



POLICY AND RESOURCES COMMITTEE (BUDGET MEETING)

Thursday 2 February 2012 at 6.30 pm

Council Chamber, Ryedale House, Malton

All Members are invited to attend this meeting and have been sent a copy of the agenda.

Agenda

1 Emergency Evacuation Procedure

The Chairman to inform Members of the Public of the emergency evacuation procedure.

2 Apologies for absence

3 Urgent Business

To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972.

4 Declarations of Interest

Members to indicate whether they will be declaring any interests under the Code of Conduct.

Members making a declaration of interest at a meeting of a Committee or Council are required to disclose the existence and nature of that interest. This requirement is not discharged by merely declaring a personal interest without further explanation.

PART 'B' ITEMS - MATTERS REFERRED TO COUNCIL

5 Financial Strategy 2012/2013

(Pages 1 - 38)

6 Any other business that the Chairman decides is urgent.

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PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	2 FEBRUARY 2012
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	FINANCIAL STRATEGY 2012/2013
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The report sets out the budget for 2012/13, a proposed Council Tax level, the Financial Strategy, details of balances and reserves and the indicators under the Prudential Code for capital finance as required by the Local Government Act 2003.

2.0 RECOMMENDATIONS

- 2.1 That Council is recommended to approve:
- (i) the Council's Financial Strategy (Annex A) which includes:
 - a. The prudential indicators (Financial Strategy Appendix B)
 - b. The revised capital programme (Financial Strategy Appendix D)
 - c. Growth Pressures totalling £148k (Financial Strategy Appendix A)
 - d. Investment in Priorities of £100k (Financial Strategy Appendix A)
 - e. Savings/additional income totalling £628k (Financial Strategy Appendix A)
 - f. Cuts to Services of £164k; (Financial Strategy Appendix A)
 - (ii) a Revenue Budget for 2012/2013 of £6,972,100 which represents no increase in the Ryedale District Council Tax of £176.72 for a Band D property (note that total Council Tax, Including the County Council, Fire and Police is covered within the separate Council Tax setting report to Full Council);
 - (iii) approve the special expenses amounting to £47,400; and
 - (iv) members note the financial projections for 2013/2014 and authorise officers to continue to maximise efficiencies through service reviews, income generation and shared services.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 To agree a balanced revenue budget for submission to Council for the financial year

2012/2013, and prepare the Council to deliver the same in 2013/2014 with minimum cuts to services.

4.0 SIGNIFICANT RISKS

- 4.1 Section 9 of the Financial Strategy outlines the significant risks in the Council's finances and mitigating controls.

REPORT

5.0 BACKGROUND AND INTRODUCTION

- 5.1 Full Council on the 3 November 2011 in considering recommendation from the Policy and Resources Committee on the 29 September 2011 on the budget strategy resolved:

That the following parameters for the preparation of the 2012/2013 budget be approved:

- (i) Proposals be brought forward for a nil increase in Council Tax;
- (ii) Increases in fees and charges to be 3.5% - 4.5% on a cost centre heading basis excluding VAT and only those charges officers recommend above or below this figure to be considered by the relevant policy committee;
- (iii) Efficiencies to be maximised; and
- (iv) Options for service cuts to be provided. These proposals to be considered by the Resources Working Party and the Policy and Resources Committee.

- 5.2 Details of the action taken and savings proposals have been presented to the members through the Resources Working Party on the 22 November 2011, 10 January 2012 and at the Budget Briefing on the 18 January 2012.

6.0 POLICY CONTEXT

- 6.1 The Financial Strategy is a key strategy document that affects all service delivery. It links to the Corporate Plan and all other strategic plans as well as providing the means for attaining the Council's objectives and priorities.

- 6.2 The Policy and Resources Committee is the Committee designated to make recommendations to the Council relating to the budget and levels of Council Tax. Consequently, recommendations from this Committee will inform the Council and subsequently the Council Tax resolution.

7.0 CONSULTATION

- 7.1 Significant budget consultation with the public took place last year through the Budget simulator. Further consultation on priorities has taken place through the citizens panel. This consultation was planned to provide information to support the budget setting process for 2011/12 and 2012/13, to reflect the move by the government to a three year forecast for the grant settlement.

The reports, both in summary and in detail, can be found on the Council's website on the consultation pages at

http://www.ryedale.gov.uk/system_pages/council_information/consultations/budget_simulator.aspx

7.2 Member consultation has been through member briefings and workshops.

8.0 REPORT DETAILS

8.1 The Financial Strategy sets out the Council's financial position in the medium term in detail, including issues around the Local Government Finance Settlement and efficiencies as well as the principles and procedures adopted by the Council to manage its finances to a high standard.

