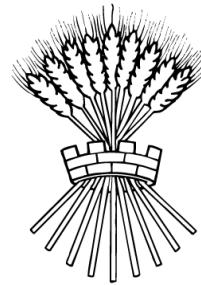


RYEDALE  
DISTRICT  
COUNCIL



# FINANCIAL STRATEGY

2013 - 2017

# **FINANCIAL STRATEGY**

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## **1.INTRODUCTION – THE PURPOSE AND SCOPE OF THE FINANCIAL STRATEGY**

The Financial Strategy sets out the overall shape of the Council's budget by establishing how available resources will be allocated between services, reflecting Council and community priorities, and therefore providing a framework for the preparation of annual budgets.

The Strategy is linked with and supports service priorities and the Council's other strategies and plans, including but not limited to:

- The Community Plan – Imagine Ryedale
- The Council's Corporate Plan
- The Asset Management Plan
- The IT Strategy
- The Procurement Strategy
- The Treasury Management Strategy
- The Risk Management Strategy
- The HR Strategy

The focus of the Financial Strategy is on medium and long term planning, and decision making for the future. Whilst the Strategy includes specific proposals for a particular financial year, there should not be an over concentration on just one years budget. This Strategy seeks to avoid year on year budget setting, and use of short term/one off measures to balance the budget. It is a Strategy for the future, to ensure effective resource planning and the delivery of Corporate Objectives.

In particular it:

- sets out the Council's medium term financial aims and the measures to be taken to ensure they will be achieved;
- sets out the Council's approach to delivering improved services and value for money over the next few years;
- describes the Council's arrangements for developing the financial strategy, including:
  - The identification and prioritisation of spending needs;
  - The key financial influences on the medium term financial planning and the assumptions made in developing the plan;
  - The challenges and risks associated with the plan and how the Council will deal with them.
- sets out the Council's policy on reserves and balances.
- identifies the resource issues and principles, which will shape the Council's Financial Strategy and annual budgets.

The Financial Strategy covers all revenue and capital spending plans of the Authority.

## **2. OBJECTIVES OF THE FINANCIAL STRATEGY**

The Financial Strategy seeks to achieve the following **Objectives**: -

1. Budgets are Prudent and Sustainable in the Long Term,
2. Financial plans recognise corporate Priorities and Objectives,
3. Significant risks are identified, and mitigation factors identified,
4. The Capital Programme is planned over a 4 year period. Borrowing will only take place where there is a clear financial business case to borrow and it meets the requirements of the Prudential Code,
5. Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account,
6. Council Tax increases will be kept below the Government's expected upper level of increase, and the broad anticipated increase for future years will be set out within the Financial Plans, recognising that these increases may be subject to change,
7. Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council,
8. Value for Money and achievement of improved efficiency and service delivery underpin the Financial Strategy,
9. The Financial Strategy supports the achievement of Excellence in Financial Management and use of resources.

### 3. THE CURRENT FINANCIAL POSITION

The Council's net budget for 2012/13 totals £6.972m after allowing for £100,000 contribution from the General Fund Reserve and is allocated to services as shown:

Service	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central Services	10,667	9,158	1,509
Cultural & Related Services	1,433	57	1,376
Environmental & Regulatory Services	4,154	1,696	2,458
Highways & Transport Services	364	824	(460)
Housing Services	13,885	12,757	1,128
Planning Services	2,678	853	1,825
	33,181	25,345	7,836
General Fund Reserve			(100)
Other Financial Adjustments			(764)
<b>Net Revenue Budget</b>			<b>6,972</b>
Financed By:			
Government Formula Grant			3,207
Collection Fund Surplus			48
Ryedale District Council Precept			3,717
<b>Total</b>			<b>6,972</b>

Overall Ryedale continues to have a strong financial discipline, which is exemplified by the size and diversity of its balances and its year-on-year budgetary performance. However, revenue spending demands are increasing in several areas.

These spending demands have a fundamental impact on the way in which the Council operates. It has to continually deliver real efficiencies to balance year-on-year financial resources with the high quality services which residents and visitors expect.

Appendix A details the budget pressures and savings/additional income proposals for the 2013/2014 budget.

Council Tax currently pays for 54% of the Council's revenue spending. With 46% of the Council's resources come from central government, the financial strategy is to some extent shaped by factors outside the Council's immediate control. However, there are many facets to an effective financial strategy, and the Council must ensure it proactively manages its resources with a view to ensuring robust financial planning that delivers Council priorities.

