Financial Strategy

(Corporate Business Plan)

Supporting the Council's Vision and Key Priorities

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EXECUTIVE SUMMARY

Financial Management is essential in achieving good corporate governance, and underpins service quality, improvement, and accountability. It supports effective performance and the achievement of organisations aims.

Financial Planning is integral to an organisations strategic planning process.

The Council has put in place a fully integrated financial strategy that seeks to ensure long-term financial stability, the achievement of value for money, and funding for priorities. This Financial Strategy updates the previous Strategy, which was approved by Council in February 2010.

The focus of this Financial Strategy is on long term planning, and decision making for the future. Whilst the Strategy includes specific proposals for the 2011/12 revenue budget, 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.

The senior levels of the organisation will require an understanding of the collective responsibilities for the stewardship and use of resources to successfully deliver this 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 factors to mitigate against those risks are identified,**

4. **The Capital Programme is planned over a 10 year period, with "unsupported" borrowing minimised, other than where there are clear financial or economic benefits for the Renaissance of the Borough,**

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, and the outcomes of investment made in priority areas are evaluated**

9. **The Financial Strategy supports the achievement of excellence in financial management and Use of Resources.**

The **Headline Proposals**, which seek to support these recommendations, are as follows:-

- The proposed revenue budget for 2011/12 of **£17,733,990**
- The proposed increase in Council Tax for the Borough Council element, of **0.0%** (note the total Council Tax, including County Council, Fire and Police is covered within the separate Council Tax Setting report to Council).
- 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 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, **£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**
- The proposed Invest to Save Strategy
- Treasury Management Policy Statement
- Prudential Indicators and Minimum Revenue Provision Policy

- The Chief Finance Officers Statutory Statement, which Council are asked to note and endorse the comments contained within.

This Financial Strategy represents how the Council plans its resources over the long term. The Strategy provides the base to enable the Council to move forward positively over coming years. However, a significant amount of ongoing work will be required to put the Strategy into action, and ensure resources are effectively managed and aligned with priorities.

1. 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.

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 medium term financial plan, including:
  - The identification and prioritisation of spending needs;
  - The key financial influences on our medium term financial planning and the assumptions made in developing the plan;
  - The challenges and risks associated with the plan and how we 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

2. LINKS WITH OTHER STRATEGIES AND PLANS

The Council's financial strategy and plan is linked with and supports service priorities and the Council's other strategies and plans. These include:

- The Community Strategy
- The Council's Corporate Plan
- Asset Management Plan
- The IT Strategy and Work Programme
- The Procurement Strategy
- The Treasury Management Strategy
- The HR Strategy and other related HR policies

3. LOCAL AND NATIONAL PRIORITIES

The Council's Corporate Plan sets out our vision, mission and key aims for the next five years and explains how it plans to achieve them.

Our vision is

"to achieve the Renaissance of the North Yorkshire Coast by 2020."

This will be achieved through our five key aims:

Aim 1 Developing Safer and Stronger Communities
Aim 2 Building Prosperous Communities
Aim 3 Creating Healthy and Vibrant Communities
Aim 4 Creating Quality Environments
Aim 5 Improving the Council

Within each aim are a number of priorities, which have been chosen following consultation with the local communities. The top priorities are:

- **Reducing Crime and Disorder**
- **Encouraging Economic Growth and Job Creation**
- **Ensuring Affordable and Decent Homes**
- **Enhancing Public Spaces and Parks**
- **Improving the Performance of our Services and ensuring they provide Value for Money**

The Council's medium term financial planning is driven by these priorities. By integrating the development of the budget and financial plan with these priorities we seek to ensure that resources have been allocated to deliver the corporate priorities, in a robust and sustainable manner.

The Financial Strategy also seeks to make links with national priorities. In considering any proposals for investment the links to national priorities are considered.

By planning over a number of years the Financial Strategy aims to ensure that local and national priorities are delivered in the long term, and service improvement and realignment is planned in an effective manner.

4. THE FINANCIAL CONTEXT

The Councils current revenue spending and funding is summarised below:

2010/2011 Base		Cost of Borough Services	2011/2012 Estimate	
Gross Expenditure £	Net Expenditure £	Head of Service	Gross Expenditure £	Net Expenditure £
54,072,396	4,407,192	Finance and Asset Management	46,536,741	2,385,477
15,228,667	9,916,435	Environmental Health	14,411,956	9,121,745
374,779	357,091	Human Resources	123,002	116,762
5,217,124	3,743,840	Regeneration and Planning	4,990,085	3,704,985
3,084,902	2,831,054	Legal and Support Services	2,709,802	2,544,570
14,784,757	2,082,457	Tourism and Culture	14,812,596	1,296,186
968,597	359,405	Service Transformation	756,375	150,231
4,204,818	(2,426,432)	Corporate	6,043,998	(1,585,966)
97,936,040	21,271,042	Budget Requirement	90,384,555	17,733,990

2010/11 £	Financing	2011/12 £
12,502,002	Revenue Support Grant	8,955,290
8,769,040	Scarborough Council Precept	8,778,700
21,271,042		17,733,990

Further details on revenue budgets are provided in Appendix K.

The following table summarises the total expenditure included in the capital programme and the Council's investment in the Borough.

Capital Expenditure

	2010/11 £000	2011/12 £000	2012/13 £000	2013 - 2020 £000	Total £000
Priority Schemes	12,593	4,518	1,068	6,836	25,015
Asset Management Budget	-	-	-	2,245	2,245
Vehicle Plant and Equipment	904	579	547	7,798	9,828
Coast Protection	-	-	-	-	-
Information Technology	629	390	308	1,542	2,869
Invest To Save	424	-	-	-	424
Total Expenditure	14,550	5,487	1,923	18,421	40,381
Financed From: Grants and Contributions	(7,303)	(1,171)	(332)	(2,276)	(11,082)
Net Cost to Council	**7,247**	**4,316**	**1,591**	**16,145**	**29,299**

Revenue Spending from Capital Resources

	2010/11 £000	2011/12 £000	2012/13 £000	2013 - 2020 £000	Total £000
Priority Schemes	1,173	93	5	30	1,301
Asset Management	194	-	-	-	194
Coast Protection	4,719	638	530	1,840	7,727
Invest to Save	73	1,500	-	-	1,573
Total Expenditure	6,159	2,231	535	1,870	10,795
Financed from: Grants and Contributions	(4,719)	(693)	(530)	(1,840)	(7,782)
Net Cost to the Council	**1,440**	**1,538**	**5**	**30**	**3,013**

Summary

	2010/11 £000	2011/12 £000	2012/13 £000	2013 - 2020 £000	Total £000
Total Expenditure in Capital Programme	20,708	7,718	2,458	20,291	51,175
Total Financing from Grants and Contributions	(12,021)	(1,864)	(862)	(4,116)	(18,863)
Total Council Investment	**8,687**	**5,854**	**1,596**	**16,175**	**32,311**

Further details of the expenditure and financing, on a scheme-by-scheme basis, are provided of the capital programme within Appendix 'H'

5. CURRENT ISSUES

External Influences

As a high proportion of the Council's resources come from central government the Financial Strategy is to some extent shaped by factors outside our 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.

Comprehensive Spending Review

The new coalition government made clear that one of its key priorities was to reduce the country's budget deficit. The Comprehensive Spending Review 2010 (CSR) was announced on 20 October 2010, setting out the Government's spending plans for the next four years. The CSR set out cuts in Local Government expenditure of 28% over 4 years therefore significant funding reductions were anticipated prior to finance settlements being announced.

Revenue Support Grant and Capital Financing

In December 2010 Government announced the outcome of its (CSR) - 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 is 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 the CSR that Local Authorities 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.

Local Growth White Paper

In October 2010 the Government published the Local Growth White Paper: Realising Every Place's potential, which set out its approach to local growth.

Central to the White Paper's proposals is a commitment to ensuring that local areas are able to take a lead in developing economic growth through Local Enterprise Partnerships, decentralising decisions on investment and an expansion of the financial options open to councils with plans for Tax Increment Finance and outline proposals for greater discretion over business rates.

Business Rates

The Government has announced that it will consider options to enable councils to retain locally-raised business rates in the **Local Government Resource Review,** rather than authorities receiving distributions from the NNDR Pool.

This would represent a radical departure from the way in which existing local government finance operates. The review is scheduled to be published following consultation on the proposals set out in the White Paper.

Councils will be able to offer local discounts on business rates and businesses would have the right to vote on any local supplement on business rates.

The Business Increase Bonus Scheme is also being considered, as a less radical alternative to the above proposals. This would reward councils where growth in the business rates yield exceeds a threshold by allowing them to keep the increase – up to a certain level - for a period of six years.

Tax Increment Financing (TIF)

The White Paper expands on the Government's plans to introduce Tax Increment Finance and introduce new borrowing powers to enable authorities to borrow against future tax revenues. This will require new legislation.

Councils would be able to borrow against future additional uplift within their business rates income and use that borrowing to fund key infrastructure and other capital projects, which will further support locally driven economic development and growth.

Depending on responses to the consultation, in particularly retention of locally raised business rates, it is anticipated that TIF will be introduced through a bid-based process. Lessons learned from initial projects will inform further use of the power. Government and Local Authorities will work together to understand the risks involved and develop a shared approach to implementation.

New Homes Bonus Scheme

The New Homes Bonus Scheme will start in 2011/12. The White Paper set out that the current local government finance system doesn't provide the right incentive or rewards for councils to build new homes. A particular issue is that any increases in the Council Tax base is reflected in formula grant allocation, thereby reducing the return from new homes.

The New Homes Bonus Scheme will match fund the additional council tax for each new home and property brought back into use, for each of the six years after that home is built. £196 million will be allocated to the scheme in the first year and £250 million for each of the following three years.