8.2 Monitoring of the 2011/2012 budget has taken place through the group leaders, Resources Working Party and this Committee who received Revenue Budget Monitoring reports.

8.3 Annex B provides a variance analysis summary of the 2011/2012 budget to the 2012/2013 budget.

Budget and Council Tax for 2012/13

8.4 Budgets have been drafted in line with Service Delivery Plans and the Budget Strategy. The following budget assumptions have been made in preparing the budget:

- General Inflation 3% plus committed
- Pay Inflation 1%
- Council Tax 0% (based on accepting the Council Tax Freeze grant equivalent to 2.5% increase, see below)
- Fees and Charges 3.5% to 4.5% (with exceptions considered by the Commissioning Board, the Policy and Resources Committee and Council)

8.5 The government has confirmed the offer of grant, equivalent to a 2.5% increase in Council Tax to those Authorities that set a nil increase in 2012/2013. Unfortunately unlike the grant provided last year this is not built into the base finance allocations and therefore it will create a financial pressure in 2013/2014, unless a 'catch up' 5% increase in Council Tax is made. 2013/2014 is already predicted to be a turbulent year with a number of big issues including Localised Council Tax Benefit and Localised Business Rates. A provisional grant settlement for 2013/2014 has not been made. The following table sets out the basic financial impact on RDC income of the grant being for one year only over the next 4 years assuming the same tax base:

Year	CT Income with 12/13 Grant	CT income (2.5% increase p.a.)
2012/2013	£3.715m	£3.808m
2013/2014	£3.808m	£3.903m
2014/2015	£3.903m	£4.001m
2015/2016	£4.001m	£4.101m
CT Grant 2012/2013	£0.093m	
Total 4 year income	£15.520m	£15.813m
Loss		£293k

8.6 Nationally a small number of Authorities have indicated they may reject the Freeze grant, due to the detrimental longer term impact on the Council Tax income. The government has also confirmed that any increase in Council Tax of 3.5% or higher will only be permitted following a referendum. For information both North Yorkshire

County Council and North Yorkshire Police have indicated that they are likely to accept the grant and both therefore set a nil increase in their element of the Council Tax.

- 8.7 Members will be aware of the impact of the spending review on the Council's government grant which has seen significant reduction as detailed in the following table summarises the impact of the draft announcement on the grant:

2010/2011 Grant Received	£4,520k
Adjusted 2010/2011 Grant *	£4,243k
2011/2012 Grant	£3,598k
2012/2013 Grant (provisional)	£3,207k

*adjusted for the transfer of responsibility for concessionary fares from District Councils to County Councils in two tier areas and other formula changes.

- 8.8 Confirmation of the provisional announcement of Government Grant for 2012/2013 as detailed above is imminent with no significant changes expected.

- 8.9 Officers launched the 'Going for Gold' efficiency programme in early 2011 when the estimated savings requirement for 2012/2013 was £707k. Employees have been regularly informed through presentations. Whilst the expected requirement was below that achieved the previous year through the 'One-11' programme, the reduced base meant it was a significant challenge. Savings of that magnitude were well above the Council's usual savings requirement and government efficiency target of £300k prior to the economic downturn.

- 8.10 The Going for Gold Programme contained a number of key big ticket items including:
- Streetscene Review target at £250k
 - Shared Service and other efficiencies £150k
 - Localised Planning fees £200k

- 8.11 Even with all of the above there still remained the expectation at the outset that cuts would be required to balance the 2012/2013 budget.

- 8.12 The following table identifies the overall proposals to balance the budget:

	£	Detail
Initial Savings Projection	707k	
Delayed Borrowing	(63k)	See para 8.17
Growth items	148k	Financial Strategy Appendix A
Savings and Efficiencies	(628k)	Financial Strategy Appendix A
Cuts Proposals	(164k)	Financial Strategy Appendix A

- 8.13 Members will note that the expected Localisation of Planning Fees, following the Government consultation which closed in January 2011, has not been forthcoming. Despite significant rumour no announcements have been made. In the event that localised fees are not approved it is expected that there will be an increase in the nationally set fees which have not increased since 2008. Such an increase is expected to mitigate the current pressure on the income budget, which is unlikely to be achieved in the current year. If there is no increase, it is likely that the income target will not be achieved in 2012/2013 and further pressure will be a revision to the budget in the 2013/2014 budget strategy.