#### **External Factors:**

**Revenue Support Grant and Retained Business Rates** - In late December 2012 Government announced the draft 2 year financial settlement for Local

Government covering 2013/2014 and 2014/2015. The two year announcement was welcomed. The Council will support lobbying for early announcements of future years. However, there will remain significant uncertainties in long term planning, as the level of grant is only one part of a complicated set of assumptions in long term financial planning.

The Government also committed to a further spending review, to start in 2013, and to cover the period 2015/2016 onwards.

The Revenue Support Grant will see substantial reductions in future years. The fundamental change to the Local Government Finance Settlement for 2013/2014 sees the introduction of the 'Business Rate Retention Scheme'. Under this scheme RDC keeps a proportion of business rates collected, but must pay a fixed tariff from its share. The retained share is 40% and any above target performance will increase the retained share for Ryedale (after paying a levy of 50% of any growth). The down side risk is that any reductions in collected business rates will see a 40% reduction in RDC income. Careful monitoring of business rates collection and appeals will be required.

***Public Spending Plans and National Priorities*** - It is clear from the last Comprehensive Spending Review and the subsequent autumn statements that the Authority will see several years of reducing Government financial support. Public services are however under increased pressure from their customers for improved service provision. In addition new legislation proposals may create burdens as well as opportunities for the Council. This financial strategy seeks to ensure national priorities are considered alongside local priorities.

### ***Efficiencies***

The requirement to formally record and report efficiencies has now been removed however the achievement of efficiencies will be essential to balancing the Council's budget with minimal impact to front line services with the likely levels of government Grant support.

These efficiencies have to be achieved through a greater focus on Value for Money (VFM) and through a culture of innovation. Responsibility for identifying opportunities for efficiency gains are left to individual Councils and it will be up to them to put in place the processes that they need to plan VFM projects, track delivery, measure achievement, and assure service quality. The Council's Corporate Efficiency Programme, which started with the One-11 programme for 2011/2012, Going for Gold for 2012/2013 and Round 3 for 2013/2014, will be an essential tool in delivering savings to meet the target and to finance other services within the Authority. Having completed the review of the whole organisation, the scope for significant savings without more radical approaches to service delivery will not be there. Careful evaluation of more radical approaches and proper consideration of risk will be vital to deliver sustainable savings.

### ***Additional Cost Pressures***

There has been a trend in local government in recent years for additional cost pressures (for example pay increases, impact of meeting national targets, new duties/legislation) to significantly outweigh increases in Government

funding. In addition to this some of the pressures carry significant growth year on year, which is not reflected in Revenue Grant Settlements.

The significant issue for the 2013/2014 budget and beyond is the Localisation of Council Tax Support. This legislative change passes the discretion and risk of council tax support with local authorities. Whilst the Council in 2013/2014 has agreed a scheme with some cuts to benefits, using changes to Council Tax exemptions to manage the overall 10% cut in funding, the claimant profile and national underclaiming of the existing benefit is a risk to RDC. Again careful monitoring will be required as will the consideration of greater cuts to working age claimants. Collection rates, increased demand and costs of collection will be key issues. The new burdens funding from Government for two years is welcomed, but needs to be properly reflected in future spending reviews.

Looking ahead, it is likely that further pressures will be placed upon local authorities resulting in the requirement for authorities to achieve efficiencies/savings. These anticipated pressures are reflected within this financial strategy.

### ***New Homes Bonus***

This funding started in 2011/2012 and provided Authorities funding based on the number of new properties brought into use with an added element for affordable housing. The calculation provides that 80% of the funding is paid direct to District Councils with the County Council receiving the remaining 20%. This funding under the local government finance scheme is now provided through a top slice of aggregate external funding.

RDC has not used this funding to supplement its revenue budget in 2011/2012 and 2012/2013, nor is such a move proposed for the 2013/2014 budget. The following table set out the received and predicted income from New Homes Bonus for RDC:

<b>Year</b>	<b>£</b>
2011/2012 (received)	214,540
2012/2013 (received)	439,779
2013/2014 (due)	707,942
2014/2015 (estimated)	942,000
2015/2016 (estimated)	1,178,000
2016/2017 (estimated)	1,414,000

With ongoing cuts to RSG predicted for a number of years, using part or all of the New Homes Bonus for the revenue budget will need to be considered against the alternative of cuts to services.

### ***External Funding***

The Audit Commission sees the achievement of external funding as a key part in the demonstration of Value for Money. It is likely that the Local Economic Partnerships (LEP) could have roles in the distribution of external funding and RDC will need to ensure it has a voice and link to the LEPs.

The Council must carefully appraise the role that external grant resources can play in meeting its objectives. Decisions about bidding for external grants must be taken in the context of the priorities in the Corporate Plan.