Reforms to the Benefits System

The Spending Review announcement included details of major reforms in the existing benefits system, part of which is to abolish council tax benefit and replace it by April 2013 with a "new and cheaper rebate scheme". The chancellor announced that this move will cut council tax benefit spending by 10%, saving approximately £0.5bn a year by 2014/15, and control over these reduced budgets will devolve to local authorities. The key details of these proposals have not yet been announced, therefore it is currently uncertain how the new scheme will be administered and how this level of saving will be achieved.

In future it is believed that authorities will be awarded grants, equating to 90% of the current spend on council tax benefits, and will then be given the discretion to set up their own criteria for the operation of the rebate scheme to best meet local needs. There is a risk that this step is merely a way of passing a financial burden from central government onto local authorities.

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.

Regulation

On 24 June 2010, the Government announced that Comprehensive Area Assessment (CAA) was to be abolished with immediate effect. The Government advised that it was working with agencies and Councils to establish how regulation and inspection would be carried out in future.

The Audit Commission will continue to carry out Financial and VFM audits of the Council and produce the Annual Audit Letter, etc.

In terms of future regulation, it is reported that, following the cessation of the Audit Commission, from December 2012, Councils will be responsible for appointing their own Financial Auditors from a list of preferred organisations which is currently being developed by the Department for Communities and Local Government and National Audit Office.

Responsibility for inspections is to be passed to the National Audit Office (NAO) which will also coordinate and monitor the financial audits carried out by private companies. As part of the new regulation process, greater powers are to be given to the Local Government Ombudsman. For the first time, local authorities will be legally compelled to implement the Ombudsman's findings.

Local Government Association (LGA) offer

In July 2010, the LGA presented an offer to the new Government which set out a series of proposals as follows:

- Specific Measures to make efficiency savings and cut waste quickly
- Radical decentralisation for a more effective and affordable state including the establishment of Place based budgets and further developing of Total Place
- New improvement framework with streamlined inspection, stringent self regulation and Peer reviews

It is reported that the Secretary of State has accepted the LGA offer to the Government, details of which are being developed further.

Performance Data

Local accountability is strengthened by Councils making on-going performance information publicly available, in a meaningful way and in a format that local people can understand and use. In addition, Councils are to continue to encourage feedback and participation through a range of channels from social media to co-producing services and use local data such as satisfaction surveys, complaints, comments and compliments from users and the public.

To progress this, a survey has been carried out of the Councils Residents' panel to determine the information which the residents would like to see published.

The responses received show that 71% want more information on how the Council’s services perform, with performance information requested on:

- Crime
- Waste and recycling
- Financial data
- Spa theatres
- Conferences
- Parking
- Leisure
- Complaints
- Planning
- Energy efficiency
- Street Cleansing
- Environmental Health

The preferred methods of reporting are: through the website, Council documents and through regular Press articles and these mechanisms are being put in place.

Corporate Plan

The Councils current Corporate Plan “Delivering Success” covers the period 2006-2011 is due to be completed by 31 March 2011 and a new plan covering the period 2011 onwards is being developed. The Corporate Plan details the Council’s Vision, Aims and Priorities and is fundamental to the Community, Business and Service planning process, and also serves to set key targets for the Council

A review of the current Corporate Plan is timely in view of a number of factors including the publication of a new Sustainable Community Strategy (early in 2010), developments in relation to the future role of local authorities, changes to priorities and the requirements of external inspection and assessment regimes.

Under the title ‘to be the best’, the revised Corporate Plan contains 4 key aims, which have been developed following extensive consultation with residents and partners seeking their views on priorities for the area. This consultation, through the Place Survey 2009, the new Sustainable Community Strategy and the recent ‘Have your say on Local Public Services in your area’ survey, has identified 4 key aims:

- Safe and Healthy
- Prosperous
- Inclusive and Vibrant
- Quality Environments

Each of these aims have a number of targets set against them and progress against the targets set out in the Plan will be monitored alongside key performance indicators, and reported on a quarterly basis through the Council's Performance Management Framework. The performance information will be made available through the Councils website, articles and Council documents

Significant Partnerships

In order to deliver more efficient services the Council continues to work with a range of partner organisations throughout the area. In some cases it has entered into a formal agreement with partners for the delivery of services and projects, examples include Woodend Creative workspace, Scarborough Museums Trust, the Yorkshire Moors and Coast Area Tourism Partnership, the Building Control Partnership, and the Procurement Partnership. The performance of these partnerships are monitored and reported upon throughout the year.

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 and are considered by Senior Management.

Participatory Budgeting

Participatory budgeting (PB) is a process whereby local people have direct control over how a proportion of public money is spent. There are currently a number of pilot areas in Britain and the Government is very keen to see PB rolled out on a national basis. The Community Empowerment White Paper: Communities in Control sets out a government ambition to see all local authorities engaged in some form of PB by 2012, and a national strategy has also been published.

The most common model for participatory budgeting is that a fund is identified, organisations are invited to put forward bids for funding, local people vote on the bids and the projects with the most votes secure the funding.

At the end of 2008/09 the Council allocated £100,000 of its revenue underspend to establish a Community Fund. This fund presented an excellent opportunity to consider ways in which PB can be developed across the Borough. The broad themes of the PB schemes were linked to the areas of need identified by the Place Survey

An update on the PB pilot is provided within Appendix A

Equality Implications

Under current equality legislation, the Borough County must demonstrate that it pays due regard in its decision-making process to the need to eliminate discrimination and promote equality with regard to race, disability and gender, as well as promote good race relations. From 1 April 2011, the Equality Act 2010 will introduce a new public sector duty which extends this coverage to age, sexual orientation, pregnancy and maternity, and religion or belief.

Local Authorities must start to assess the impact that financial decisions might have on the new protected groups where relevant and proportionate.

6. THE COUNCILS FINANCIAL OBJECTIVES AND HOW THEY WILL BE ACHIEVED

The Financial Strategy is designed to maintain financial stability and, as far as possible, avoid the need for large unplanned increases in Council Tax and unaffordable borrowing, whilst ensuring we have sufficient resources to achieve the corporate aims and priorities. To this end, it is proposed that the Medium Term Financial Strategy should ensure the following specific objectives. Each of these objectives is underpinned by an Action Plan set out within **Appendix 'C'** of this report.

Objective 1 - Budgets are Prudent and Sustainable in the Long Term

This seeks to ensure that budgets recognise real cost pressures, and that no over reliance is placed upon any one off savings, and/or use of one off reserves.

This will be achieved by ensuring:-

- adequate provision is made for inflation pressures, current economic conditions, pay awards, and new legislation
- the revenue budget is not supported by one off savings, or any unsustainable use of reserves
- effective budget monitoring to ensure early identification of issues and action planning
- equalisation reserves are established for high risk budget areas such as car parking income

Objective 2 – Financial Plans Recognise Corporate Priorities and Objectives

This seeks to ensure that financial plans link 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,
- that the scoring of capital bids considers corporate aims and priorities

Objective 3 - Significant risks, and factors to mitigate those risks, are identified

Risk Management is crucial in long term planning, and it is essential that the Financial Strategy clearly identifies the associated risks. 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
- targeting high risk areas when setting budgets and monitoring these areas closely throughout the year

Objective 4 - The Capital Programme is planned over a 10 year period, with "Unsupported" Borrowing minimised, other than where there are clear financial or economic benefits for the Renaissance of the Borough;

This seeks to ensure that unsupported borrowing is minimised, thereby ensuring 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 10 year capital programme
- the establishment of a Capital Development Fund which matches resources and expenditure over a 10 year period
- the use of unsupported borrowing only on an invest to save basis or where clear economic benefits can be demonstrated.
- where schemes demonstrating economic rather than financial benefits are funded by unsupported borrowing the associated revenue costs will be reported, considered and approved by Council, to ensure that they are affordable
- an adoption of an Invest to Save Strategy
- contingency funding is included within capital schemes
- the establishment of the capital contingency reserve
- a corporate approach to external funding opportunities

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 cabinet on local government finance issues
- awareness of the financial position within the organisation through an effective Communication strategy

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.

The Government may in the future require authorities to set out planned council tax increases for the next three years. 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 adequate levels of capital reserves are maintained. In view of the significant risks facing the Council in terms of the delivery of a major efficiency improvement programme and capital programme it is essential that minimum levels of reserves are maintained.

Objective 8 - Value for money and achievement of improved efficiency and service delivery underpin the Financial Strategy, and the outcomes of investment made in priority areas are evaluated

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. It is important that the Council monitors how effective its investment in priority areas has been in order to evidence Value for Money.

This is being achieved through:-

- a Corporate approach to external funding
- embedded Finance and Performance reporting to Members
- benchmarking the costs of our services
- the establishment of the Corporate Efficiency Board to identify and deliver corporate savings
- a transformation programme

The outcomes of investment directed towards priority areas in the 2011-21 Financial Strategy are evaluated in Appendix J to this report

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:-

- continuing to develop the financial culture within the Council
- financial reporting and documentation based upon stakeholder needs
- improved financial systems (General Ledger Upgrade)
- Training and Development – finance/non finance
- Integration of financial and non financial performance measures

These objectives are further explored throughout this report, and the recommended actions to support these objectives are set out within the Action Plan

7. MAKING BETTER USE OF OUR RESOURCES

We can only maintain and increase investment in priorities by managing our services in an efficient way and being committed to a programme of continuous improvement and cost effectiveness. It is also important that there is effective corporate working along with long term planning and coordination of work within the Council.

At Member Level: -

The member **Corporate and Finance Strategy Working Group** will continue to be integral to driving the Financial Strategy forward. Supporting this role, the **Audit Committee** will have a key role in ensuring that effective Stewardship, internal control, and risk management are adopted within the Council and the **Corporate Efficiency Board** will drive the efficiency programme forward.

