

	REPORT TO COUNCIL 25 FEBRUARY 2011	
	Key Decision	YES
Corporate Priority	Cabinet Portfolio Holder	Cllr Jane Kenyon

REPORT OF: Head of Finance & Asset Management – 11/135

WARDS AFFECTED: All

**SUBJECT: FINANCIAL STRATEGY 2011/21 (CORPORATE
BUSINESS PLAN)**

RECOMMENDATION (S):

That Council approve the final Financial Strategy (Corporate Business Plan) (Appendix A) with particular note made of the following recommendations contained within the strategy:

- The proposed revenue budget for 2011/12 of **£17,733,990**
- The proposed freeze in the Borough Council element of Council Tax (note the total Council Tax, including County Council, Fire and Police is covered within the separate Council Tax Setting report).
- Proposed efficiencies / savings totalling **£2,239,880**
- 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.
- The review of Reserves and the approval of the balances criteria, particularly the proposed increase in the recommended level of the General Fund Reserve range from £1.5m - £2.0m to 2.0m - £2.5m, reflecting the additional risk in future years budgets following cuts in grant funding.
- The following schemes to be funded from earmarked reserves: **£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.
- The proposed new capital schemes as follows:
 - o 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.
- The Invest to Save Strategy
- Treasury Management Strategy and Annual Investment Strategy
- Prudential Indicators and Minimum Revenue Provision Policy
- The Chief Finance Officers Statutory Statement, with Council asked to note and endorse the comments contained within this.

(NOTE – THIS RECOMMENDATION WILL NEED TO BE CONSIDERED BY COUNCIL ALONGSIDE THE SEPARATE COUNCIL TAX SETTING RESOLUTION WHICH WILL BE PRESENTED DIRECTLY TO COUNCIL)

REASON FOR RECOMMENDATION (S):

The Council is required to approve a balanced revenue budget and set its level of Council Tax for 2011/12.

The overall Financial Strategy sets out the Council's financial direction for coming years.

The Chief Finance Officer (Head of Finance and Asset Management) has a statutory responsibility to ensure a balanced budget is set by Council, and that he reports to Members in accordance with the Local Government Act 2003 and other relevant Acts.

The Financial Strategy supports the achievement of Corporate Priorities for the Council, and sets out the significant issues facing the Council and how these will be addressed, together with associated risk assessments.

HIGHLIGHTED RISKS:

A detailed Risk Assessment is included within the Financial Strategy. Highlighted risks include the achievement of the efficiency savings, the achievement of income from seasonal activities and the potential effects of the current economic climate and changes in legislation.

The high level of savings needed to balance the budget, along with the continued effects of the economic downturn and cuts in funding, will result in a relatively high risk budget for 2011/12.

Attention is drawn to the Chief Finance Officer's statutory statement set out in this report.

1. INTRODUCTION

- 1.1 The Council approved a detailed Financial Strategy in February 2010. This report updates the comprehensive Medium Term Financial Strategy, and provides a basis from which the Council can move forward positively over coming years, tackling the challenges it faces, and ensuring a strong financial standing is maintained.
- 1.2 A draft 2011/21 Financial Strategy was presented to Cabinet on 15 February (11/71). This report sets out the changes that have been included within the Final Financial Strategy, which is appended to this report and should be read alongside report 11/71.

2. CORPORATE OBJECTIVES AND THE COMMUNITY PLAN

- 2.1 The Financial Strategy underpins all of the Council's objectives. In setting out resource allocations, the Council's priorities have been considered, and resources allocated towards the Council's top priorities.

3. BACKGROUND AND ISSUES

- 3.1 A draft 2011/21 Financial Strategy was presented to Cabinet on 15 February. The final version is attached to this report.
- 3.2 It should be noted that the final finance settlement has been confirmed since the Financial Strategy was presented to Cabinet. The Council's allocation for 2011/12 is £8,955,290, which is £46,995 more than the provisional amount previously reported.
- 3.3 It is proposed that the additional allocation be used as follows:
- £25,000 – removal of the savings in relation to the market testing for growing plants
 - £21,995 – to be set aside as a budget contingency

The Financial Strategy has been amended to reflect the revised finance settlement and these proposals.