### ***Pensions***

The Council's contribution rate for the North Yorkshire Pension Fund (NYPF) is set based upon the returns to the fund and the recovery period for the fund. These are affected by economic fluctuations and with the economic downturn increases in contribution rates may ensue. The contribution rates are established in consultation with the Council based on a triennial review by the actuary. Changes to the scheme benefits have been made which should reduce overall costs. Notwithstanding this the NYPF continues to see reduced returns and a difficult overall funding position. The next review of local authority contributions will take place during 2013/2014 and some estimation of the impact is included in the Financial Strategy.

### ***Significant Partnerships***

The following have been identified as the Council's significant partnerships:

- Ryedale Strategic Partnership
- North Yorkshire Building Control Partnership
- White Rose Home Improvement Agency

Further partnerships and shared service may be sought to secure efficiency savings and/or service resilience in future years. Proper governance and security of Council finances will be an important consideration of any such proposals.

The above is meant to be indicative only as there are many other areas of increased customer expectation, Government priorities or Members' wishes for improved services. As stated these future revenue pressures are increasing amidst a heightened need for moderate Council Tax increases although the Government is providing some funding for its new spending pressures. In these circumstances the Council will have to consider further pro-active approaches to reallocation of resources with the attendant consequences for some existing local services as funding is switched to meeting new initiatives.

## **4. THE FINANCIAL STRATEGY OBJECTIVES**

The following are the objectives of the Council's financial strategy:

### **Objective 1 - Budgets are Prudent and Sustainable in the Long Term**

This seeks to ensure that budgets recognise real cost pressures.

This will be achieved by ensuring:-

- Adequate provision is made for inflation pressures, pay awards, and new legislation



- The revenue budget is not supported by significant one off savings, or any significant use of reserves
- Effective budget monitoring to ensure early identification of issues and action planning

## **Objective 2 – Financial Plans Recognise Corporate Priorities and Objectives**

This seeks to ensure that financial plans link in with corporate planning and priorities, and that there is provision within the Financial Strategy for growth/development funding on an ongoing basis.

This will be achieved by ensuring:-

- additional investment, and savings proposals make explicit reference to corporate priorities
- Local and national targets are considered
- Long term vision and objectives are considered within the report
- Provision within financial planning figures for growth and contingency amounts based upon perceived risk

## **Objective 3 - Significant risks are identified, and mitigation factors identified**

Risk Management is crucial in long term planning, and it is essential that the Financial Strategy clearly identifies the associated risks, and that this is supported by an embedded risk management culture within the organisation.

This will be achieved by:-

- Risk Management being embedded in corporate and service planning
- Financial risks being specifically considered on an ongoing basis, and specifically reflected within the Financial Strategy

## **Objective 4 - The Capital Programme is planned over a 4 year period, with no further borrowing planned.**

This seeks to ensure that the capital programme is prudent and sustainable, and does not lead to unaffordable revenue implications.

This will be achieved by ensuring: -

- the development of a 4 Year capital programme
- regular review of reserves and balances
- a Corporate approach to external funding opportunities
- only includes fully evaluated schemes within the programme

## **Objective 5 - Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account;**

It is important that the Financial Strategy is realistic and that there is a corporate awareness of the constraints on Council funding.

This will be achieved by ensuring:-

- specific reference within each financial strategy of constraints, and current issues
- regular reporting to members on local government finance issues
- awareness of the financial position within the organisation through effective communication

**Objective 6 - Council Tax increases will be kept below the Government's expected upper level of increase, and the broad anticipated increase for future years will be set out within the Financial Plans, recognising that these increases may be subject to change.**

It is important in developing the financial plan that an assumed Council Tax increase is included, ensuring that financial plans do not place over-reliance upon excessive Council Tax increases.

This will be achieved by ensuring that financial plans take account of this level of Council Tax increase, Government expectations on Council Tax increases, and in particular that target efficiency gains reflect the likely levels of Council Tax. However, it has to be recognised that additional burdens and demands can be placed upon local authorities, and that it may not always be feasible to achieve an increase in Council Tax in line with the inflation rate.

**Objective 7 - Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council.**

It is important to strike a balance between maintaining adequate reserves and contingencies and delivering priorities and achievement of Value For Money.

This will be achieved by ensuring:-

- an annual review of reserves, linked to corporate priorities and treasury management implications
- that capital reserves are maintained at a level to fund the planned capital programme

**Objective 8 - Value for Money and achievement of improved efficiency and service delivery underpin the Financial Strategy**

Value For Money should be at the heart of everything the Council does, and the pursuit of improved efficiency and performance needs to be established as an ongoing underlying principle

This is being achieved through:-

- The Corporate Efficiency Programmes, One-11, Going for Gold and Round 3 including monitoring and managing proposed efficiencies
- Ongoing review of costs and service standards, challenge, and benchmarking with others.