Cabinet will of course continue to play a key role in the delivery of Value for Money, and monitoring performance. **Full Council** will remain responsible for setting the overall budgetary framework, and the **Overview and Scrutiny Committees** will play a significant part in the development and monitoring of policies and performance.

At Officer Level: -

The **Capital Strategy Group** will monitor the achievement of the capital programme, reporting to Cabinet on a quarterly basis. The group will also review the option appraisal process/prioritisation of capital schemes to ensure a robust process is in place that ensures that resources are allocated in line with priorities. This Group will also support the Investment Strategy Group in developing a process that will ensure that the bidding for external funding is clearly focused on the Council's corporate priorities.

An **Investment Strategy Group** is in place to lead on the overall coordination of a number of major investment issues (e.g. Capital Strategy, Private Development, Partnerships, Community Strategy, Urban Renaissance, The Sands etc) and ensure these are being effectively managed corporately. A number of project teams are established for a range of major capital projects (e.g. the Sands, the Spa redevelopment, the Depot relocation).

At both member and officer level:-

The Corporate Efficiency Board will

- Manage the whole VFM process,
- Ensure that efficiency targets set within the Council's financial strategy are achieved

- Receive information on costs and how these compare to others
- Establish clear policies and effective processes for reviewing and improving value for money.
- Develop of a corporate work programme targeted at specific areas
- Recommend areas for one off investment to deliver long term VFM

In Partnership: -

To ensure resources are used to maximum effect will require the Council to continue to work in **partnership** with other organisations, and with the **Community**. Examples of such partnerships include: - working with Yorkshire Forward, the development of the Community Strategy with a wide range of groups and organisations, and development of Urban Renaissance with the Town Team.

The financial position of significant partnerships will be regularly reviewed, and reported to Cabinet and Overview and Scrutiny.

8. 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.

We already have in place a comprehensive Financial Strategy, and this document represents an update to the existing Strategy. We aim 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 departments and individual managers can plan their services.

The budget process

The financial strategy comprises a 5-year revenue plan and a 10-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. An outline timetable is set out below. A more detailed timetable is presented in March to Corporate and Finance Strategy Group setting out the plan for the year. This plan is rolled forward, and reviewed at each future Corporate and Finance Strategy Group meeting.

One of the key features of the budget process is the linkage between the corporate financial requirements and the operational needs and demands of the Council. This is done through the Service Plans, which identify funding requirements for the revenue and capital budget, performance outcome expectations and risk assessments. A key feature of the Service Plans are the critical success factors and the proposed efficiency savings, which are shown at Appendix 'A3'

The Budget Process

Ongoing

- Regular monitoring information
- Efficiency identification
- Reports to CSFG/Cabinet/Corp Efficiency Board
- Presentations to Senior Management, and to Departmental Management Teams
- Communication strategy to staff
- Performance Monitoring reports
- Audit Committee – risk management
- Quarterly meetings between s151/HoS

March - April

- Forward plan for year
- Integrate timetable with corporate planning
- Update projections
- Review of process
- Key financial reporting documents published

May - June

- Confirm efficiency targets for next three years
- Guidance to managers
- Review Final Accounts
- Ask HoS for priorities/bids/commitments – linking to local and national priorities

July-Aug

- Cabinet report re outturn (July)
- Priorities/Commitments assessed
- Efficiency proposals for 10/11 identified and developed

Sept - Oct

- Efficiency proposals reviewed and finalised
- Review of reserves
- Financial Plan updated
- Review investment in priorities / commitments
- Determine consultation methods
- Scoring of capital bids

Nov – Dec

- Finance settlement
- Consultation
- Review service risks
- Review priorities – local and national
- Detailed budget preparation
- Cashflow forecast
- Member presentation

Jan –Feb

- Update MTFP
- Sign off by heads of service
- Council tax setting
- New capital schemes
- Cabinet report (Jan)
- Cabinet report (Feb)
- Council report (Feb)

Training Requirements

It is recognised that financial training must be delivered to both officers and members to ensure that the key features and objectives of the Financial Strategy are embedded throughout the Council.

Finance staff regularly meet with officers throughout the authority to deliver tailored training sessions as and when required. Several member training sessions have been undertaken during the 2010/11 financial year covering the Medium Term Financial Strategy, Final Accounts and the Financial Strategy. This training will continue into 2011/12.

Budget Monitoring arrangements

It is essential that the financial plan is regularly monitored, with the progress being reported to lead members. This will be done through the issuing of monthly revenue and capital monitoring reports to senior management, and quarterly financial and performance reports, linking financial performance to service performance, to Cabinet and Overview and Scrutiny.

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.
- Regular meetings between each Head of Service, the Section 151 Officer and finance staff to discuss financial issues and concerns.
- Challenging Heads of Service' efficiency proposals
- Using the Corporate Efficiency Board and CFSG to monitor delivery of efficiencies/savings

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 the strategy – that growth items are wherever possible accommodated within existing resources. To achieve this requires a culture of financial awareness within the authority and this is seen as a key priority.

9. 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 mechanisms in place.

The following methods were used to ensure effective communication and consultation of the proposals set out in this Financial Strategy:-

- Borough News – regular information about the council's performance, resource issues, and plans for future years were included in the Borough News.

- Local Area Budget Survey – the Local Area Budget Survey ran from 1 October to 30 November 2010. The survey was sent out to 8,000 residents and was made available online and in all customer first sites to ensure that all stakeholders could fed into the budget setting exercise. Appendix A5 provides details of how the feedback received links with the budget proposals for 2011/12.

- Web Based Consultation – The Council launched a web based consultation when the budget proposals were announced and people were asked to provide feedback on the proposals

- Customer First – copies of the budget proposals and feedback forms were made available in all Customer First centres.

- Council employees – copies of the budget proposals and settlement announcements were circulated to all Council employees and they were invited to provide feedback via the council's consultation page on the website. There is regular communication with staff at all levels, and with unions throughout the budget setting process.

- Third Sector and Partners – third sector organisations (via the Coast and Moors Voluntary Action Group) and the Council's major partners were invited to submit growth bids to feed into the Councils budget and were also notified about the consultation process.

10. THE REVENUE PLAN 2010-2015

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:

External Funding – 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.

When the new coalition government came into power it made clear that one of its key priorities was to reduce the country's budget deficit. The Comprehensive Spending Review (CSR) was announced on 20 October 2010, setting out the Government's spending plans for the next four years. The CSR set out cuts in Local Government expenditure of 28% over 4 years therefore significant funding reductions were anticipated prior to finance settlements being announced.

The first provisional two-year finance settlement was announced on 13 December covering the 2011/12 and 2012/13 financial years. The outcome for the Council was significantly worse than originally anticipated with a cut in grant funding of 14.6% (£1.574m) in 2011/12 and a further 9.2% (£0.864m) in 2012/13 (£0.864m).

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 Comprehensive Spending Review (CSR) provided details of Council Tax freezes for 2011/12 and the Government later confirmed that £700m would be made available to provide financial assistance to those Council's that approved a 0% Council Tax rise.

It was later confirmed that Council's that freeze Council Tax levels will be eligible to receive a grant equivalent to a 2.5% increase in their 2010/11 basic amount of Council Tax. These funds are not available to any Council that chooses to raise its precept or to Parish or Town Councils.

Funding will only be provided to support a Council Tax freeze for 2011/12, however the Government does intend to provide supplementary funding to local authorities for an additional 3 years to compensate them for Council Tax income foregone during the Spending Review period.

The proposed Council Tax increase for 2011/12 is 0%.

Inflation rates and pay increases

The medium term plan makes provision for inflation and pay awards as follows:

Inflation: a composite rate of 0% has been used for non-salary expenditure budgets with a corporate contingency of £120k to fund unavoidable cost increases.

Pay awards: an estimated increase of £250 for all employees earning below £21k per annum is included within budget, although this pay award is still under negotiation at a national and local level. 0% increases have been included for all other employees in 2011/12, reflecting the economic conditions at the time of writing this strategy.

Interest Rates

The Council has borrowed to fund capital investment in previous years and provision has been made in the plan to fund the ongoing borrowing costs and repayments.

The Council has significant levels of surplus cash balances at periods throughout the year, which it invests for short periods to earn interest. These cash balances represent unspent reserves held such as the Insurance Fund and unspent capital receipts.

The council employs treasury management consultants to review its debt and investment portfolio. These consultants work with officers in order to manage the portfolio in order to maximise interest receivable and minimise borrowing costs on a medium to long term basis.

A provision of £400k was provided in the 2009/10 budget strategy to write interest receipts down to a reasonable level and accommodate the current low levels of return. The Council has also established an earmarked reserve of £290k to offset any one off shortfalls in interest receipts.

The ongoing effect of existing policies, priorities and economic conditions

The ongoing effects of current policies, priorities and economic conditions are included in the plan. These additional costs include the write down of profits achievable from trading units, additional costs associated with changes in housing benefits and local land charges legislation, increased demand for temporary accommodation for the homeless, increases in the back funded element of pension contributions, and increased costs resulting from additional responsibilities for the council in relation to the enforcement of fire safety standards and community safeguarding.