- 8.14 Members should note that the proposals within this report include:

- An unallocated growth provision of £50k in the budget
- £62k provided for an anticipated 1% nationally agreed pay rise for RDC employees. The pay award outcome will not be known ahead of setting the 2012/2013 budget, officer advice is that it is prudent to retain this provision.
- No use of the New Homes Bonus Grant Allocation for 2012/2013 of £439,779 (provisional announcement).

8.15 Given the significant efficiencies already within the proposed budget and Financial Strategy it will be difficult to identify additional robust deliverable efficiency savings for the 2012/2013 budget. Therefore any member proposals for additional expenditure will necessitate allocation of the growth provision or new homes bonus or cuts to existing services.

Capital Programme

8.16 The Financial Strategy provides a detailed breakdown of the Council's Capital Programme up to 2015/2016 totalling £11.252m. External funding of £1.894m is included, leaving a balance of £9.358m to be financed by the Council's funds and reserves as follows:

Funding Source	£
Capital Fund	4,532k
Capital Receipts	2,756k
Borrowing	2,070k
	<u>9,358k</u>

8.17 The principle of the capital plan is that only those schemes which are fully worked up, evaluated and approved by members and as such would not require further member approval to proceed (other than in meeting constitutional requirements) are within the Capital Programme. The Capital Programme as profiled above does not necessitate borrowing to be undertaken until 2013/2014, which benefits the 2012/2013 budget by £63k.

8.18 Members should note that there are no unallocated capital resources available for investment in new schemes. In the absence of significant capital receipts further major capital schemes will not be possible without either removal and/or reduction in existing capital schemes. Given the financial projections and significant uncertainty over the future arrangements for local government finance further borrowing will not be recommended as affordable and therefore not in line with the prudential code.

Special Expenses

8.19 As in previous years, the Council undertakes the management of street lighting in the areas of the former Malton and Norton Urban District Councils and Pickering Rural District Council. The special expenses are a specific charge to the Parishes concerned and are estimated as follows:-

<u>Town/Parish</u>	<u>£</u>
Malton	5,300
Norton	13,700
Pickering Rural	<u>28,400</u>
TOTAL SPECIAL EXPENSES	<u>47,400</u>

National Non-Domestic Rates (NNDR)

- 8.20 For 2011/12 the NNDR multipliers are: a small business non-domestic rate multiplier of 42.6p and a non-domestic rate multiplier of 43.3p. For 2012/13 the draft multipliers are 45.0p and 45.8p respectively.

Prudential Code

- 8.21 Under the Local Government Act 2003 it is necessary for the Council to agree a series of prudential indicators mainly related to capital but taking account of affordability of the revenue consequences. Appendix B of the Financial Strategy lists the various indicators.
- 8.22 These indicators can be amended during the year if they are found to be inadequate.

Funds & Reserves

- 8.23 As part of the budget setting process, it is necessary to give Members an indication of the levels of reserves and balances and comment thereon. Appendix C in the Financial Strategy sets out the projected major Funds and Reserve balances.
- 8.24 The Council's revenue budget for 2012/2013 assumes a £100k draw on the General Reserve to support the budget.
- 8.25 No other significant changes to the reserves, other than through capital expenditure, are proposed this year.

The 2013/2014 Budget Strategy

- 8.26 The two year settlement announcement in CSR10 allowed the Council to forward plan its budgets to minimise cuts to services over that period. Unfortunately no provisional announcement for years beyond 2012/2013 have been made. In addition there are significant other issues in predicting future settlements:
- Localisation of Business Rates. A consultation has recently ended on this proposal. Further legislation and regulations are expected, but this is likely to see Local Authority funding linked to the growth in Business Rate income, with District Councils taking a significant proportion of the risk in two tier areas. Work is ongoing across the county on this issue.
 - Localisation of Council Tax Benefit. Although the Council currently administers Council Tax Benefit it is part of a national scheme and the Council is reimbursed for expenditure made. The new proposals are that the Council continues to manage the benefit under its own scheme and receives a grant. The grant however is 10% lower than actual expenditure. Again work is ongoing County wide and legislation and regulations are expected this year.
 - Formula changes. The formula by which Grant is allocated to Local Authorities is programmed to be reviewed in specific areas.
 - Council Tax Freeze Grant. The effect of accepting the grant for the 2012/2013 budget is a further pressure of £94k in 2013/2014.
- 8.27 Members will receive the details of the Medium Term Revenue Forecast and savings requirement to balance the 2013/2014 budget as part of the Council meeting on the 20 February 2012.
- 8.28 Work is underway within the Council to generate savings towards this target. A restructure and centralisation of support teams is underway with a voluntary redundancy programme. This project is branded as 'Round 3' and is expected to generate savings of £250k - £300k in 2013/2014. Existing restructure reserves and salary budgets will be used to meet costs associated with the project.