- 3.4 The market testing for the growing of plants will still take place however it is not felt prudent to include the saving in the budget proposals until the business case has been fully developed. Details will be brought back to members for a decision when the outcome of the exercise is known.

4. CONSULTATION

- 4.1 Details of the consultation processes undertaken as part of the budget setting exercise are set out in the following reports:
- Revenue and Capital Budget 2011/12 (Ref 11/31, 18 January 2011)

- Financial Strategy 2011-2021 (Ref 11/71, 15 February 2010)

5. ASSESSMENT

5.1 The attached Financial Strategy sets out fully the options and issues that are relevant. In addition there is a need to consider the Statutory Requirements under the Local Government Act 2003.

5.2 Local Government Act 2003 – Section 25 Report

Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (S.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 Financial 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 Financial 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 executive, 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).”

5.3 Section 25 Report (Report of the Chief Finance Officer – Head of Finance and Asset Management)

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 proposed service efficiency /other savings total £2.239m. 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. However, there inevitably remains a risk in delivering this level of efficiency savings in the year, and there is always potential for delays in the achievement of some savings. Where this occurs, compensating savings will need to be identified.

The current economic climate and changes in legislation continue to impact on the Council's finances. I consider that the budget reflects all known issues arising from these areas; however the uncertainties around how they will impact on the Council's finances make projections extremely difficult.

The overall level of reserves is considered in detail within the Financial Strategy. The criteria for the minimum balance on the General Fund Reserve will be increased from 1.5m to 2.0m to reflect the increased risk arising in future year budgets following cuts in grant funding. The uncommitted balance of the General Fund, after allowing for a £250k draw to balance the 2011/12 budget, is currently below this level therefore the first call on any revenue budget under spend in 2010/11 will be to replenish this reserve. Although the 2011/12 budget requires a draw from General Fund reserves it should be noted that this is a planned draw for one year only and I am happy that this is sustainable and does not undermine the robustness of the Council's overall financial position.

In summary I consider that the overall level of reserves is adequate, although the balance on the pension reserve will need to be closely monitored due to the Council's ambitious efficiency programme.

The Council's capital schemes are all currently being managed within budget. Although the Spa capital scheme is currently within budget it should be pointed out that the risk of overspending against this scheme is particularly high given the age and nature of the building. The scheme is due to be completed in early 2011/12 and the risk of overspend on the capital programme will reduce substantially following its completion.

Unallocated capital resources are currently relatively low and will limit the scope for new schemes until significant capital receipts are received. The Council is currently at the planning and feasibility stage on a number of regeneration schemes therefore, subject to capital receipts being generated, the capital programme may increase significantly over the medium term period. Careful consideration will need to be given to exercise prudence to ensure that resources are not overcommitted. It should be noted that Council (and public) aspirations clearly exceed available resources. There is therefore a need for rigorous prioritisation of schemes, and also a need to recognise that there will be a number of desirable projects for which funding is unlikely to be available.

Within the current economic climate it will be important that close budget monitoring of services generating income takes place. The Council has a number of areas of activity that are sensitive to fluctuations in usage, and in

particular fluctuations in the weather. In setting the budget a prudent approach has been taken in the estimate of these income levels, however that cannot avoid potential situations where income may not be achieved due for example to poor weather conditions. All major sources of income are monitored on an ongoing basis, to ensure any potential shortfalls are identified at an early stage, and where possible corrective actions are taken

6. IMPLICATIONS

6.1 Policy

The Financial Strategy is integral to the Council's overall policy development, and contains within it proposals for the allocation of resources to deliver specific Council priorities.

6.2 Financial

All of the financial issues are set out within the Financial Strategy. It should be noted that the Authority is required to follow a formal process as regards the setting of Council Tax, which is laid out in the regulations.

6.3 Legal

There are no particular legal implications from the report.

6.4 Human Resources

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.

Nicholas Edwards

Nicholas Edwards
Head of Finance & Asset Management

Author: Kerry Metcalfe, Corporate Finance Manager
Telephone No: 01723 383542
E-mail address: kerry.metcalfe@scarborough.gov.uk

Background Papers - Revenue and Capital Budget 2011/12 (Ref 11/31, 18 January 2011)
- Financial Strategy 2011-2021 (Ref 11/71, 15 February 2010)