Risks, Contingencies and Balances

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

- 2011/12 – £120k, earmarked to offset costs associated with unavoidable inflationary cost increases.
- 2012/13 - £nil
- 2013/14 - £104k
- 2014/15 - £309k

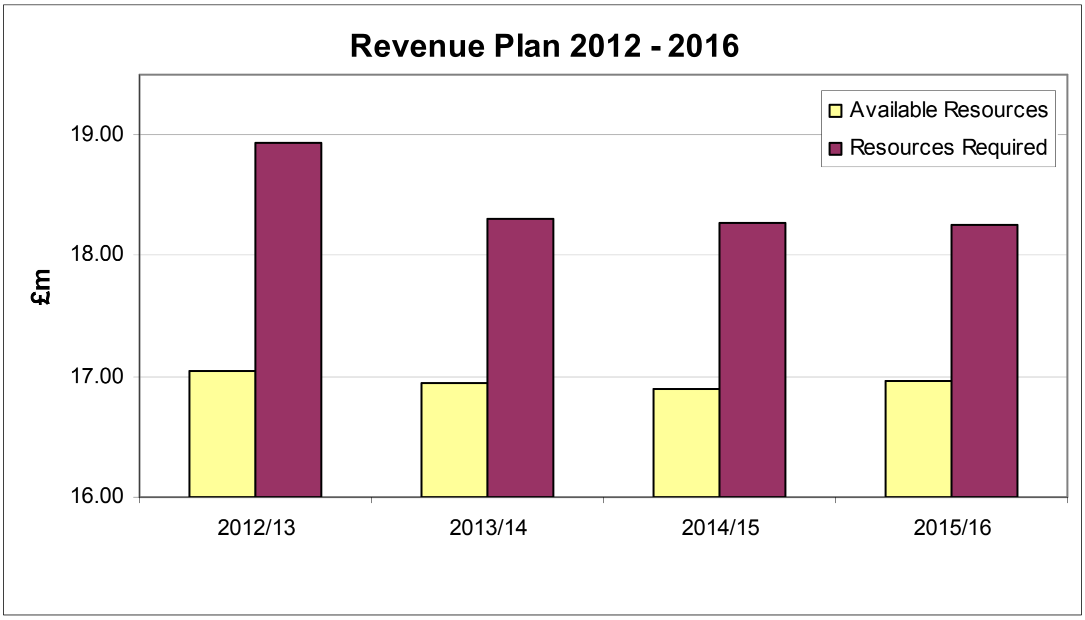
Although there is currently nil contingency provided in the revenue plan for 2012/13 it is recognised that additional savings will be required to offset any cost pressures that arise during 2011/12.

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.

The 2011/12 budget includes a £250k draw from General Fund reserves. In line with Objective 7 this Financial Strategy increases the criteria for the minimum level of the General Fund Reserve from £1.5m to £2.0m. This reflects the increased risk inherent funding cuts that will be applied over the four year spending review period as well as other risks associated with the economic climate.

Revenue Plan 2012-2016

The graph below shows the forecast “standstill” budget, and estimated resource availability for the next four years.



The reason for the "gap" in funding is summarised in the table below

Budget Variations Anticipated	**2012/13 £000**	**2013/14 £000**	**2014/15 £000**	**2015/16 £000**
Pay and Price Inflation	245	395	395	395
Corporate Commitments	784	762	533	50
Contingency Sum	-	104	309	915
(Increase) / Decrease in Financing	864	102	39	(59)
The Funding Gap	**1,893**	**1,363**	**1,364**	**1,300**
Bridging the Gap				
Corporate Savings	**(1,893)**	**(1,363)**	**(1,364)**	**(1,300)**

Contingency sums are dependent on achieving the level of savings shown. The level of savings required to bridge the funding gap will increase if cost pressures exceed the contingency sum.

Savings Targets

The revenue plan highlights the need for significant efficiency savings in order to ensure that priority and front line services continue to be delivered. Achievement of these targets will be difficult, and therefore the process needs to be seen as an ongoing one, rather than an annual stop start process.

The Financial Plan includes efficiency and savings proposals totalling £2.264m in 2011/2012. The revenue projections already show a funding gap of £1.8m for 2012/13 and this level will increase further if additional cost pressures arise. This is the minimum level of savings that are acceptable if the Council's financial objectives for the medium term are to be met.

2011/12 will be the first year of adopting a corporate approach for the identification of savings rather than individual Heads of Service being set across the board savings targets. The Corporate Efficiency Board will play a key role in identifying areas of potential saving however senior management will continue to be heavily involved in the identification and delivery of efficiencies.

The achievement of efficiency savings will continue to be a priority for the Council and it is recognised that to achieve such a large scale of transformation Senior Management will need to look closely at all areas of potential efficiency including partnership working, procurement, trusts and streamlining back office duties. It is also recognised that efficiencies alone may not be sufficient to bridge the funding gap and members may be required to prioritise services and make difficult decisions in forthcoming years.

11. CAPITAL STRATEGY

The Council's corporate strategy has an overarching vision to:

'enhance the quality of life for those living in, working in, or visiting the Borough'.

The Capital Strategy is the key vehicle for developing long term change to deliver the key priorities and corporate objectives.

The capital strategy meets this challenge by setting out the mechanism for delivering structural change in line with the principles for excellence as set out in the "Use of Resources" Assessment. It does this by addressing the key issues of:

a) prioritisation in line with the key priorities and corporate aims

b) engagement with partners of the community

c) affordability of funding

d) integration of capital and revenue decision-making

e) framework for managing and monitoring

a) Prioritisation methodology

The Council has developed a prioritisation process that allows members and officers to focus on corporate priorities when formulating spending proposals and ensures that any resources available can be allocated in the context of the Council's priority needs.

This prioritisation 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.

The Capital Strategy Group, Investment Strategy Group, and Corporate and Finance Strategy Group are all involved in capital decisions

***b) Engag*ement 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) to deliver recent projects. 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 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 in the form of specific grants. In addition other external grants and contributions are sought. The grants and contributions 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. Council funding in the form of capital receipts, unsupported borrowing, use of reserves and from revenue sources make up the balance of resources.

In moving towards a 10-year capital programme it is important to review options for the funding of a programme that will meet Corporate Priorities over a 10-year period and beyond.

Controlling the level of resource availability and ensuring the Council does not over commit resources or incur expensive borrowing are also crucial factors therefore the Capital Development Fund was established in order to achieve these priorities and serve as the principle source of new capital funding.

The Capital Development Fund identifies the available capital funding for the Council. It provides a mechanism by which capital spending is controlled, and ensures that the implications of capital spending in terms of the revenue impact are planned and minimised. The use of the Capital Development Fund as the primary source to identify the capital funding available ensures that unsupported borrowing can be minimised and financial stability maintained.

The Fund seeks to contribute, in a planned and prudent manner to the long-term vision of the Council, supporting the renaissance of the Borough.

Financing the Capital Development Fund

The following table shows the Medium Term Capital Plan and resource availability for the next 10 years. The additional resources available to invest in priority areas over the next 10 years is £1.063m and the associated spending plans are detailed in Appendix B. The Council can only generate more capital resources from increasing its amount of capital receipts or the level of unsupported borrowing.

Capital Development Fund 2011 to 2020

	£ 000's	£ 000's
Balance Brought Forward as at 1 April 2010		3,309
Transfers In		
Grants and external contributions	18,863	
Contributions from Revenue and Other Reserves	19,317	
Anticipated Capital Receipts	3,932	
		42,112
Approved Expenditure		
Capital expenditure approved prior to 1 April 2011	28,176	
Schemes proposed for inclusion for 2011/12 (Appendix B – Section 6)	3,894	
Earmarked Budgets		
Asset Management (2012 to 2020)	2,245	
IT Replacement / Development (2013 to 2020)	1,542	
Vehicle Plant and Equipment (2013 to 2020)	7,798	
Disabled Facility Grants (2012 to 2020)	7,520	
Total Expenditure included in Capital Plan [1]		(51,175)
Expenditure funded from Borrowing		6,817
Resources available if capital receipts are achieved		1,063

[1] A breakdown of expenditure by scheme is included at Appendix H1

Capital Contingency Reserve

The Capital Contingency reserve provides contingency funding for potential additional costs incurred on the existing capital programme.

The uncommitted balance on the Reserve is currently £0.563m, which is within the pre-determined criteria. A revenue contribution of £150k will be transferred to this reserve in 2011/12.

(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 F.

The Council has largely mitigated the risk of unaffordable borrowing by establishing the Capital Development Fund in order to avoid the extension of borrowing over the medium term.

As current economic conditions have led to low interest rates and limited capital receipts, options for borrowing have been utilised in recent years to continue the Regeneration of the Borough. The full implications of this unsupported borrowing, including the impact on revenue budgets, were factored into the decision making process for these schemes.

Any future borrowing will be minimised and will only be progressed where it can be demonstrated as being affordable, sustainable and lead to economic or financial benefits.

Revenue Implications

The revenue implications of funding the capital programme are the loss of interest receivable from the use of internal balances or repayment of principal, and increases in interest payable on additional external borrowing.

The introduction of the Capital Development Fund restricts borrowing unless it can be demonstrated as being affordable and hence limits the impact on the revenue budget. In order to achieve revenue savings in the short term the Council has utilised uncommitted capital receipts within the capital programme, limiting external borrowing and therefore the impact on the revenue budget. This has delivered significant short-term revenue savings, but these benefits do not extend to the medium term.

It is recommended that the Council can use borrowing to fund capital investment as follows:

- ***to the level of 'supported borrowing' allocations***

- ***to fund Invest to Save schemes, based upon sound business cases/risk assessment, utilising Prudential Borrowing. To assist in this process a proposed Invest to Save Strategy is set out in Appendix D. This sets out basic principles that underpin the use of Prudential Borrowing, and the process to be followed for potential schemes***

- ***to fund schemes that deliver clear economic benefits where it can be demonstrated that the borrowing is affordable***

- ***to a level to reimburse uncommitted capital receipts***

- ***in accordance with the Prudential Code and Treasury Management Policy***

(e) Framework for Managing and Monitoring the Capital Programme

The Section 151 Officer has overall responsibility for the preparation and monitoring of the Council's capital programme and for reporting the outcome to Cabinet. 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 Cabinet.
- Ensuring that 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.

