

	REPORT TO CABINET TO BE HELD ON 15 FEBRUARY 2011	
	Key Decision	YES
	Forward Plan Ref No	
Corporate Priority: Meets all Corporate Priorities	Cabinet Portfolio Holder	Cllr Jane Kenyon

REPORT OF: Head of Finance & Asset Management – 11/71

WARDS AFFECTED: All

SUBJECT: DRAFT FINANCIAL STRATEGY 2011 – 2021

RECOMMENDATION (S):

That Cabinet note:

- (i) and endorse the budget proposals set out in this report, in advance of them being presented to Full Council for approval on 25 February.
- (ii) note the responses from the budget consultation.

REASON FOR RECOMMENDATION (S):

Full Council must approve the 2011/12 budget and associated Council Tax level, which are incorporated within the Financial Strategy, at its meeting on 25 February 2011. It is important that the Council has consulted with the public and key stakeholders on its budget prior to it being approved, and has taken any feedback received from this consultation into consideration.

HIGHLIGHTED RISKS:

- That the Council does not set a robust budget in 2011/12

1. INTRODUCTION

- 1.1 The Council's Financial Strategy comprises a 5-year revenue plan and a 10-year capital plan. These plans are reviewed annually and the Council's revised Strategy for 2011-2021 will be presented to Full Council for approval in February.
- 1.2 The key proposals for the draft Strategy were presented to Cabinet at its meeting on 18 January 2011. These included:

- The proposed revenue budget, including investment in priority areas, efficiency and other savings proposals, and associated Council Tax increases.
- The proposed capital investment and inclusions on the Council's capital reserve list.
- Priority investment to be funded from reserves and one off funding sources.

1.3 Cabinet were asked to agree that officers entered into a period of consultation on the budget proposals, in advance of the Financial Strategy being presented to Full Council in February 2011.

1.4 The purpose of this report is to:

- Set out the draft Financial Strategy, which includes the budget proposals and Council Tax levels for 2011/12.
- Summarise the feedback received in the period of consultation.

2. CORPORATE AIMS/PRIORITIES AND THE COMMUNITY PLAN

2.1 The proposals set out in this report impact on all the Council's Corporate Aims and Priorities.

3. BACKGROUND AND ISSUES

3.1 The Financial Strategy

3.1.1 The draft Financial Strategy is attached at **Appendix B** to this report. A completed, finalised version of this Strategy will be presented to Full Council for approval in February, however, the content in the final version will not change significantly.

3.1.2 The Strategy incorporates the proposed revenue budget and council tax report, additions to the capital programme report, and funding from reserves which were endorsed by Cabinet at its January meeting.

3.1.3 There have been minimal changes to these sections since the report was presented in January however members should note the following:

- The report now reflects that Yorkshire Forward have reinstated their full funding allocation for the Spa capital scheme.
- It was previously reported that the £200k Seaside Reward Grant, which was received by the Council in 2009/10, would be used to fund several areas of priority spend in 2011/12. Senior Management have recently

undertaken a review of reserves and have now identified sufficient monies to fund the areas of priority spend from other reserves, therefore the grant is now available to be used for other purposes. Although the Seaside Reward grant was not ring-fenced it was awarded to promote regeneration opportunities therefore it is now proposed that the grant be used to purchase property interests at the Futurist Theatre to facilitate the delivery of future plans for the site.

- The Council's tax base (number of Band D equivalent properties) has increased by 46.6 compared to the 2010/11 level. The Council levies £211.31 for each Band D property therefore this will result in additional Council Tax income of £9,800.
- The Council has recently received notification that North Yorkshire County Council are proposing to cease the £10k financial contribution they currently make towards the running costs of the Local Strategic Partnership with effect from 1 April 2011. The Council uses this funding to support the Community Partnerships Manager post therefore it is proposed that the increased Council Tax revenue detailed above be used to offset the reductions in external funding.

3.2 **Feedback from the period of budget consultation**

The following feedback was received during the period of consultation:

3.2.1 **Residents, Business and Employee Consultation**

There were 30 responses submitted via the web based budget consultation page. 23 of those respondents left feedback.

In addition there has been a significant amount of opposition to both the deletion of the Parks Rangers posts and the market testing of the Provision of Plants. A petition in support of the Park Rangers, which was signed by approximately 350 people, has been received by Councillor Janet Jefferson, the Portfolio Holder for Tourism & Culture.