## **Objective 9 - The Financial Strategy supports the achievement of Excellence in Financial Management and Use of Resources**

A Financial Plan in isolation will achieve little. It needs to be supported by:-

- Effective financial governance arrangements
- Financial Management that supports performance
- Effective Monitoring arrangements
- Effective Financial Reporting

This will be achieved by

- Implementation of the action plans following external inspection
- Developing the financial culture within the Council
- Financial reporting and documentation based upon stakeholder needs
- Maintaining the quality and performance of the Financial Systems
- Training and Development – finance/non finance
- Integration of financial and non financial performance measures

### **5. THE REVENUE PLAN 2013-2017**

The medium term revenue plan is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council. The financial forecast is based on the following factors and assumptions:

#### ***Local Government Finance Settlement***

The Council receives external support from Central Government through the distribution of resources within the Local Government Finance Settlement. The distribution is made in accordance to authorities' relative needs with a mechanism for protection against detrimental changes in grant allocations.

To strengthen financial stability and promote medium term financial planning this external funding has been announced for 2 years starting in 2013/14.

The 2-year finance settlement for the Council identified grant reductions in 2013/14 and 2014/15. Proposals beyond this are not known, and are subject to a number of uncertainties including the next spending review starting in 2013. Predictions are that funding support will continue to be cut and the medium term predictions incorporate the best estimates based on Government announcements.

#### ***Localised Business Rates***

As previously stated the Council retains a proportion of business rates out of which it must pay a fixed tariff (subject to RPI uplift). The revenue plan takes the estimated business rates income for 2013/2014 and assumes no growth in business rates base over the plan period. Using these figures the Council starts ahead of its target and any increase in business rates carries a 20% windfall to RDC.

## **Council Tax**

In accordance with Objective 6 of this Financial Strategy, the plan makes a clear assumption that future Council Tax increases will be restricted to below Government upper limits. The Government have set the limit above which increases in Council Tax must be subject to referendum at 2% or £5 (whichever is higher) for 2013/2014. With a District wide referendum likely to cost in excess of £70k, the authority must look to manage increases below this threshold and future forecasts assume the referendum limit will continue at this level.

The proposed Council Tax increase for 2013/14 is 0% and the Council will benefit by grant equivalent to 1% of 2012/2013 Council Tax in both 2013/14 and 2014/15. Future years Council Tax rises are provisionally predicted at 2%.

## **Inflation rates and pay increases**

The medium term plan makes provision for inflation and pay awards as follows:

*Inflation:* a composite rate of approximately 3% has been used for non-salary expenditure budgets

*Pay awards:* an estimated increase of 1% has been included for 2013/14. Future years are based on a 1% increase.

## **The ongoing effect of existing policies and priorities**

The ongoing effect of current policies is included in the plan. These additional costs include planned changes in the contribution rate to the Pension Fund, salary increments and revenue implications of capital projects.

## **Spending Pressures Contingency**

The plan assumes provision to meet spending pressures as follows:-

2014/15 - £250,000

2015/16 - £100,000

2016/17 - £100,000

Provision is included for years 2014 onwards to recognise the likelihood of additional burdens/pressures upon the Council.

## **Efficiency savings**

The Council no longer has efficiency targets set by Government. The Budget for 2013/2014 includes estimated efficiency savings and additional income of £721k. These have been primarily delivered through the Corporate Efficiency Programme – Round 3.

The Corporate Efficiency Programme will be the tool for identification, monitoring and delivery of the efficiencies required for the Council's financial

strategy. However, in recognising the need to achieve such a scale of transformation the Council needs to look closely at all areas of potential efficiency including increased partnership working, shared services, procurement, trusts and streamlining services.

### ***Risks, contingencies and balances***

There are significant risks inherent in the Medium Term Plan for the reasons summarised above and exemplified in the section below. A number of key items in the plan cannot be estimated with accuracy and the figures in the plan assume that significant savings will be made. In this situation it is essential to maintain sufficient balances, not only to deal with unforeseen events but also to cover the potential risk of not achieving the savings required.

## **6. DEVELOPMENT OF THE FINANCIAL STRATEGY**

As noted above, the development of the budget and medium term financial plan is driven by the Council's priorities.

The Council already has in place a comprehensive Financial Strategy, and this document represents an update to the existing Strategy. The objectives are to:

- § help Members to determine priorities;
- § forecast the changes in demand for services;
- § identify the likely financial implications of changes in legislation;
- § demonstrate the future cost of policies or proposals;
- § match the demand for spending with the resources likely to be available; and
- § provide a financial framework within which services and individual managers can plan their services.