Quarterly monitoring reports on the capital programme and prudential indicators are submitted to Cabinet, the last of which comprises the end of year outturn. The financial regulations set out a requirement for regular reporting to members for all schemes above £250,000.

VAT – Partial Exemption

VAT partial exemption allows Councils to reclaim VAT on exempt activities as long as the amount is within a 5% of the total reclaimable VAT (Input Tax).

It was identified at the time of selling the Council Houses to Yorkshire Coast Homes that the loss of Input Tax from the expenditure on the Housing Revenue Account would have potential implications in relation to the exempt 5% vat threshold.

As a result, since then the VAT threshold is monitored very closely. To date, the limit has not been breached. All future capital schemes will be assessed to identify how they will impact on the partial exemption VAT position.

12. IMPACT 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. Each service maintains its own risk register and these are reported annually to the Audit Committee. During 2010 comprehensive training has been given to Officers and Members.

The key risks identified for 2011/12 and in the medium term are listed in Appendix I, together with comments on how they will be managed and a sensitivity analysis showing the potential impact.

Social and Community Needs

The Financial Strategy needs to be reviewed in terms of its equalities impact to assess the bearing it has on the Borough's population and differing community groups.

Whilst this process needs to be developed and embedded within the scoring criteria for evaluating priority growth bids, it is important to note that the Council is being proactive with its finances in supporting equalities and the needs of the community with such schemes as:

- Council Building Disabled Accessibility
- Outreach support for Council Tax and Housing Benefits
- Housing disabled facility grants
- Area Committees and Area Forums
- Parish Councils and the Model Agreement

The public and third sector organisations are consulted with on the budget proposals set out in this Financial Strategy and the Service Business Plans identify the Key Stakeholders for each service area.

Sustainability Impact

In order to progress towards integrating sustainability into the performance management cycle and ultimately into the accounting process the Council has developed a sustainability policy which contains principles and measures that are to be implemented over the coming years. This will provide the backbone of the Councils sustainability drivers and facilitate the development and implementation of a range of Sustainability strategies.

To promote this process the Council, as part of the Carbon Trusts Carbon Management Programme, have set reduction targets for both CO_2 emissions and energy use. A Strategy and implementation plan, including a complete list of identified projects, has been drafted for approval and endorsement by full Council.

13. BALANCES AND RESERVES

The Local Government Act 2003 places a specific duty on the Chief Finance Officer, i.e. the Section 151 Officer (Head of Finance and Asset Management), 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 Section 151 Officer 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 Section 151 Officer 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 "G" details the position on the Councils Reserves.

14. 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 and these are supported by the detailed action plan (Appendix C). The Executive summary highlights the main proposals, and recommendations.

In addition, specific proposals are highlighted for the 2011/12 revenue budget, and the inclusion of new capital schemes.

The process of developing the Medium Term Financial Plan is ongoing. Although there are further improvements to be made, the Financial Strategy is now embedded throughout the organisation and it is recognised as one of the Council's key corporate documents. The Strategy puts in place a framework and establishes a strong financial base to aid the delivery of priorities.

As far as possible, the plan anticipates future needs and recognises the financial uncertainties, risks and challenges faced by the Council. We have in place rigorous financial monitoring, and project management processes are being developed. We aim to ensure we hold balances and reserves that we consider adequate without being excessive.

Consequently, Scarborough Borough Council now has in place a sound Medium Term 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

REVENUE BUDGET AND COUNCIL TAX 2011/12

1 INTRODUCTION

This appendix sets out the detailed movements in the revenue budget between 2010/11 and 2011/12, and recommends the proposed budget for 2011/12 along with the associated levels of Council Tax.

It provides details of:

- Areas of Budget Pressure and Unavoidable Cost Pressure
- Areas of additional investment
- Efficiency and other savings proposals put forward

2 BUILD UP OF THE 2011/12 REVENUE BUDGET

A base revenue budget of £21,271,042 was approved for the 2010/11 financial year, which forms the starting point for the 2011/12 budget requirement.

Although the Council has made a concerted effort to minimise budgetary growth a number of unavoidable cost increases and budgetary pressures have arisen during the year, as summarised in the following table:

Table 1 – Unavoidable Costs

	£
Pay and Price Inflation	10,963
Other Budget Pressures	1,219,396
Total Unavoidable Costs	**1,230,359**

Pay and Price Inflation

This increase reflects the inflationary allowances across budget heads. All income targets have been inflated by 2% and expenditure budget heads have been fixed at 2010/11 levels. Any cost increases will therefore need to be absorbed within individual service area budgets. A contingency of £120k has been retained to cover unavoidable or corporate inflationary cost increases and this will be allocated to budget heads throughout the 2011/12 year as areas of growth are identified.

The staffing budgets built into the 2011/12 budget allow for a £250 pay award for all staff earning under £21,000 per annum, reflecting central government announcements made earlier in the year. This pay award is still under negotiation at a national and local level however a prudent decision has been taken to make provision within the budget as the award will largely be outside the Council's control. If agreed the pay award will cost the Council £171k per annum, which is the equivalent of a 0.75% pay award across all staff.

In previous years the Council has made an allowance in budget for employees entitled to incremental progression within their pay grade. Due to the general freezes in local government employee salaries the Council has reviewed its position in relation to increments and has opted to freeze them for the 2011/12 year. This approach is considered to be consistent with a number of other local authorities across the country. This has reduced the amount of pay inflation required in the 2011/12 budget by £195k. The position re increments will be reviewed for 2012/13.

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

As in previous years the 2011/12 budget does not include a corporate provision for salary savings. This reflects that staffing savings are not expected to accrue due to a slowdown in staff turnover. The Council does not budget for recruitment costs therefore it is also assumed that any short term staffing savings will be required to fund associated recruitment and advertising costs.

Other Budget Pressures

A breakdown and further details of these costs are included within Appendix A1 to this report.

Contributions to the Local Government Pension Scheme

Every 3 years the actuary undertakes a valuation of the Council's pension scheme to determine the level of contributions required over the following 3 year period. The outcome of the assessment for the 2011-2013 period was much worse than anticipated in the Council's original financial projections.

The Council currently pays a 19.8% employer's contribution, which is made up of a 12.6% element to fund the anticipated future pension costs of the relevant employee and a 7.2% past service (back funded) element to fund the liabilities of employees that have already retired.

The actuary has assessed that the Council's back funded rate needs to increase by 6% to 13.2%. In cash terms this roughly equates to an additional cost of £1m per annum however this additional cost can be spread over 3 years. The budget needed in the 2011/12 year is £320k higher than the amount included within the Councils original financial projections.

There are several reasons for this increase:

- Investment returns on the fund have been lower than assumed between 2007 and 2010

- We took the option 3 years ago to maintain a 19.8% contribution rate on the assumption that investments would improve. This was a viable option made available to the Council by the fund administrators but was before the onset of the recession

- The outsourcing / loss of areas such as the Council's housing stock, museums service and highways agency in recent years, along with general staffing reductions, has reduced payroll by £1.1m over the 3 year period therefore back funded costs which are fixed are spread over fewer employees

- The profile of SBC's members differs from a lot of other authorities as we already have a high proportion of fund members that are already drawing their pension compared to the number of employees currently contributing to the scheme.

3 RESOURCES

The new coalition government made clear that one of its key priorities was to reduce the country's budget deficit. The Comprehensive Spending Review (CSR) was announced on 20 October 2010, setting out the Government's spending plans for the next four years. The CSR set out cuts in Local Government expenditure of 28% over 4 years therefore significant funding reductions were anticipated prior to finance settlements being announced.

Finance Settlement

On 13 December 2010 the Government announced its first provisional two-year finance settlement covering the 2011/12 and 2012/13 financial years. The outcome for the Council was a cut in grant funding of 14.6% in 2011/12 and a further 9.2% in 2012/13, which was significantly worse than anticipated.

The Borough Council's settlement for 2010/11 totalled £12,502,001. This figure has been adjusted by £2,019,000 to reflect that the responsibility for concessionary fares will transfer to North Yorkshire County Council (NYCC) on 1 April 2011. The final settlement awarded for 2011/12 totalled £8,955,290, which is £46,995 higher than the provisional allocation and equates to a cash reduction of £1,527,711 on the previous years settlement.

The provisional funding allocation for 2012/13 shows further cuts in funding of £878,000.

Concessionary Fares

The Borough Council currently administers the concessionary fares scheme. In 2008/09 the scheme was enhanced nationally and the Council put £980k of its own resources into budget as government support was not considered to be sufficient to cover the anticipated additional cost of operating the scheme.

The first year of operation highlighted that the actual cost of running the scheme was £200k less then envisaged therefore the Council reduced the expenditure budget accordingly as part of the 2009/10 budget setting process. In 2010/11 the Government acknowledged that the funding given to some authorities was insufficient, and as a result the Council was awarded an additional grant of £300k to fund the scheme.

After taking account of these adjustments the net concessionary fares budget stands at £2.461 million in the 2010/11 budget.

Responsibility for the scheme will transfer to NYCC on 1 April 2011 therefore the government adjusted the Council's Settlement grant to reflect that the responsibility for the concessionary fares expenditure would transfer. The grant reduction was based on previous years expenditure on the scheme rather than the Council's budget and totalled £2.019 million.

Table 2 below summarises the movements on the concessionary fares budgets over the 2008/09 to 2010/11 period and shows that overall the Council's financial position in relation to the base budget for the enhanced scheme is roughly cost neutral.