A reference copy of the petition and feedback received from the consultation, along with reference copies of the numerous letters of support for the Park Rangers and the opposition to the market testing of the provision of plants are available in the Members Room at the Town Hall. Copies can also be obtained on request by contacting Jane Groom
jane.groom@scarborough.gov.uk 01723 232437

The key opinions and queries noted from the feedback, along with relevant Council's responses are as follows:

- **Are the number of traffic lights throughout the Borough necessary and could money be saved by turning them off out of peak times?**

The traffic lights are operated by North Yorkshire County Council therefore the comments received from the consultation exercise will be forwarded to the relevant officers at NYCC.

- **Opposition to the removal of the Parks Rangers Service**

The proposal to remove funding for the Parks Rangers posts was originally put forward in the 2010/11 budget. In light of the concerns raised by members, the Scarborough CAP (Community and Police) group, and other groups (e.g. Friends of Parks) it was proposed that the Overview and Scrutiny Committee be tasked with undertaking a review of the service, and funding was extended for the 2010/11 year. The purpose of the review was to determine whether the proposals put forward to restructure the service were justified, to identify the full implications of the proposals and review potential alternative methods of delivering the service.

The overview and scrutiny review showed that a number of the duties carried out by the Parks Rangers could be undertaken by other Services and this would reduce duplication of effort. In addition, a more co-ordinated approach towards supporting and working with voluntary and community groups could be developed with Partner organisation by the creation of a Community Environment Officer Post.

The Community Environment Officer post has been created and will commence on 1 April 2011. The post will be funded from within existing resources and will support the Localism and Big Society ethos by working with local voluntary and community groups and individuals to deliver environmental improvements across the Borough.

- **Opposition to the market testing of the Provision of Plants**

Market testing for the provision of plants is currently being undertaken to establish whether efficiencies can be made by purchasing plants from suppliers rather than growing them in-house.

The specification for this tender will take into account the cost of plant provision as well as strict quality criteria for the plants to be provided. The anticipated savings put forward in the budget proposals do not represent cuts in service therefore residents and stakeholders should not see any reductions in quality or service as a result of this proposal.

If the market testing exercise shows that efficiencies can be made, and Full Council approve the proposals put forward, the new depot facilities will incorporate poly-tunnels and hardening off areas for the short-term storage of plants.

- **The Council Tax freeze is welcomed**

- **Is it necessary to undertake litter picking on a Sunday and pay enhanced rates to staff for undertaking the work?**

The Council currently operates 5 in 7 working therefore operatives that work in cleansing over a weekend are paid at plain time rates and receive time off on other days of the week.

A review of all overtime paid by the Council was undertaken during the 2009/10 year to ensure that protocols were put in place to minimise enhanced rates wherever possible.

- **Is dusk to dawn street lighting required in quieter streets and could savings be made by reducing brightness etc?**

Street lighting is operated by North Yorkshire County Council therefore the comments received from the consultation exercise will be forwarded to the relevant officers at NYCC.

- **Is it necessary to employ expensive consultants?**

The Council provides professional services internally where it is cost beneficial to do so. In recent years the Council has levered in significant amounts of external funding to progress a number of capital schemes. These schemes have required specialist, ad-hoc advice and skills and it would not have been cost effective for the Council to permanently employ internal resources to undertake the works associated with those schemes.

In most cases the one off works require specialist skills, knowledge and machinery or assets that may not be available at a local level. The Council carefully assesses its use of consultants and only procures external expertise when it is necessary and represents value for money.

An assessment of the Council's spend on consultancy in recent years shows that in 2009/10 80% of the spend incurred was externally funded and in 2008/09 79% was externally funded.

- **Who will pay for the upkeep and running costs of the My Place project, and could funding for the scheme be cut?**

The Council has not made a financial contribution to the My Place project, however is fully supportive of the scheme. CMVA (Coast and Moors Voluntary Action) has prepared a sustainable five year business plan for the development, which takes into account revenues generated from office and meeting room rentals as well as the costs of staffing and running the building.

- **The Borough will lose its appeal if services such as street cleaning and keeping gardens tidy are cut.**

The savings proposals put forward for street cleansing and parks are efficiencies rather than cuts in service, which means that the same levels of service will be delivered in future at less cost to local tax payers.