### **The budget process**

The Financial Strategy comprises a 4-year revenue plan and a 4-year capital plan.

The plans will be reviewed annually and rolled forward by a year. The process, from the start of the review of the financial plans through to the approval and allocation of budgets, spans the whole year.

One of the key features of the budget processes is the linkage between the corporate financial requirements and the operational needs and demands of the Council. This will be done through the Service Delivery Plans that identify funding requirements for the revenue and capital budget, performance outcome expectations and risk assessments.

## **Consultation and Communication**

There is a need for this Strategy to be effectively communicated to staff and key stakeholders. In addition, it is important that in the development of the Strategy, allocations of resources, and the setting of Council Tax that there are effective consultation mechanism in place.

Looking ahead the following broad actions are planned to ensure effective communication and consultation:-

- Budget Consultation – working with Parish Councils, the Citizens Panel and meeting with harder to reach groups.
- Regular communication with staff at all levels and with Unions

## **Budget Monitoring arrangements**

It is essential that the financial plan is regularly monitored, with the progress being reported to Members. This will be done through the issuing of monthly revenue and capital monitoring reports to Corporate Management Team, and quarterly financial and performance monitoring reports to the Resources Working Party and the Policy and Resources Committee.

The monitoring process focuses on high risk budgets and involves:

- Regular reviews/dialogue between finance staff and service managers with timely and accurate budget monitoring information
- Quarterly service level performance review boards incorporating budgets and financial performance.

The process requires budget holders to explain the reasons for any significant variances and Heads of Service to identify ways in which such variances can be managed within their total resources available. This is one of the key principles underlying this strategy – that growth items are wherever possible accommodated from existing resources. To achieve this requires a culture of financial awareness within the authority and this is seen as a key priority.

## **7. THE CAPITAL PLANS 2013 - 2017**

The capital strategy is the key vehicle for developing long term change to deliver the key priorities and corporate objectives.

### ***a) Prioritisation methodology***

New schemes are reviewed against the Council priorities plus a detailed assessment of deliverability prior to consideration by Council. This methodology will be applied to all proposals, regardless of the source of funding, prior to any decision being made to apply for external capital support such as grant funding, so that the Council can ensure that they form part of an overall capital investment strategy.

### ***b) Engagement with partners of the community***

The Council is committed to seeking out innovative partnership and funding opportunities in order to deliver the capital strategy and achieve best value.

The Council has worked closely with funding partners (particularly Yorkshire Forward and Government Office). Future projects will continue to be developed through partnership working. The Council also recognises the importance of increased community engagement and participation as fundamental to the quality of public services and the health of community life. The Council will therefore seek to develop major projects with the full involvement of local communities and ensure appropriate consultation prior to scheme approval.

### ***c) Affordability of funding***

#### **Financing the Capital Programme for the Future**

Resources to fund capital spending are provided from central government grants, with other external grants and contributions sought. Council funding in the form of capital receipts, use of reserves, borrowing and from revenue sources make up the balance of resources. However, grants provided by central government and resources from other external agencies are often specific to an individual scheme and cannot be used for any other purpose by the Council. The Council has limited scope to generate significant capital receipts other than through the sale of Wentworth Street Car Park.

### ***(d) Integration of Capital and Revenue Decision-Making***

#### ***The Prudential Code***

Under the Prudential Regime, which has operated since April 2004, the Council has the responsibility to demonstrate that its capital investment programme is affordable, prudent and sustainable. The Prudential Code requires that this is done by calculating specific indicators for capital expenditure and financing and by setting borrowing limits. The indicators and borrowing limits for the current and next two years are set out at Appendix B.

#### ***Revenue Implications***

The revenue implications of funding the capital programme are built into the medium term financial forecasts.

### ***(e) Framework for Managing and Monitoring the Capital Programme***

The Corporate Director (s151) has overall responsibility for the preparation and monitoring of the Council's capital programme and for reporting the outcome to Members. The process involves:

- Reviewing the capital programme annually.

- Reviewing the current and estimated future availability of external earmarked funding and other opportunities for obtaining or bidding for additional capital resources.
- Prioritising and appraising any new proposals against agreed corporate criteria.
- Preparing the Council's capital programme, strategy and consultation process.
- Monitoring progress in achieving the capital programme objectives.
- Ensuring that the outcomes of investment are reported to members.
- Ensuring there are effective arrangements for project planning and project evaluation.
- Issuing corporate guidance to ensure that there is a consistent approach across all service areas.
- Reviewing and monitoring the Council's capital resources and asset disposal programme.

