



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	3 FEBRUARY 2011
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	FINANCIAL STRATEGY 2011/2012
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The report sets out the budget for 2011/12, 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
 - b. The revised capital programme
 - c. Savings/additional income totalling £1,127k
 - d. Investment in Priorities of £80k;
 - (ii) a Revenue Budget for 2011/2012 of £7,340,470 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 £48,230; and
 - (iv) members note the financial projections for 2012/2013 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 2011/2012, and prepare the Council to deliver the same in 2012/2013 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 This committee at its meeting on the 30 September 2010 recommended to Full Council the budget strategy with the following parameters:

- (i) Proposals be brought forward for a 2.5% increase in Council tax;
- (ii) Increases in fees and charges to be 3.5% to 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; and
- (iii) Efficiencies to be maximised and identified together with any potential cuts required to services once the draft grant settlement is announced in November/December. These proposals will be considered by the Resources Working Party.

- 5.2 This was subsequently approved at Full Council on the 4 November 2010.

- 5.3 Details of the action taken and savings proposals have been presented to the members through the Resources Working Party on the 23 November 2010, 11 January 2011 and at the Budget Briefing on the 19 January 2011.

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 Budget consultation with the public has taken place through the Budget simulator. Member consultation has been through the member briefing. Summary results of the public budget consultation are attached at annex B and can be seen on the Council's web site at:

http://www.ryedale.gov.uk/council_and_democracy/consultations.aspx.

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 2010/2011 budget has taken place through the group leaders, Resources Working Party and this Committee who received Revenue Budget Monitoring reports.

8.3 Annex C provides a variance analysis summary of the 2010/2011 budget to the 2011/2012 budget.

Budget and Council Tax for 2011/12

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 0% (provision for £250 for those earning under £21k p.a.)
- Council Tax 0%
- Fees and Charges 3.5% to 4.5% (with exceptions considered by Commissioning Board and Council)

8.5 The Financial Strategy appendix A highlights the significant financial pressures, totalling £113k which have had to be accommodated in preparing the budget. This figure is below previous years and has been subject to significant officer analysis.

8.6 Members will be aware of the impact of the spending review on the Council's government grant which has seen a 15.8% reduction for 2011/2012 and 12.8% in 2012/2013. 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	£3,573k
2012/2013 Grant	£3,115k

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

8.7 The transfer of responsibility for concessionary fares from District Councils to County Councils in two tier areas was a significant issue. Several exemplifications were provided in 2009 which predicted a significant adverse impact on the Council over and above the current net service cost. During a DCLG consultation exercise on potential formula changes in 2010 a further 40 plus exemplifications were provided, again which were not beneficial to RDC. The final option chosen removed current net spend and the specific grant funding. Whilst also removing Council funding for discretionary elements of the scheme overall the result of the transfer was better than had been expected.

8.8 Officers launched the one-11 efficiency programme in October 2009. This followed a series of staff presentations and a member briefing. At that time the estimate was that £1m needed to be saved from the Council's budget to balance the 2011/2012 budget. Savings of that magnitude were well above the Council's usual savings requirement and Gershon efficiency target of £300k.

- 8.9 The one-11 Corporate Efficiency Programme contained a number of elements including:
- Voluntary Redundancy – 20 employees will have left RDC during 2010/2011
 - Service Reviews – several completed during 2010/2011
 - Root and Branch Review – Line by line analysis of existing budgets
 - Additional Income – Explore any additional income sources
 - Review other potential savings
- 8.10 The fundamental criteria in implementing the one-11 programme was to identify cashable efficiencies, that is delivering the same or improved services at a lower cost.
- 8.11 The balanced budget as presented includes only one service cut, the cessation of Ryedale News, which saves £12k. This saving reflects the responses to budget consultation as well as national coverage around free Council newsletters. Officers will continue to mitigate the impact of this cut through use of the Council website, press releases and other publications from the Council to residents.
- 8.12 During 2010/2011 the pension fund underwent its triennial review. The proposals from the administrators North Yorkshire County Council in conjunction with Actuary provide a number of options for individual Authority members. The budget proposed is based on a deficit recovery of 30 years with additional investment returns anticipated. This decision carries risk of higher future increases in contributions at future revaluations. This of course depends on investment performance and any changes which may be made to the scheme and benefits through the ongoing national review.
- 8.13 As part of the spending review the government announced details of the Council Tax Freeze Grant. Authorities which have no increase in Council Tax in 2011/2012 will receive a grant equivalent to 2.5% of Council Tax (£93k in Ryedale's case). The indications in the spending review announcement were that this would be payable for 4 years so that the effect of the grant would not merely be to delay savings required to future years. The government own predictions for council tax increases implicit in the CSR10 announcement are that council tax in the subsequent three years will rise by around 2.5% each year. This level of increase is built into the Medium Term Financial Plan projections.
- 8.14 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 2010/2011 budget. Therefore any proposals for additional expenditure will necessitate cuts to existing services.