Table 2 – Summary of Concessionary Fares funding

Year		£
2008/09	Additional funding allowed for the scheme	980
2009/10	Reductions in expenditure budgets	(200)
2010/11	Additional grant awarded	(300)
2011/12	Saving on expenditure budget and reduction in settlement grant on transfer of the budget to NYCC (£2,461 - £2,019)	(442)
	Net amount funded from local tax payers	**38**

Council Tax

Each year the Council must agree a level of Council Tax increase. The CSR confirmed that £700m would be made available to provide financial assistance to those Council's approving a 0% Council Tax rise in 2001/12 and it was later confirmed that Council's that freeze Council Tax levels will be eligible to receive a grant equivalent to a 2.5% increase in their 2010/11 basic amount of Council Tax. These funds are not available to any Council that chooses to raise its precept or to Parish or Town Councils. The grant for the Council will be in the region of £219,230 if a Council Tax freeze is approved.

The CSR has concluded that funding can only be provided to support a Council Tax freeze for 2011/12, however the Government does intend to provide supplementary funding to local authorities for an additional 3 years to compensate them for Council Tax income foregone during the Spending Review period.

4 INVESTMENT IN PRIORITY AREAS

Strategic Directors and Heads of Service, in conjunction with Finance Staff, have been asked to identify any areas where additional investment is required, with particular reference to Local and National Priority Areas.

Due to the funding pressures facing the Council the growth included in the budget has been restricted in order to minimise the level of savings needed to balance the budget. The areas proposed for additional investment are summarised in Table 3 below, with further details provided in Appendix A2.

Table 3 – Meeting Priorities

Heads of Service	Bid	£	Local / National Priority Growth Bid
Tourism and Culture	Barons Leisure Centre	10,000	Creating Healthy and Vibrant Communities
Environmental Health	Safer Houses Initiative	31,550	Ensuring Affordable and Decent Homes
Whitby Leisure Centre	New Fitness Suite equipment	30,000	Creating Healthy and Vibrant Communities
Corporate	Safeguarding Post	41,000	Developing Safer and Stronger Communities
Planning and Regeneration	Neighbourhood Regeneration and Area Forums	76,000	Developing Safer and Stronger Communities
Corporate	New Depot	215,000	Improving the Council
		403,550	

Further one-off funding for priority areas totalling £233,700 is being funded from reserves in 2011-12. Further details are provided in Appendix C of this report.

5 FUNDING GAP

Taking into account the funding allocations detailed in Section 3 and the investment in priority areas in Section 4, and assuming a Council Tax freeze, the following table summarises the funding gap for 2011/12:

Table 4 – Summary of Funding Gap for 2011/12

	£	£
Base Revenue Budget for 2010/11		21,271,042
Removal of net Concessionary Fares budget		(2,461,610)
Unavoidable Costs (Per Table 1)		1,230,359
Investment in Priorities (Per Table 3)		403,550
		20,443,341
Last Years Financing	21,271,042	
Removal of Concessionary Fares funding	(2,019,000)	
Reduction in Settlement Grant	(1,527,711)	
Additional income from increase in tax base	9,900	

Assumed grant for freezing Council Tax	219,230	
Resources available		(17,953,461)
Funding Shortfall		**2,489,880**

This leaves a shortfall of £2,467,884 that needs to be addressed through efficiency and other savings.

It should be noted that the Council's original financial projections allowed for investment in several priority areas such as Disabled Facilities Grants, Night Marshalls and contributions to the capital programme; and also main stream funding for the continuation of posts such as the Anti-Social Behaviour Officer and Sustainability co-ordinator.

Due to the unanticipated increases in pension contributions and larger than expected cuts in grant funding a large proportion of this investment has now been removed from the budget, although some areas will continue to be funded from one off reserves in 2011/12.

6 EFFICIENCY AND OTHER SAVINGS TARGETS

Proposed Approach to Savings

In previous years the Council has applied across the board savings targets for all service areas, regardless of whether those services are statutory or considered to be a high priority. It is recognised that, although this has successfully driven out inefficiencies in service areas, it is not a policy that is sustainable over the longer term.

With this in mind 2011/12 will be the first year that the Council adopts a corporate approach towards the identification of savings. This will allow the Council to target available resources and direct them into priority areas to protect service levels in its front facing services.

As the savings are being managed corporately there is a risk that service areas will not take ownership of the proposals put forward, and as a result savings may not get delivered. To overcome this problem a budget manager, or Head of Service, will be identified in the most relevant service area to take responsibility for the delivery of the saving.

Corporate Efficiency Programme (CEP)

A Corporate Efficiency Board consisting of Members and Officers controls the CEP. The role of the Board is to review all Council Services, identify efficiencies, improve the delivery of services and ensure Value for Money.

In December Cabinet agreed to enter into a contract with Northgate Information Solutions UK Limited as the Council's selected efficiency partner. The work of this partner will feed into the Corporate Efficiency Board and will ensure that efficiency saving opportunities are maximised, thus reducing the need for service reductions and impact on service users wherever possible.

The efficiency partner will provide additional, specialised resources to aid the Council in achieving challenging efficiency targets over the next few years and will be recompensed on a purely risk and reward basis, in line with predetermined criteria.

The efficiency partner has already conducted reviews within Customer First, Benefits and Revenues, and administration and the future review programme will include all areas of the Council.

Whilst service reductions will be minimised wherever possible it must be acknowledged that the significant budget shortfalls identified over the Spending Review period will not be covered by efficiencies alone, and Members will be expected to make difficult decisions in forthcoming years.

7 PROPOSED SAVINGS OPTIONS

Senior Management have adopted the identification and achievement of savings as an integral part of the Council's budget setting process. Work to identify savings starts early in the preceding financial year, ensuring that there is sufficient time to implement full year's savings and to consult with relevant stakeholders.

The savings put forward within the 2011/12 budget proposals have been scrutinised by the Corporate and Financial Strategy Group, are summarised in Table 5 below and are detailed in Appendix A3

Table 5 – Summary of Proposed Savings

Efficiency Partner	412,100
Operational Efficiencies	472,100
Back Office Efficiencies	382,740
Joint Working	150,000
Budget Cuts / Additional Income	308,610
Contributions to Reserves	159,930
Other Savings	354,400
TOTAL	**2,239,880**

Savings included in Previous Year Budgets

Parks Rangers

In the last financial year the two Parks Ranger post were identified as a potential efficiency saving. There were concerns about the proposal so it was subject to a review by a Member task group, which identified that the services provided by the Parks Rangers could operate more efficiently. The Councils Corporate Efficiency Board was asked to look at the work of the Park Rangers and how this could be delivered more effectively.

The review for the Corporate Efficiency Board 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 organisations.

Funding was made available to enable the Park Rangers to continue in their current role to enable the review to be carried out. This funding ceases on 31 March 2011 and with the reallocation of many of the duties to other services and the creation of a Community Environment Officer post it is proposed the two Parks Ranger posts be deleted from the establishment at the end of the financial year 2010/11.

A Community Environment Officer post will be established from 1 April 2011. The post will be created and 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 in key areas of the Borough.

Senior Management Restructure

From 1 April 2011 the Council's Senior Management Structure will reduce from 8 Heads of Service to 7 and the post of Head of Technical Services will be deleted from the Council's establishment. The services currently managed by the Head of Service will be reallocated to the remaining Heads of Service. In addition the savings schedule attached to this report sets out further efficiencies in respect of the administrative support for Senior Management posts.

Work will continue to develop and enhance partnership working during the 2011/12 year and it is expected that this will create further opportunities to reduce the Senior Management structure in future years.

8 STAFFING IMPLICATIONS

The Council has recognised that to achieve efficiency savings that do not impact on the delivery of front line services there will be a need to reduce staffing numbers.

Although details for some savings options are still being finalised current projections show that employee numbers will reduce by approximately 50. A number of these reductions have already been implemented in the year by restructuring services and not filling vacant posts however there will inevitably be some redundancies. All employees that could be directly affected by the changes have been notified.

This process will be closely managed and consultation has already started to take place with Trade Unions and staff. The Council has a strong commitment to try and minimise the impact on staff and number of compulsory redundancies by utilising natural wastage and providing some training for staff to support this.

9 SUMMARY OF THE 2010/11 BUDGET POSITION

Table 6 summarises the net budgetary position as detailed in this report.

Table 6 – Summary of Budget Position

	Report Table Reference	£
Funding Gap	Table 4	2,489,880
Efficiency and Other Savings	Table 5	(2,239,880)
Contribution from General Fund Reserve	Section 12	(250,000)
Shortfall		**-**

A net budget of £17,733,990 is proposed for the 2011/12 financial year, with corresponding financing of £17,733,990

Table 7 – Net Budget under Head of Service and Corporate Control and Associated Financing

	2010/11 £	2011/12 £
Finance and Asset Management	4,407,192	2,385,477
Environmental Services	9,916,435	9,121,745
Human Resources and Performance	357,091	116,762
Legal and Support Services	3,743,840	3,704,985
Regeneration and Planning	2,831,054	2,544,570
Tourism and Culture	2,082,457	1,296,186
Transformational Management	359,405	150,231
Total Budgets under specific Heads of Service Control	23,697,474	19,319,956
Corporate Budget Heads	(2,426,432)	(1,585,966)
Total Net Budget	21,271,042	17,733,990
Financed by:		
Local Government Finance Settlement	(10,483,002)	(6,936,290)
Local Government Finance Settlement – Concessionary Fares	(2,019,000)	(2,019,000)
Borough Council Precept	(8,769,040)	(8,778,700)
Total Financing	(21,271,042)	(17,733,990)

Further details of the revenue budgets are attached at Appendix K

10 HAVE YOUR SAY BUDGET CONSULTATION 2011/12

It is important that the Council considers the views of its stakeholders in the budget setting process and therefore to help gauge views the Council conducted a 'Local Area Budget Survey', which ran from 1 October to 30 November 2010.

This survey was sent out to 8,000 residents, was made available in all Customer First venues, and could be completed online via the Council's website therefore all stakeholders were able to feed into the consultation process. 1,426 responses were received from the exercise and the results were presented to Cabinet in December.

