5. Essentially, there are two approaches that might be taken by council. Option A is to build up a specific reserve to cover the risk of a failure to receive Schedule 3 income, and to hold that reserve separate from all other reserves. This may be a reasonable approach in terms of prudence, but it may not be the best use of money. 6. The second option is to devise a strategy that allows council to reduce its dependence on the Schedule 3 income by increasing the precept to cover the fixed costs of its services. In order to do this the purpose to which the Schedule 3 income would be applied would need to be identified and clearly set out, preferably with a clear timescale that defines the scope of the work involved. The risk is then shifted from being a risk that council might not receive all the income it receives in any given year to a longer-term risk that the funding for a strategic project might not be accumulated as quickly as desired. 7. In order to make this option acceptable, the strategic plan would need to be both clear and timely in its goals, and to set out both the desired amount to be invested and the options should there be a shortfall. 		
Rationale for recommendation.		
See above.		