Full details of the programme together with funding streams are attached at Appendix D. The programme is split into five sections:

- Asset Management
- Priority Aims
- Major Schemes
- Externally Funded Schemes
- Other

Schemes relating to Asset Management comprise all those that will result in the Council's assets being improved. These can include works to land and buildings or IT upgrades of either hardware or software.

Schemes under Priority Aims are those where the Council has taken a deliberate decision that these will help satisfy its corporate objectives/key priorities.

## **8. BALANCES AND RESERVES**

The Local Government Act 2003 places a specific duty on the Chief Finance Officer, i.e. the Corporate Director (s151), to make a report to the authority when it is considering its budget and the level of the Council Tax. This report must deal with the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals. The Council must have regard to this report in making their decisions.

The Council also has a fiduciary duty to local taxpayers and the Corporate Director (s151) must be satisfied that the decisions taken on the level of balances and reserves represent the proper stewardship of funds.

In assessing the adequacy of the contingencies, balances and reserves, the Corporate Director (s151) takes account of the key financial assumptions underpinning the budget, together with an assessment of the Council's financial management arrangements. This assessment will include a review of



past performance and external influences on the financial plan, and full consideration of the risks and uncertainties associated with the plan, their likelihood and potential impact.

The Council's policy is to maintain its contingencies, balances and reserves at levels that are prudent but not excessive.

Appendix C details the position on the Councils Reserves

## **9. IMPACT/RISK ASSESSMENT**

This section recognises the challenges and risks that have implications for the Council's financial position in the medium term. This assessment of risk is an essential element of the budget process; it is used to inform decisions about the appropriate levels of contingencies and reserves that may be required and to indicate priorities for financial monitoring.

Managing Risk is an important part of the Financial Strategy. In addition to the Corporate Risk Register each service maintains its own risk register and these will be reported to the Overview and Scrutiny Committee during the forthcoming year.

The key risks identified for 2012/13 and in the medium term are listed below, together with comments on how they will be managed:

<b>Issue/Risk</b>	<b>Consequences if allowed to happen</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>	<b>Mitigated Likelihood</b>	<b>Mitigated Impact</b>
Fluctuations in inflation, Government grants, business rate receipts and changes in Government legislation	Council unable to set a balanced budget without significant cuts to services and service quality, adverse external inspection, excessive call on Council reserves	Very Likely	Major	Keep under review through the financial strategy. Consider fully any changes in legislation. Ensure minimum reserves are maintained to mitigate the risk. Ensure authorities interests are represented through the LGA/other groups. Ensure Longer Term plans for significant variations are in place.	Very Likely	Medium
Budgets are overspent	Unplanned use of reserves which may impact on future year Council Tax, adverse external inspection	Not Likely	Major	Robust budget setting, challenging budget provision. Regular monitoring with corrective actions. Develop a culture of financial awareness. Effective project planning and management. Ensure sufficient contingency sums. Review of any material overspends.	Not Likely	Minor
Savings are not achieved	If compensating savings not identified unplanned use of reserves, potential for cuts to services or service levels	Likely	Major	Regular budget monitoring to identify issues at an early stage. Corporate efficiency programme. Detailed scrutiny and review of all savings proposals prior to approval.	Not Likely	Minor
Changes in demand/usage levels affecting income from fees and charges	Unplanned use of reserves with potential to impact on future Council Tax levels or requiring cuts to services or service levels	Very Likely	Major	Ensure regular monitoring Review trends Take appropriate action Ensure base income budgets are realistic.	Likely	Medium

Budget does not reflect corporate priorities	Council fails to achieve Corporate plan with consequent impact on Community Plan. Adverse external inspection.	Not Likely	Major	Ensure corporate involvement in the process. Early consideration of budget pressures and legislation changes. Regular reporting to members. Up to date Service Delivery plans in place.	Not Likely	Minor
The capital programme is not affordable	Council may need to remove existing planned schemes from the programme or use reserves earmarked for other purposes. Adverse External inspection.	Likely	Major	Schemes are monitored and reported on a regular basis. Financing profile based on realistic assumptions. Ensure only fully evaluated schemes are included within the programme with sufficient contingency sums.	Not Likely	Medium
Poor budget planning with decisions being made without proper consideration/consultation	Council fails to meet community needs, adverse impact on Corporate and Community Plan. Adverse external inspection	Likely	Major	Develop a long-term financial strategy. Set out a clear budget timetable. Regular updates to Members. Effective ongoing consultation processes.	Not Likely	Minor
Council Tax Support scheme –above expected demand or collection rates not achieved	Collection fund into deficit which may require savings/cuts in future years. Impact on other major preceptors	Likely	Major	Proper assessment of likely take up based on historic trends, comparison with other authorities, in year monitoring of spend and collection	Not Likely	Major
Decision on Pension fund contribution rates create future significant cost pressure	Additional savings/cuts to services required in future years	Likely	Major	Market interest rates and investment returns are expected to improve. National review of Pension scheme could alter benefits and Authority contributions.	Likely	Medium