One of the key messages coming out of the consultation was that respondents do not feel that they are listened to and that their feedback is not taken into consideration in the Council's decision making processes. It is therefore extremely important that clear links can be made between the consultation feedback and the budget proposals set out in this report.

Appendix A4 sets out the headline messages coming out of the consultation and Appendix A5 demonstrates the links between the feedback and the budget proposals.

11 PARTICIPATORY BUDGETING (PB) PROGRESS UPDATE

At the end of 2008/09 the Council allocated £100,000 of its revenue budget underspend to establish a Community Fund, as an opportunity to consider ways in which PB could be developed across the Borough.

Progress Update

- A phased programme for the delivery of the PB pilot was developed and the pilot was delivered through joint working between the four Area forums, The Borough Council's Area Committees and Parish Councils. The programme is known as "Voice Your Choice."

- A programme of training was delivered to Borough Council Members and Area Forum Support Group members in January 2010, prior to the commencement of the pilot.

- In addition to the Borough Council's funding of £100, 000, further funding of £100,000 was secured from NYCC, via the County Community Fund (2nd homes revenue). In addition, three of the Council's Area Committees contributed additional funding from their grant allocations:
  - Central Rural - £24,456
  - Northern Area - £10,000
  - Central Urban Area - £26,112

- Priorities for the fund were linked to priorities identified in the Community Strategy, Place Survey and Parish Plans.

- Decision events were held in July 2010 in the **Scarborough Urban** and **Northern Areas**. Evaluation from the two areas was positive, with the majority (although certainly not all) of participants positively rating the events for organisation, process and fairness and openness.

- In the Scarborough Urban Area, almost 200 people participated in the two decision making events and 21 projects received funding.

- In the Northern Area, 639 people participated in a single event. 11 projects received funding.

- Work is well advanced in the **Central Rural** and **Southern** Areas, with decision events scheduled for February and March 2011 respectively.

- Sub Committees were established in each of the four areas, responsible for developing a process that best meets the needs of their local area.

- Each of the areas has taken a different approach, to reflect their local needs and the pilot has allowed different techniques to be tested e.g. drop in sessions, formal presentations, single and multiple events. In the southern area, a DVD is currently being prepared to enable multiple decision making events to be held at venues across the southern area.

- A full evaluation of work to date and feedback from participants is available. Overall, levels of interest have been high and residents have shown willingness and an enthusiasm to engage with the process, both as applicants and as participants. Feedback also shows that this approach does engage with a wide cross section of residents, of different ages and different parts of the Borough, including a significant number who have not previously been involved in a community event.

Although the community funding was "one off" funding, discussions are taking place to consider how the principles of PB could be integrated more widely. This includes building on work by Eastfield Parish Council in allocating part of their precept using PB, as part of the new locality arrangements being developed. There has been particular interest, particularly from the northern area sub committee in considering how PB could be more widely applied in the area, to involve local residents more directly in some of the difficult funding decisions required in the current economic climate.

12 RESERVES AND BALANCES

Details of the Council's Reserves and Balances are provided in Appendix C.

The 2011/12 budget relies on a contribution from General Fund Balances of £250k.

A further £233,700 will be drawn from reserves to fund one-off funding for priority areas in 2011-12. Further details are provided in Appendix C of this report.

13 COUNCIL TAX

The budget position assumes an increase in the level of Council Tax of 0% as the Government will award a grant equivalent to a 2.5% increase in the basic amount of Council Tax to any authority that supports a Council tax freeze.

Table 8 shows the resultant Scarborough Borough Council element of the Council Tax levy by band.

Table 8 – Council Tax levy per band

Band	2010/11 £	2011/12 £	Increase £
A	140.87	140.87	-
B	164.35	164.35	-
C	187.83	187.83	-
D	211.31	211.31	-
E	258.27	258.27	-
F	305.23	305.23	-
G	352.18	352.18	-
H	422.62	422.62	-

14 ASSESSMENT

The Revenue Budget for 2011/12 builds upon the success of the Financial Strategy, which is now clearly embedded throughout the Council.

The budget efficiency and other savings requirements were identified in the Medium Term Plan well in advance, however the level of funding cuts and increases in pension fund contributions set out in this report were significantly higher than originally anticipated.

The original financial projections allowed for investment in several priority areas such as Disabled Facilities Grants, Night Marshalls and contributions to the capital programme; and also main stream funding for the continuation of posts such as the Anti-Social Behaviour Officer and Sustainability co-ordinator. A large proportion of this mainstream funding has now been removed from the budget due to the funding pressures, although some areas will continue to be funded from one off reserves in 2011/12. In some cases the allocation of Borough Council funding is dependent on partner organisations continuing their investment in the service area.

The budget proposals include a one off draw of £250k from General Fund Reserves in 2011/12 and Appendix C (Reserves) also highlights that the criteria for the range of the General Fund Reserve will be increased from the current level of £1.5m - £2m to £2m - £2.5m, reflecting the higher level of budgetary risk associated with the impending funding cuts. There are currently no other plans to draw from General Fund Reserves over the medium term period and a review of reserves will be undertaken to ensure that the revised minimum balance is maintained.

Due to the high level of savings needed to be achieved in 2011/12 this is a relatively high risk budget, however the proposals put forward do take into account a prudent allowance for all budgetary pressures that service areas are aware of. The involvement of the Corporate and Finance Strategy Group in the budget process, and the strong budgetary control and monitoring procedures embedded throughout the Council will allow timely action to be taken if problems arise; allowing the Council to be responsive to changes whilst ensuring that services continue to be delivered within the Council's financial parameters wherever possible.

The achievement of a balanced budget and the identification of the required level of efficiency and other savings proposals is a significant achievement, particularly given that there are no proposals to cut any front line services. Work must now start on delivering the savings identified and managing the associated change process.

The key features of the proposed budget include:

- Achievement of the efficiency targets and other savings, with no proposals to cut front line services
- A draw from General Fund Reserves of £250k
- Provision for investment in priority areas despite the funding reductions
- Council Tax Freezes
- Recognition that the current economic climate and changes in legislation will continue to have an impact on the 2011/12 revenue budget

Financial forecasts for 2012/13 already show a budget shortfall in excess of £1.8 million and it is clear that strong long term financial planning will become increasingly important as funding reduces and resources become scarcer. The financial forecasts clearly show that Members will be asked to make difficult decisions in the coming years to prioritise services in order to balance the budgetary position.

APPENDIX A1

BUDGET PRESSURES

		£
Superannuation Contributions	The Council currently pays a 19.8% employer's contribution to the local government pension scheme. This contribution is made up of an element to fund the anticipated future pension costs of the relevant employee (12.6%) and a past service (back funded) element (7.2%) to fund the liabilities of employees that have already retired. As part of the triennial valuation the actuary assessed the level of contributions required to recover the Council's pension fund deficit (£50.431 million as at 31 March 2010) over a 30 year period, making various assumptions on investment returns, life expectancy of members etc. As part of this assessment the actuary assessed the past service cost adjustments in £'s then calculated a % contribution rate by taking into account the estimated number of Council employees paying into the scheme. The back funded element is a fixed cost and remains constant regardless of the number of employees contributing to the pension scheme therefore if staffing numbers reduce (due to outsourcing or redundancies) the fixed cost is spread over a smaller base and the % contribution rate per employee increases. The outsourcing / loss of areas such as the Council's housing stock, museums service and highways agency, along with general staffing reductions, has reduced the Council's employee base and as a result the actuary has assessed that the Council's back funded element needs to increase significantly from the current level of 7.2% to 13.2%. In cash terms this roughly equates to a £1 million per annum increase. As this level of growth could not be managed in the 2011/12 year the actuary has provided figures to spread the increase over 3 years. The growth required in each of the next 3 years is as follows: 2011/12 - £470k, 2012/13 - £345k, 2013/14 - £375k.	£470,000
Reduction in Trading Account Profits	The Council was notified during 2007/08 that the County Council were terminating the Highways Agency Agreement. The contract included a 3-year termination clause and the operation will transfer to NYCC on 1 April 2011. This growth removes the residual profit targets for the Highways trading accounts from base budget.	£280,000

Changes in Benefits Legislation	Foundation Housing, a registered charity, have a number of schemes being introduced in the Borough providing temporary accommodation for vulnerable young people. With changes in the subsidy rules on Housing Benefit and clarifying Social Security Commissioners' cases these schemes are exempt from the Local Housing Allowance rules. The Authority is satisfied from the evidence provided by Foundation Housing that it provides "care, support or supervision" to its customers. Foundation Housing properties must therefore be treated as exempt accommodation. The rent of a property that is treated as exempt accommodation must be referred to the Rent Officer (Valuation Office Agency) unless the landlord is a Housing Association. The Authority cannot restrict the rent (and therefore must pay Housing Benefit based on the full rent) unless the rent can be demonstrated to be unreasonably high compared to the cost of suitable alternative accommodation. However, the amount of subsidy that the Authority receives for the housing benefits paid will be restricted to the Rent Officer decision. Foundation Housing rents range from £111.98 to £139.76 per week. Rents for comparable properties (namely other properties with a similar tenure, similar facilities and where support is being provided) range from £115 to £135 per week and therefore the rents on Foundation Housing properties cannot be said to be "unreasonably high compared to the cost of suitable alternative accommodation". The Authority therefore has no alternative but to pay Housing Benefit based on the full rent, with only around 50% subsidy being received from the government.	£150,000
Homelessness – Changes in Benefits Legislation	As part of its wider package of welfare reform, the Government is introducing a number of changes in respect to the way housing benefit is to be paid in future years. These changes were announced as part of the emergency budget in June and were reinforced through the Comprehensive Spending Review announcement and are likely to have a major impact on levels of homelessness within the Borough. The majority of these changes were adopted in November 2010 and the roll out of these changes in being staggered between April 2011 to April 2014. The changes to the way benefit is paid for households in temporary	