Capital Programme

- 8.15 The Financial Strategy provides a detailed breakdown of the Council's Capital Programme up to 2014/2015 totalling £14.216m. External funding of £2.150m is included, leaving a balance of £12.066m to be financed by the Council's funds and reserves as follows:

Funding Source	£
Capital Fund	4,727k
Capital Receipts	5,269k
Borrowing	2,070k
	12,066k

- 8.16 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.
- 8.17 Members will note that unallocated capital resources are now identified as £150k. 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 CSR10 announcement further borrowing will not be recommended as affordable and therefore not in line with the prudential code.

Special Expenses

- 8.18 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. Those parishes without street lighting in the former Pickering Rural District Council areas have now been removed from the charges. The special expenses are a specific charge to the Parishes concerned and are estimated as follows:-

<u>Town/Parish</u>	£
Malton	5,370
Norton	13,920
Pickering Rural	<u>28,940</u>
TOTAL SPECIAL EXPENSES	<u>48,230</u>

National Non-Domestic Rates (NNDR)

- 8.19 For 2010/11 the NNDR multipliers are: a small business non-domestic rate multiplier of 40.7p and a non-domestic rate multiplier of 41.4p. For 2011/12 the draft multipliers are 42.6p and 43.3p respectively.
- 8.20 It is proposed to consult business ratepayers on the budget by letter only unless individual ratepayers wish to discuss specific issues.

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 2010/2011 assumes a £100k draw on the General Reserve to support the budget. It is proposed that for 2011/2012 this is increased to £193k to reflect the council tax freeze grant.
- 8.25 No other significant changes to the reserves, other than through capital expenditure, are proposed this year.

The 2012/2013 Budget Strategy

- 8.26 The two year settlement announcement in CSR10 is welcomed and allows the Council to forward plan the 2012/2013 budget with more certainty. It is hoped that announcement for subsequent years are made with good notice.
- 8.27 The Medium Term Revenue Forecast in the attached financial strategy predicts a savings requirement to balance the 2012/2013 budget of approximately £700k based on the draft Government announcement. Members will receive the final details as part of the Council meeting on the 21 February 2011.
- 8.28 Whilst on paper lower than the efficiency savings achieved in the current year, achieving savings from services becomes incrementally harder and the reduced financial base of the Authority means that the challenge is of equal if not greater difficulty than 2011/2012.
- 8.29 Service Reviews will continue in 2011/2012 with the primary services to be reviewed being support services (including Legal, Finance, ICT, Human Resources) and Streetscene services.
- 8.30 Ryedale has made significant savings through its existing shared services, the North Yorkshire Audit Partnership and North Yorkshire Building Control Partnership both of which are hosted by Ryedale. The Council has also received more comprehensive services from these partnerships than it could deliver through its own resources.
- 8.31 Such shared services with other Local Authorities enables the Council to exercise control over service delivery, maintain appropriate governance, ensure greater resilience as well as protect the employees involved in the services and importantly make efficiency savings.
- 8.32 Given this proven track record officers propose to explore further shared services opportunities, particularly in relation to 'back office' support services in order to identify savings which can reduce the need to make service cuts. All proposals will be subject to a properly evaluated comprehensive business case.
- 8.33 The scale of many Ryedale back office services limits the ability to make significant efficiency savings. If the Council chooses not take any opportunities for shared services savings the need to either reduce service levels and/or cut services will increase significantly.

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.

ODPM 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 2011/12 **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 £1,127k. This level is significantly above any other years savings achieved by this Authority and therefore inherently carries an increased 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 one-11 programme. As a result many are considered low risk in that several months planning and lead in to the 2011/2012 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. Where this occurs, compensating savings will need to be identified. Assumptions are within the 2011/2012 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. As a result of the inclusion of several new schemes this year, unallocated capital resources are relatively low and may limit the scope for new schemes until significant capital receipts are received. The significant reduction in interest receipts as a result of the global recession have been factored into the Council's available capital balances, this situation will be reviewed during the year. 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, 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.

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Background Papers:

None

Background Papers are available for inspection at:

N/a