## **10. PAY POLICY 2013/2014**

The Localism Act 2011 requires that the authority produce a policy statement that covers a number of matters concerning the pay of the authority's staff, principally Chief Officers. The Council's first pay policy was produced last year. The Pay Policy for 2013/2014 is incorporated within this Financial Strategy at Annex E.

## **11. CONCLUSION**

This Financial Strategy sets out a range of proposals regarding the future management of resources and delivery of priorities.

The Strategy is underpinned by nine key Objectives, which are set out within section 2.

The process of developing the Financial Strategy is ongoing. Although there is a considerable amount of work to be done, and further improvements to be made, the Council has put in place the framework for ensuring a strong financial base that delivers priorities. This strong financial base has been previously commented upon within External Audit reports, with the Council receiving high scores for its financial management and reporting.

As far as possible, the plan anticipates future needs and recognises the financial uncertainties, risks and challenges faced by the Council. The Council has in place rigorous financial monitoring and aims to ensure it holds balances and reserves that are considered adequate without being excessive.

Consequently, Ryedale now has in place a sound Financial Strategy and a robust financial plan that is designed to support the delivery of the targets in the Corporate Plan and meet the Council's Objectives.

## APPENDIX A

### 2013/2014 Budget Pressures

		£'000
<b>Reduced Income</b>		
- Benefits/NNDR Admin grant	Cut to funding from Central Government	21
- Rental Property	Ryedale, House, Bowls Club and other	56
- Car Parking	Budget Realignment	60
- CTB Subsidy	Loss from Localised Council Tax Support	32
- Building Control	Ongoing market conditions	20
- Other	Crime Funding, Cesspool emptying, Street Naming	23
<b>Service Cost Pressures</b>		
- Community Leisure	Pensions back funding cost pressure	10
- Motor Insurance	Increase following tender	36
- Other	Various inc. HIA (£6k)	22
<b>Service Investment</b>		
- Legal Support	Investment to meet service pressures	40
- Asset Rationalisation Support	Investment to meet service pressures	20
- Revenues and Benefits	Investment to meet service pressures and LCTS	35
- Closed Churchyards	Establishment of Revenue Budget	30
- External Fraud Support	Outsource of Benefit Fraud function	15
- Empty Property Officer	Support to generate New Homes Bonus	12
<b>Other</b>		
- Members IT	Provision for replacement of existing hardware	20
- Parish Councils Grant	Mitigate impact of LCTS	65
- Homelessness Budget	Matched by increase in grant support	85
- Hardship Fund	Localised Council Tax Support	6
- Welcome to Yorkshire Subscriptions	Increase from £2k to £10k requested	8
<b>Total</b>		<b>616</b>

### 2013/2014 Efficiencies/Savings/Additional Income Proposals

Proposal	Savings £'000	Risk L/M/H
<b>Additional Income</b>		
- Planning Fees (15% national fees uplift)	20	M
- Rental Income	28	M
- Charging for Coaches in carparks	10	M
- Harrison House Car Parking	10	L
<b>Additional Grant</b>		
- Council Tax Freeze Grant	37	L
- LCTS Transition Grant	11	L
- LCTS New Burdens Funding	33	L
<b>Cost Savings</b>		
- Salary savings, Restructure, Budget Review	429	L
- CCTV and Skatepark	17	L
- Barcoding Council Bills, area cash office closures	50	M
<b>Other</b>		
- Discretionary Rate Relief (Now part of Rate Retention System)	76	L
<b>Total of Savings</b>	<b>721</b>	

## Prudential Indicators

### Capital Expenditure

The actual capital expenditure that was incurred in 2011/12 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2011-12 Actual £'000	2012-13 Forecast £'000	2013-14 Estimate £'000	2014-15 Estimate £'000	2015-16 Estimate £'000
Total Capital Programme	4,478	3,068	4,084	700	700

### Ratio of Financing Costs to Net Revenue Stream

Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2011/12 are:

	2011-12 Actual	2012-13 Forecast	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Estimate of ratio of financing costs to net revenue stream	0.89%	1.57%	2.69%	2.57%	1.68%

### Capital Financing Requirement

Estimates of the Capital Financing Requirement for the Authority for the current and future years and the actual Capital Financing Requirement at 31 March 2012 are:

2011-12 Actual £'000	2012-13 Forecast £'000	2013-14 Estimate £'000	2014-15 Estimate £'000	2015-16 Estimate £'000
473	295	2,327	2,832	2,585

The Capital Financing Requirement (CFR) measures the authority's underlying need to borrow for a capital purpose.