Notwithstanding this and other efficiencies which may be identified it is likely that further service cuts will need to be considered next year.

Local Government Act 2003 – Section 25 Report

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer) to report to the Authority when it is making the statutory calculations required to determine its Council tax or precept. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

What is required is the professional advice of the Chief Finance Officer on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together. In particular, decisions on the appropriate level of reserves should be guided by advice based on an assessment of all the circumstances considered likely to affect the Authority.

In each Local Authority the Chief Finance Officer alone must prepare the Section 25 report.

Section 25 requires the report to be made to the Authority when the decisions on the calculations are formally being made (i.e. Council). However, those decisions are the conclusion of a process involving consideration of the draft budget by various parts of the organisation, including the member committees and officers. During this process appropriate information and advice has been given at the earlier stages on what would be required to enable a positive opinion to be given in the formal report.

DCLG guidance states that *“it should be possible to identify the sections of a composite report that are made under section 25, so that the Authority is able to discharge its duty to take account of the statutory report under section 25 (2).”*

Section 25 Report (Report of the Chief Finance Officer – Corporate Director (s151))

In setting the Revenue budget for 2012/13 **I consider that the proposed budget is robust, and reflects a realistic and prudent view of all anticipated expenditure and income.**

The total savings proposals are £792k. This level is significant in relation to the Authority’s overall budget and therefore inherently carries a risk. The achievement of these savings will be crucial in managing within the budget. The risk of this has been mitigated in part by thoroughly reviewing all savings proposals for their robustness, and effective budget monitoring procedures are in place. Most savings have been identified through the Going for Gold programme. As a result many are considered low risk in that several months planning and lead in to the 2012/2013 budget has been possible to embed procedures to secure the savings. However, there inevitably remains a risk in delivering on this level of efficiency savings and there is always potential for delay in achieving savings or failure to achieve income targets. Where this occurs, compensating savings will need to be identified. Assumptions are within the 2012/2013 budget that the 3 month moratorium £58k will be delivered.

The overall level of reserves is considered in detail within the Financial Strategy. In summary I consider that the overall level of reserves is adequate.

The Capital Plan and Capital Programme has been regularly reviewed during the year. With the ongoing expectations of low interest rates and limited capital receipts generated by the Authority there are no surplus capital resources available for new schemes, or finance unavoidable overspends on existing schemes. It is important that proper project management disciplines are followed for schemes within the programme together with regular monitoring to minimise the potential for unexpected overspends.

Within the current economic climate it will be important that close budget monitoring of services which generate income and partnerships takes place. In particular Land Charges, Building Control, Recycling, Trade Waste, Car Parking and Planning to enable action to be taken in year where necessary.

9.0 IMPLICATIONS

9.1 The following implications have been identified:

- a) Financial
Significant financial implications on the Council are detailed in the report and the Financial Strategy.
- b) Legal
There are no additional legal issues on the Council from the recommendations.
- c) Other
The proposals within the financial Strategy do impact on the staffing resources of the Authority. Appropriate procedures and plans are in place to manage these issues.

Paul Cresswell
Corporate Director (s151)

Author: Paul Cresswell, Corporate Director (s151)
Telephone No: 01653 600666 ext: 214
E-Mail Address: paul.Cresswell@ryedale.gov.uk

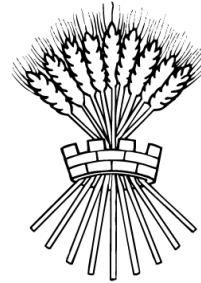
Background Papers:

None

Background Papers are available for inspection at:

N/a

RYEDALE
DISTRICT
COUNCIL



FINANCIAL STRATEGY

2012 - 2016

FINANCIAL STRATEGY

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Main Report

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2. Objectives of the Financial Strategy
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7. The Capital Plans 2012 – 2016
8. Balances and Reserves
9. Impact/Risk Assessment
10. Conclusion

Appendix A: 2012/2013 Revenue Budget Pressures and Savings

Appendix B: Prudential Indicators

Appendix C: Reserves and Balances

Appendix D: Capital Programme 2012 – 2016

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 2011/12 totals £7.366m after allowing for £193,000 contribution from the General Fund Reserve and is allocated to services as shown below:

Service	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central Services	11,126	10,446	680
Cultural & Related Services	2,213	59	2,154
Environmental & Regulatory Services	4,592	1,471	3,121
Highways & Transport Services	395	830	(435)
Housing Services	12,997	11,774	1,223
Planning Services	3,515	971	2,544
	34,838	25,551	9,287
General Fund Reserve			(193)
Other Financial Adjustments			(1,728)
Net Revenue Budget			7,366
Financed By:			
Government Formula Grant			3,599
Collection Fund Surplus			52
Ryedale District Council Precept			3,715
Total			7,366

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 proposals for the 2012/2013 budget.

