ANNEX A

RYEDALE
DISTRICT
COUNCIL

# FINANCIAL STRATEGY

## 2012 - 2016

# FINANCIAL STRATEGY

## CONTENTS

**Main Report**

# 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 in 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<br>Review trends<br>Take appropriate action<br>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.<br>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.<br>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<br>• Shed by £2,832 (20%)<br>• Pied Piper by £1,391 (20%)<br>• Live Music Now £257 (10%) | | |

| Proposal | Savings £'000 | Risk L/M/H |
|---|---|---|
| • Helmsley Arts Centre £1,287 (10%)<br>• Ryedale Festival £20,000 (80%)<br>• Folk Museum £634 (10%)<br>• Malton Museum £5,000 (78%)<br>• Beck Isle Museum £634 (10%)<br>• Other Budgets £15,355 (58%) | 47 | |
| **Sub total (Cuts)** | **164** | |
| | | |
| **Total of Savings** | **792** | |

**APPENDIX B**

## 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:

| | 2012/13 | 2013/14 | 2014/15 |
|---|---|---|---|
| For the Band D Council Tax | £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<br>£'000 | Capital Fund<br>£'000 | Capital Receipts<br>£'000 | Capital Grants & Conts<br>£'000 | Total<br>£'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** |