- **Could money be saved on privatising sports facilities, or could profitability increase by upgrading the facilities?**

The budget proposals include an ongoing investment of £30k per annum to upgrade the fitness suite equipment at Whitby Leisure Centre. It is anticipated that this will increase income at the site.

The impact of the new fitness suite equipment at Whitby Leisure Centre will be assessed to determine whether any resulting increases in income provides a business case to upgrade the facilities at Scarborough Sports Centre. The higher levels of competition in Scarborough and the impending Leisure Village proposals will however need to be taken into consideration in the decision making process.

The budget proposals make £70k available to progress the Leisure Strategy and development of a Leisure Village, which would lead to improved leisure facilities within the Borough. Private sector operation of sports facilities will be reviewed as these developments progress.

- **Opposition to the freezing of increments as it may represent a breach in the agreed terms and conditions of employment**

There has been a mixed response from employees affected by the proposed freeze on increments. Although consultation with employees and Trade Unions is continuing the proposals are being implemented by the issue of statutory notice, which is required under employment legislation.

- **Do any councillors or officers receive free car parking spaces on public car parks and if so should this be reviewed?**

A review of employee and member allowances will be undertaken during the 2011/12 year.

- **Is it necessary to increase the minimum level on the General Fund Reserve to £2.0m or would £1.75m suffice?**

The Council's Section 151 Officer (Head of Finance and Asset Management) has a fiduciary duty to advise the Council on the level of reserves it should hold in order to ensure a sound financial standing.

The Head of Finance and Asset Management has assessed the level of reserves and due to increased risk, particularly in relation to the imminent funding cuts over the spending review period, the high level

of savings that need to be identified to balance the revenue budget over the medium term, and the current economic climate, is of the opinion that the minimum balance on the general fund reserve should be increased to £2.0m.

- **Rather than cutting grants could monies be saved in alternative ways e.g. by administering grants by one single committee, which would save time and money in expenses and allowances?**

A review of the grants system is taking place with a view to streamlining the system and to make payments more outcome based and focused on residents priorities.

- **The consultation responses suggested that respondents did not want to see cuts in Parks and Open Spaces budgets (62.2% of respondents said spend the same on Parks and 12.3% said spend more), yet the draft proposals ignore the information and include cuts to the Parks budget.**

The savings proposals put forward for the Parks service are efficiencies rather than cuts in service, which means that the same levels of service will be delivered at less cost. The Council will always strive to deliver efficiency savings across all service areas to ensure that services delivered by the Council represent value for money for local tax payers.

- **The proposals include £165k to borrow money to buy private land for a depot. Could the Council use its own land rather than buy more land privately?**

The Council has negotiated a very favourable deal for the proposed site for the new depot. The site would provide substantial quality accommodation and is significantly cheaper than the other options considered by the Council, one of which was to build a depot on Council land.

3.2.2 Partners and Third Sector Organisations

One response was received from Dial a Ride, an organisation that currently receives a voluntary sector grant from the Council. A copy of the response is attached at **Appendix A**.

The Council is currently undertaking a review of voluntary sector and community grants. Although the budget proposals include cuts of 14% in relation to voluntary and community grants each grant will be assessed in line with the Council's and resident's priorities. Although the total grants budget will be cut by 14% the outcome of the review may result in some grants being maintained at current levels, to the detriment of other grants that do not meet the relevant priorities.

4. CONSULTATION

4.1 Cabinet agreed that Officers should enter into a period of consultation on the draft budget proposals at its meeting on 18 January. The consultation methods adopted were as follows:

- All Council Members were invited to a seminar to go through the budget proposals in detail.
- The Council's key partners and third sector organisations have been informed of the Council's budget proposals, giving them the opportunity to provide feedback.
- A press release was issued notifying people about the period of consultation. People were asked to provide feedback via a web based consultation page or hard copy feedback forms, which were provided in all customer first centres.
- Details of the budget consultation were circulated to council employees

5. ASSESSMENT

5.1 The headline proposals set out in the Financial Strategy remain largely unchanged to those previously reported. The draft proposals are as follows:

- The proposed revenue budget for 2011/12 of **£17,906,465**
- The proposed increase in Council Tax for the Borough Council element, of **0.0%**
- Proposed efficiencies/savings totalling **£2,264,880**
- Additional budget provision for the following priority areas: **£10,000** to provide mainstream funding for contributions to Baron's Leisure Centre, **£31,550** to provide mainstream funding for enforcing fire safety standards, **£30,000** to provide revenue funding for new fitness suite equipment at Whitby Leisure Centre, **£41,000** for a safeguarding post, **£76,000** to provide mainstream funding for Neighbourhood Regeneration and Area Forums and **£215,000** to provide one off funding for the costs associated with a new depot.
- Funding from the Earmarked Reserves for the 2011/12 year for the following areas: **£70,000** to develop the Leisure Strategy and the development of the Leisure Village, **£22,500** for an Anti Social Behaviour officer, **£31,200** for Night marshalls, **£40,000** to progress offshore wind farm opportunities, **£20,000** for Town Centre Development studies, and **£50,000** for the Whitby Harbour Board.
- Proposed capital expenditure as follows :-
 - Additional new priority capital schemes totalling **£1.125 million** (£640k for Disabled Facilities Grants, £200k for Futurist Theatre assets, £250k for Northbay Play Area, £35k for investment in Filey)

- Additional new Invest to Save Schemes totalling **£1.8 million** (£1.5 million for temporary accommodation, £300k for Whitby Depot)
- Enhancements to IT technology of **£0.390 million**
- Investment in Vehicles, Plant and Equipment in 2011/12 of **£0.579 million**
- Responsibility for the allocation of the residual £300k budget for the Whitby Marina Development be delegated to the Whitby Harbour Board.

6. IMPLICATIONS

6.1 Policy

There are no policy implications arising from this report

6.2 Legal

There are no legal issues arising from this report.

6.3 Financial

The financial implications are set out in detail throughout the report and appendices to this report.

6.4 Staffing Implications

Although details for some of the savings options set out in the report are still being finalised current projections show that employee numbers will reduce by approximately 50.

6.5 Planning Implications, Crime and Disorder Implications, Health and Safety implications, Environmental implications

I have considered whether implications arise from this report and am satisfied that there is no identified implication that will arise from this decision for this Council.

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Risk Matrix

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
1	February 2011	That the Council does not set a robust budget in 2011/12	Potential overspends and unforeseen draws from reserves in 2011/12.	Review of savings proposals to ensure that they are achievable. Regular programme of budget monitoring	B4	B4	HFAM / CFM	None

FEEDBACK FROM BUDGET CONSULTATION

Dial a Ride – Stakeholder organisation currently receiving a voluntary sector grant

At a time of cuts to key public services, (social care, health care, public bus subsidies etc), we feel very strongly that it would be short-sighted for the council to withdraw essential core funding to voluntary organisations. It is these organisations who will be increasingly called on to fill in the gaps need left by such cuts in public services.

In the tough economic times we are currently experiencing and which are likely to continue for several years to come, the voluntary and community sector will only be able to thrive with additional financial support and investment. This will enable us to build capacity within our organisations and to meet the additional workloads, challenges and demands which we will be expected to fulfil. Many local charities and voluntary organisations have learned to run prudently and efficiently, while still delivering high quality services with the added value and benefit of working closely with volunteers and the positive outcomes to both parties volunteering brings. We offer value for money and many have effective working partnerships with statutory and voluntary organisations.

As the council has already identified, supporting and developing working partnerships with voluntary and community groups, can lead to cost efficiencies for the council as in the case of the budget removal for the local park rangers. Many of the services provided by the voluntary sector support some of our most vulnerable residents. Our services are preventative, reduce the need for intervention by other statutory services and improve the health and well being of the user. All voluntary sector services support the independence and dignity of the people they were set up to assist but we also help the council meet its key targets, corporate aims and priorities in the council's Corporate Plan, Older Persons Strategy, Young Persons Strategy amongst others.

Last year, a total of -50,625 was distributed to 9 recipients (Annual Grant Aid Budget). The proposed 14% cuts will equate to just over -7,000 across these 9 organisations. However, if the proposed grants to the Area Committees also go ahead, will this also mean a further cut in funding to voluntary organisations who apply for funding to these local area Committees? If the council proposes to invest -205k for new car parking machines in 2010/11 to help it meet priorities for improving the Council, can -50,625 of grants to local voluntary and community organisations not also be seen as an investment and ongoing priority to continue improving the lives of vulnerable Borough residents?