Council Tax currently pays for 51% of the Council's revenue spending. With 49% 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 Capital Financing Settlements- In December 2010 Government announced the outcome of its Comprehensive Spending Review 2010 (CSR10) a draft 2 year financial settlement for Local Government covering 2011/2012 and 2012/2013. Whilst the Council has previously seen and supported 3-year finance settlements with the current state of national public spending 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.

Public Spending Plans and National Priorities - It is clear from CSR10 that the Authority will see several years of reducing Government grant 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 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.

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.

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.

External Funding

The Audit Commission sees the achievement of external funding as a key part in the demonstration of Value for Money. External funding opportunities include European funding, lottery funding, and Yorkshire Forward funding.

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 Councils contribution rate for the North Yorkshire Pension Fund is set based up on 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. In addition the national review of public sector pensions being undertaken by Lord Hutton could impact on future costs facing the Council. The next review 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
- North Yorkshire Audit Partnership

Changes to the above will take place in 2012/2013 with North Yorkshire Audit Partnership ending as the Council forms part of a Limited company with other authorities, Veritau, for its internal audit provision. Further partnership working is expected with the establishment of the Homes Improvement agency Partnership with Scarborough Borough Council and work is ongoing to deliver a business case for a Legal Service Partnership with Scarborough Borough Council. Further partnerships and shared service may be sought to secure efficiency savings 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. 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,
- Review capital prioritisation process/option appraisal

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 to programme to monitor and manage 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 2012-2016

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 2011/12.

The 2-year finance settlement for the Council identified grant reductions of 15.8% in 2011/2012 and 10.9% reduction in 2012/2013. Proposals beyond this are not known, and are subject to a number of uncertainties including Localisation of Business rates, Localisation of Council Tax Benefit and formula and distribution review. Predictions are that funding support will continue to be cut.

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 3.5%. With a District wide referendum likely to cost in excess of £70k, the authority must look to manage increases below this threshold.

The proposed Council Tax increase for 2012/13 is 0%. Future years Council Tax rises are provisionally predicted at 2.5%.

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 2012/13. 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, investment in the Local Development Framework and revenue implications of capital projects.

Growth and Contingency

The plan assumes provision for growth/contingency as follows:-

2012/13 - £100,000

2013/14 - £100,000

2014/15 - £100,000

2015/16 - £100,000

In 2012/2013 this provision has been allocated to the continued extension of plastics recycling £50k. The remaining £50k has not yet been allocated.

Provision is included for years 2013 onwards, to recognise the likelihood of additional burdens/pressures upon the Council.

Efficiency savings

The Council no longer has efficiency targets set by Government, which are now abolished. The Budget for 2012/2013 includes estimated efficiency and other savings of £628k. These have been primarily delivered through the Corporate Efficiency Programme – the Going for Gold programme.

The Corporate efficiency Programme will be the tool for identification, monitoring and delivery of the efficiencies required for the Councils 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 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 have 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 Council’s 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 then onto 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. CAPITAL PLANS

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 six 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 Director 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:

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Fluctuations in inflation, Government grants, 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.	Not Likely	Minor
Changes in demand/usage levels affecting income from fees and charge	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. Approved scoring criteria for prioritising capital schemes	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
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. 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 hold 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

2012/2013 Budget Pressures

		£'000
Fuel and Tyre Costs	Above inflation cost pressures	43
Benefits Administration Grant	Further cut to central government funding	10
Car Parking	Budget realignment	20
Building Control	Cost pressure due to downturn	15
External Audit Fees	£30k saving taken last year	15
Indoor Bowls Club	Rent reduction following review of space	10
Crime and Disorder	Reduced Partnership Funding	15
Community Leisure Grant	Income reductions	20
Total		148

2012/2013 Meeting Priorities

		£'000
Plastics and Cardboard Recycling	Rollout of kerbside collection district wide during the second year	50
Unallocated Growth		50
Total		100