CIPFA's' Prudential Code for Capital Finance in Local Authorities' includes the following as a key indicator of prudence:

*"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years."*

The Corporate Director (s151) reports that the authority had no difficulty meeting this requirement in 2011/12, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### **Authorised Limit for External Debt**

In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt gross of investments for the next three financial years, and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary. These limits separately identify borrowing from other long-term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to the Corporate Director (s151), within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its next meeting following the change.

	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Borrowing	20,000	20,000	20,000	20,000
Other Long Term Liabilities	1,000	1,000	2,000	2,000
Authorised Limit	21,000	21,000	21,000	21,000

The Corporate Director (s151) reports that these authorised limits are consistent with the Authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Corporate Director (s151) confirms that they are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

### **Operational Boundary for external debt**

The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the Corporate Director's (s151) estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by the Corporate Director (s151). Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.



The Council is also asked to delegate authority to the Corporate Director (s151); within the total operational boundary for any individual year; to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Borrowing	5,000	5,000	5,000	5,000
Other Long Term Liabilities	600	300	1,100	900
Operational Boundary	5,800	5,600	5,600	6,300

The Council's actual external debt at 31 March 2012 was nil. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2013/14 (see above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

### **Estimate of Incremental Impact of Capital Investment**

The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have previously been taken by the Council are:

For the Band D Council Tax	2013/14	2014/15	2015/16
	£4.15	£6.61	£6.60

These forward estimates are not fixed and do not commit the Council.

### Consideration of options for the capital programme

In considering its programme for capital investment, the Council is required within the Prudential Code to have regard to:

- affordability, e.g. implications for Council Tax
- prudence and sustainability, e.g. implications for external borrowing
- value for money, e.g. option appraisal
- stewardship of assets, e.g. asset management planning
- service objectives, e.g. strategic planning for the authority
- practicality, e.g. achievability of the forward plan.

A key measure of affordability is the incremental impact on the Council Tax, and the Council could consider different options for its capital investment programme in relation to their differential impact on the Council Tax.

APPENDIX C

**Key Reserves and Balances**

	General Reserve	Capital Fund	Capital Receipts	Capital Grants & Conts	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2012</b>	<b>648</b>	<b>2,134</b>	<b>127</b>	<b>-</b>	<b>2,909</b>
<b>Add</b>					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	100	-	-	100
Capital Receipts	-	-	20	-	20
Capital Grants & Contributions	-	-	-	822	822
	648	2,309	147	822	3,926
<b>Deduct</b>					
Estimated Expenditure During Year:					
Transfer to General Fund	-144	-	-	-	-144
Capital Expenditure	-	-2,236	-10	-822	-3,068
<b>Estimated Balance 31 March 2013</b>	<b>504</b>	<b>73</b>	<b>137</b>	<b>-</b>	<b>714</b>
<b>Add</b>					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	80	-	-	80
Capital Receipts	-	-	1,170	-	1,170
Capital Grants & Contributions	-	-	-	1,687	1,687
	504	228	1,307	1,687	3,726
<b>Deduct</b>					
Estimated Expenditure During Year:					
Transfer to General Fund	-100	-	-	-	-100
Capital Expenditure	-	-226	-101	-1,687	-2,014
<b>Estimated Balance 31 March 2014</b>	<b>404</b>	<b>2</b>	<b>1,206</b>	<b>-</b>	<b>1,612</b>
<b>Add</b>					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	108	-	-	108
Capital Receipts	-	-	30	-	30
Capital Grants & Contributions	-	-	-	200	200
	404	185	1,236	200	2,025
<b>Deduct</b>					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-184	-316	-200	-700
<b>Estimated Balance 31 March 2015</b>	<b>404</b>	<b>1</b>	<b>920</b>	<b>-</b>	<b>1,325</b>
<b>Add</b>					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	185	-	-	185
Capital Receipts	-	-	30	-	30
Capital Grants & Contributions	-	-	-	200	200
	404	261	950	200	1,815
<b>Deduct</b>					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-	-500	-200	-700
<b>Estimated Balance 31 March 2016</b>	<b>404</b>	<b>261</b>	<b>450</b>	<b>-</b>	<b>1,115</b>