2012/2013 Savings Proposals

Proposal	Savings £'000	Risk L/M/H
Efficiency & Budget Reduction Savings		
Streetscene Service Review	250	M
Budget Review Efficiencies	150	L
Terms and Conditions Review	50	M
Voluntary Redundancy Savings	140	L
Other Savings		
Pay Award 2011/2012 (zero)	38	L
Sub total	628	
Service Cuts		
Reduced reception opening hours at Ryedale House	15	
Introduction of Charging for Rats in Pest Control Service	8	
Introduce charge for using credit cards to settle accounts	10	
Sports Development support	30	
Cease Play Rangers Scheme	12	
Reduce Kirkbymoorside Area Office to 1 day per week	10	
Cease RDC involvement in CCTV and Skatepark from 1/10/12 (invite bids to the New Homes Bonus Grant panel)	15	
Grant Cut to RVA £7k (currently £27k)	7	
Grant Cut to Ryedale Community Transport £10k (currently £50k)	10	
Museums and Arts Grants Cuts <ul style="list-style-type: none"> • Shed by £2,832 (20%) • Pied Piper by £1,391 (20%) • Live Music Now £257 (10%) 		

Proposal	Savings £'000	Risk L/M/H
<ul style="list-style-type: none"> • Helmsley Arts Centre £1,287 (10%) • Ryedale Festival £20,000 (80%) • Folk Museum £634 (10%) • Malton Museum £5,000 (78%) • Beck Isle Museum £634 (10%) • Other Budgets £15,355 (58%) 	47	
Sub total (Cuts)	164	
Total of Savings	792	

Prudential Indicators

Capital Expenditure

The actual capital expenditure that was incurred in 2010/11 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2010-11 Actual £'000	2011-12 Forecast £'000	2012-13 Estimate £'000	2013-14 Estimate £'000	2014-15 Estimate £'000
Total Capital Programme	3,569	6,148	1,434	2,270	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 2010/11 are:

	2010-11 Actual	2011-12 Forecast	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Estimate of ratio of financing costs to net revenue stream	0.95%	0.86%	1.70%	2.21%	2.19%

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 2011 are:

2010-11 Actual £'000	2011-12 Forecast £'000	2012-13 Estimate £'000	2013-14 Estimate £'000	2014-15 Estimate £'000
639	473	295	2,315	2,878

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 2010/11, 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.

	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000
Borrowing	20,000	20,000	20,000	20,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000
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.

	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000
Borrowing	5,000	5,000	5,000	5,000
Other Long Term Liabilities	800	600	600	1,300
Operational Boundary	5,800	5,600	5,600	6,300

The Council's actual external debt at 31 March 2011 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 2012/13 (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	2012/13	2013/14	2014/15
	£3.76	£6.84	£7.94

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
Balance as at 1 April 2011	648	3,368	2,652	-	6,668
Add					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	140	-	-	140
Capital Receipts	-	-	10	-	10
Capital Grants & Contributions	-	-	-	1,094	1,094
	648	3,583	2,662	1,094	7,987
Deduct					
Estimated Expenditure During Year:					
Transfer to General Fund	-162	-	-	-	-162
Capital Expenditure	-	-2,498	-2,556	-1,094	-6,148
Estimated Balance 31 March 2012	486	1,085	106	-	1,677
Add					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	90	-	-	90
Capital Receipts	-	-	50	-	50
Capital Grants & Contributions	-	-	-	200	200
	486	1,250	156	200	2,092
Deduct					
Estimated Expenditure During Year:					
Transfer to General Fund	-100	-	-	-	-100
Capital Expenditure	-	-1,184	-50	-200	-1,434
Estimated Balance 31 March 2013	386	66	106	-	558
Add					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	130	-	-	130
Capital Receipts	-	-	50	-	50
Capital Grants & Contributions	-	-	-	200	200
	386	271	156	200	1,013
Deduct					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-	-	-200	-200
Estimated Balance 31 March 2014	386	271	156	-	813
Add					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	190	-	-	190
Capital Receipts	-	-	50	-	50
Capital Grants & Contributions	-	-	-	200	200
	386	536	206	200	1,328
Deduct					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-400	-100	-200	-700
Estimated Balance 31 March 2015	386	136	106	-	628

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RYEDALE DISTRICT COUNCIL - PROPOSED CAPITAL PROGRAMME 2011/12 TO 2015/16

Cttee	Category / Scheme	2011/12 Rev Est £'000	2011/12	2012/13	2013/14	2014/15	2015/16	Total	External	Net RDC	Comments	External Funding Assumptions		Revenue Implications						
			Forecast £'000	Estimate £'000	Estimate £'000	Estimate £'000	Estimate £'000	Cost £'000	Funding £'000	Cost £'000		£'000	Comments	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Comments	
ASSET MANAGEMENT																				
CB	Car Parks Major Repairs	30	30	30	0	0	0	60	0	60	In accordance with Asset Mgt Plan, Hlth & Safety risk	0		0	0	0	0	0		
CB	Vehicle Replacement Programme	430	420	25	0	25	25	495	50	445	Replacement for recycling, refuse, street cleansing and grass cutting services	50	NYCC Recycling Reward Grant	0	0	0	0	0		
CB	Public Conveniences Refurbishment	30	30	0	30	0	0	60	0	60	Refurbishment of sites	0		0	0	0	0	0		
CB	Wall Repairs Land Castlegate Malton	150	120	0	0	0	0	120	0	120	Repairs to boundary walls	0		0	0	0	0	0		
CB	Recreational Open Space Development	20	20	0	0	0	0	20	0	20	Implement improvements identified in ILAM report	0		0	0	0	0	0		
CB	Equipment for Plastics and Cardboard Recycling	135	135	0	0	0	0	135	0	135	Rollout of fortnightly plastics and cardboard kerbside collection	0		30	80	80	80	80	Operational	
CB	Trade Waste Equipment	0	0	0	15	0	0	15	0	15	Replacement of trade waste bulk bins	0		0	0	0	0	0	0	
P&R	Energy Efficiency Improvements to Council Property	282	282	0	0	0	0	282	0	282	Efficient energy use, reduce pollution	0		0	0	0	0	0	0	
P&R	ICT Strategy Provision	82	125	0	0	0	0	125	0	125	Investment programme aimed at generating revenue efficiency savings	0		0	0	0	0	0	0	
P&R	Property Condition Survey	316	316	125	125	125	125	816	0	816	Programme of minor capital works to property portfolio	0		0	0	0	0	0	0	
P&R	Ryedale House Public Areas	100	100	0	0	0	0	100	0	100	Minor capital works to Council reception area	0		0	0	0	0	0	0	
		1,575	1,578	180	170	150	150	2,228	50	2,178		50		30	80	80	80	80		
PRIORITY AIMS - HOUSING																				
CB	Aff Hsg Init - Home Repair Loans	45	45	45	45	45	45	225	0	225	Equity loans to applicants	0		0	0	0	0	0	0	
CB	Aff Hsg Init - Houses in Multiple Occupation Grants	30	30	30	30	30	30	150	0	150	Improvement/repair work to help owners comply with licensing	0		0	0	0	0	0	0	
CB	Aff Hsg Init - Empty Property Grants	30	30	30	30	30	30	150	0	150	Bring property back into use; tenancy nomination rights	0		0	0	0	0	0	0	
CB	Aff Hsg Init - Exception Sites Land Purchase	100	100	0	0	0	0	100	0	100	Contribution to RSL land acquisitions	0		0	0	0	0	0	0	
CB	Aff Hsg Init - Decent Home Loans	30	30	30	30	30	30	150	0	150	Equity loans to applicants to bring properties towards decent homes standard	0		0	0	0	0	0	0	
CB	Aff Hsg Init - Home Appreciation Loans	20	20	20	20	20	20	100	0	100	Equity loans to applicants	0		0	0	0	0	0	0	
CB	Private Sector Energy Efficiency Grants	70	70	70	70	70	70	350	0	350	Provide insulation improvements	0		0	0	0	0	0	0	
CB	Private Sector Renewal - Disabled Facilities Grants	400	400	325	325	325	325	1,700	1,000	700	Improve access to and within properties for people	1,000	DCLG	0	0	0	0	0	0	
CB	Mortgage Rescue Scheme	161	161	0	0	0	0	161	0	161	Scheme in partnership with Registered Social Landlord	0		0	0	0	0	0	0	
		886	886	550	550	550	550	3,086	1,000	2,086		1,000		0	0	0	0	0	0	
PRIORITY AIMS - JOBS																				
P&R	Provision for Managed Workspace Facilities	0	0	0	550	0	0	550	0	550	Provision for contribution to external scheme	0		0	0	0	0	0	0	
		0	0	0	550	0	0	550	0	550		0		0	0	0	0	0	0	
MAJOR SCHEMES																				
P&R	A64 Brambling Fields Junction Upgrade	1,254	1,800	614	0	0	0	2,414	344	2,070	Contribute to upgrade for improvement to traffic management in Malton	344	Developer Contributions	0	0	80	128	128	Borrowing	
P&R	Purchase of Stanley Harrison House	1,200	1,200	0	0	0	0	1,200	500	700	Accommodation for RCVA, CAB & NYCC functions	500	NYCC	0	0	0	0	0	0	
		2,454	3,000	614	0	0	0	3,614	844	2,770		844		0	0	80	128	128		
OTHER SCHEMES																				
CB	Helmsley Sports	50	15	85	50	0	0	150	0	150	Grant for the redevelopment of existing sports facilities in Helmsley	0		0	0	0	0	0	0	
CB	Pickering Flood Defence	950	0	0	950	0	0	950	0	950	Major grant contribution to Environment Agency Scheme	0		0	0	0	0	0	0	
CB	Ryedale Folk Museum	230	230	0	0	0	0	230	0	230	Grant for the purchase & development of building to house Harrison Collection	0		0	0	0	0	0	0	
CB	Vale of Pickering Channel Management Pilot	8	8	5	0	0	0	13	0	13	Contribution to joint funded project	0		0	0	0	0	0	0	
CB	Malton Museum Relocation	60	0	0	0	0	0	0	0	0	Contribution to relocate the Malton Museum to the Derwent Fort site	0		0	0	0	0	0	0	
P&R	Former Town Hall Malton - Stonework Repairs	52	52	0	0	0	0	52	0	52	Work required under terms of lease	0		0	0	0	0	0	0	
P&R	Assembly and Milton Rooms - Preservation Works	329	329	0	0	0	0	329	0	329	Work required under terms of lease to prevent further deterioration of building	0		0	0	0	0	0	0	
P&R	Householder Flood Resistance Grants Scheme	50	50	0	0	0	0	50	0	50	Facilitate small scale works to reduce impact of flooding to households	0		0	0	0	0	0	0	
		1,729	684	90	1,000	0	0	1,774	0	1,774		0		0	0	0	0	0	0	
TOTAL OF PROPOSED CAPITAL PROGRAMME												TOTAL	1,894	TOTAL	30	80	160	208	208	

CAPITAL RESOURCES AVAILABLE FOR NEW SCHEMES

Nil

CAPITAL INVESTMENT PLAN - POTENTIAL SCHEMES

	Net Cost RDC £'000	Annual Revenue Implications £'000	
P&R Heart of Malton	TBC	0	Includes Milton Rooms, Assembly Rooms, caretaker house and public realm improvements
P&R Provision for an Economic Development Scheme	750	0	Site acquisition & infrastructure works
P&R Regeneration Schemes Pickering / Kirkbymoorside	500	0	Contribution to development & design costs and minor public realm improvements
P&R Livestock Market	1,000	0	Contribution to relocation
P&R Milton Rooms Phase 2	650	0	Work required under terms of lease
CB Asset Management Ryedale and Derwent Swimming Pools	500	0	Capital investment required to maintain assets in good repair
CB Ryedale Pool	360	0	New gym facility
CB Relocation of Bridge House	100	0	Contribution to RSL scheme

PROVISION FOR INVESTMENT OPPORTUNITIES

P&R Land and Property Acquisitions	N/A	N/A	Possible acquisitions
CB Environmental Improvement Schemes	N/A	N/A	Mitigation against adverse environmental impact

CAPITAL PROGRAMME 2011/12 TO 2015/16 - SUMMARY OF FUNDING

Source of Funding	2011/12 Rev Est Funding £'000	2011/12 Forecast £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	Total Estimate £'000	Scheme
External Grants and Contributions								
Department Constitution & Local Government (DCLG)	189	200	200	200	200	200	1,000	Private Sector Renewal - Disabled Facilities Grant
North Yorkshire County Council (NYCC)	50	550	0	0	0	0	550	Vehicle replacement programme £50k, Acquisition of Stanley Harrison House Norton £500k
Developers Contributions	0	344	0	0	0	0	344	A64 Brambling Fields Junction Upgrade
Total External Grants and Contributions	239	1,094	200	200	200	200	1,894	
Ryedale DC Funding of Schemes	6,405	5,054	1,234	2,070	500	500	9,358	
TOTAL FUNDING OF CAPITAL PROGRAMME	6,644	6,148	1,434	2,270	700	700	11,252	

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Agenda Item 5

ANNEX B

REVENUE BUDGET 2012/13 - VARIANCE ANALYSIS SUMMARY

	£'000	£'000
Original Estimate 2011/12 Net Expenditure		7366
Cost Increases		
Provision for Pay Increase & General Inflation (net)	167	
Budget Pressures - Financial Strategy Appendix A	148	
Meeting Priorities - Financial Strategy Appendix A	100	
Total Cost Increases		415
Savings		
Efficiency and Budget Reduction Savings	-590	
Other Savings	-38	
		-628
Service Cuts		-164
Other Movements in Costs and Savings (net)		-16
		6973
Movement on General Reserve		93
Council Tax Freeze Grant 2012/13		-94
Original Estimate 2012/13 Net Expenditure		6972

Financed By:	£'000
External Government Support	3207
Council Tax (0% increase)	3717
Collection Fund Surplus	48
	<u>6972</u>

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