	accommodation will have a cost impact for the Council. Based on current demand and use, it is estimated that the added cost to the Council for B&B accommodation will be around £20,000 a year and the extra cost to the Council for Private Sector Leased accommodation will be around £30,000 a year.	£50,000
Homlessness – Temporary Accommodation	Current economic conditions and the shortage of RSL (Registered Landlord Landlord) accommodation within the Borough has lead to an increase in the number of people presenting themselves as homeless. Last year over 1500 households approached the Councils housing options service because they were in some kind of housing difficulty, representing a 15% increase on the previous year. This increase has led to an inevitable rise in the number of households placed in temporary accommodation. As at November 2010 there were 60 households in temporary accommodation compared to 45 at the same time last year. This budgetary growth will increase the temporary accommodation budget up to the current years expected level of spend. The Capital appendix sets out an Invest to Save proposal, which will reduce spend in this area and other options to minimise spend are being reviewed.	£80,000
Shortfalls in Local Land Charges Income	The market for land charges searches has dramatically fallen following the removal of Home Improvement Packs following the May 2010 election. The market has shrunk by c.50% since the abolition and whilst the Council's market share has increased from 35% to 50% it still represents a fall in overall income. At the end of July the Government introduced a further change removing the obligation upon Personal Searchers to pay a statutory fee to search the Land Charges register. The effect of this is that the Council receive no payment now from personal search companies when they visit to search Council records. The effect of the above will lead to a £90,000 reduction in income in future years.	£90,000
Increases in National Insurance contribution rates	The Government has announced that employer's National Insurance contribution levels will increase by 1% in 2011/12. They also announced that bandings would be adjusted to offset part of this increased cost however details of the bandings have not yet been released therefore potential savings cannot be quantified.	£66,000
Insurance Premium Tax	The standard rate of Insurance Premium Tax will increase from 5 per cent to 6	

	per cent from 4 January 2011. This increase will affect all of the insurance policies that the Council pays.	£5,000
NNDR Discretionary Relief	The Council is enabled under Sections 47 and 49 of the Local Government Finance Act 1988 to grant discretionary rate to charitable and not for profit organisations providing a wide range of services or to ratepayers suffering hardship, where it would be of benefit to the people of Scarborough Borough Council area to do so. Applications are considered on an individual basis within the criteria established by the Cabinet for each type of relief. The cost of discretionary rate relief is partially funded by the National Non Domestic Rate Pool and partially by this Council. We bear the cost of 75% of any discretionary relief to charities and 25% of any granted to not for profit or organisations or hardship cases. The 2010/11 budget for discretionary rate relief is £86,300 and will be sufficient to meet the expenditure incurred on reliefs granted in 2009/10, which are charged to the Council's 2010/11 accounts. The estimated cost of rate relief to be granted to applicants during 2010/11 and charged to the 2011/12 accounts is £106,000, thus showing anticipated growth of £20,000. This arises from the increasing number of applicants who meet the criteria set in the Council's policy. As the relief must be granted in accordance with the agreed policy, it is not possible to put a cap on the total amount of relief that may be granted in any one year. In order to change the criteria, it would be necessary to reconsider the Council's policy which was last reviewed in November 2008.	£20,000
Unachieved Savings from 2010/11	A saving for operational efficiencies within the Parks service through closer working with other sections was included in last year's budget. This saving will not be achieved in 2010/11 but will be reviewed after the Parks / Cleansing Teams are merged. The saving has been removed from base budget to ensure that future savings are not double counted.	£15,000
Income shortfalls at Scarborough Sports Centre	Although income targets at Scarborough Sports Centre have been reduced in recent years they are still not being achieved therefore this growth is deemed to be unavoidable. There may be an opportunity to invest in the equipment to boost income levels, however the level of competition in the town and proposed leisure village needs to be considered alongside any investment.	£30,000
One off items included in the	The 2010/11 budget made provision of £121k for the one off loss of income at	

2010/11 budget	the Scarborough Spa that would be incurred whilst the capital works were being undertaken. As the works will be completed in 2011/12 this income shortfall is not expected to recur in 2011/12 (Report reference 09/639) A further one off income was included in the 2010/11 budget associated with the reductions in treasury management costs for the Open Air Theatre (Report reference 09/528). As these are one off items in 2010/11 and are not expected to recur the 2011/12 budget needs to be adjusted accordingly.	(£68,500)
Loss of external funding	The Council has recently been notified that NYCC are proposing to cease their £10k financial contribution they currently make towards the running costs of the LSP with effect from 1 April 2011.	£9,900
Contingency	Contingency budget to mitigate any savings that are not achieved in full	21,995
TOTAL		**£1,219,396**

APPENDIX A2

MEETING PRIORITIES

HEAD OF SERVICE	BID	DETAILS	£
Tourism and Culture	Barons Leisure Centre	In March 2009 the Council entered into a services agreement with Scarborough Rugby Union Club and agreed to pay a subsidy of £10k per annum in exchange for them allowing residents use of the facility. This cost was previously funded from one off reserves therefore now needs to be included in the base budget	10,000
Environmental Services	Safer Houses Initiative	The responsibilities of the Council in relation to the enforcement of fire safety standards have steadily grown over recent years as a result of legislative change. The responsibility to enforce these standards now lies with the Council as Housing Authority for most residential dwellings in the Borough. Should the Council not enforce these standards it would be vulnerable to litigation/corporate manslaughter if an incident/death occur in a property where action is needed. This post was established in 2010/11 however was funded from one off resources. As the post is deemed to be essential permanent funding is now required.	31,550
Tourism and Culture	Whitby Leisure Centre – Fitness Suite Equipment	Income from the Whitby Leisure Centre fitness suite has fallen in recent years as the equipment becomes outdated and users cancel their membership. Competition in Whitby is not a prevalent as it is in Scarborough and investment in the equipment would increase usage and allow higher fees to be charged. Income is £30k below target in the current year and will drop further if the equipment is allowed to deteriorate therefore this investment is deemed to be essential. These costs are based on leasing the equipment and whilst the Council could purchase outright this is not considered to be the best option.	30,000
Corporate	Health and Community Safeguarding Officer Post	A recent O/S review has been undertaken on our responsibilities under the Children's Act for safeguarding children. The review raised fairly serious issues about our current ability to meet these responsibilities and the risk this would pose in the event of a serious case review within the Borough. This post will address the concerns raised by this report.	41,000
Regeneration	Area Forum / Neighbourhood Regeneration Officers	In recent years the Council has employed 2 Area Forum officers and 1 neighbourhood regeneration officer from one off resources. These three roles will be merged into two in 2011/12 and main stream funding will be provided in future year budgets.	

		The Area Forum and Neighbourhood Regeneration officers provide a valuable source of community development, leadership and engagement across the Borough.	76,000
Corporate	One off costs associated with purchase on new depot	With the sale of the Dean Road Depot having being agreed, the Council needs to obtain new premises to house its plant and staff. There will be one-off costs associated with this: £50,000 will be required to cover the costs of dual running the two sites and £165,000 for the interest and capital costs associated with the purchase of the new depot. Whilst monies will need to be borrowed to fund the purchase of the new depot these will be repaid when the Council receives the capital receipt from Dean Road and therefore the interest and capital costs will not be a long term budgetary burden.	215,000
TOTAL			**403,550**

APPENDIX A3

EFFICIENCY AND OTHER SAVINGS

AREA	PROPOSAL	IMPACT / COMMENTS	2011/12 Saving £		RISK H	RISK M	RISK L
Efficiency Partner							
Customer First & Housing Benefits	Introduction of more efficient ways of working to transform service delivery	Costings to be confirmed however Senior Management are confident that this level of saving can be achieved	220,000			220,000	
Review of administrative procedures, including post	Outsourcing / Review of the post handling service and review of administration.	Costings and details for this proposal are still being finalised. Corresponding savings options will be identified if this level of saving is not achieved	84,300		84,300		
Human Resources Review	Efficiencies in the HR service	Restructure of the HR service and realignment to current business needs	107,800			107,800	
			412,100		84,300	327,800	
Operational Efficiencies							
Property Services	Merge Asset Management Unit with Property Trading unit	Reduce duplication in the service areas.	30,000			30,000	
Street Cleansing	Efficiencies in Street Sweeping	Efficiencies from Street Cleansing Review	50,000			50,000	
Street Cleansing / Parks	Merging Parks and Cleansing Teams	Efficiencies from Street Cleansing review and merger with Parks	50,000			50,000	
Street Cleansing / Parks	Reductions in Cleansing Team Leaders	Reduction by 1 FTE	20,000			20,000	
Street Cleansing / Parks	Restructure of Recycling Team	Reduce team by 0.5 FTE	10,200			10,200	
Refuse Collection Rounds Review	Reduction in Refuse vehicles and fuel and repair budgets for fleet	Fleet reduced by 3	120,000				120,000
Leisure	Merge Sports Centre Manager with Indoor Pools Manager	The Sports Centre Manager post is currently vacant so the Indoor Pools Manager will become the new joint manager	25,000			25,000	
Customer First, Revenues and Benefits	Review of Customer First, Revenues and Benefits Structures	Savings in discussion with HoS	35,000			35,000	

AREA	PROPOSAL	IMPACT / COMMENTS	2011/12 Saving £		RISK H	RISK M	RISK L
Policy and Performance	Reduce post from 5 days per week to 4 days per week	This saving is already being achieved	5,900			5,900	
Parks Rangers	Review of the Parks Rangers service	The work currently undertaken by the service will be reallocated and a co-ordinated approach towards working with voluntary and community groups will be developed.	0				
Scarborough Spa	Reduction in running costs following completion of capital works.	As reported to Council in the business case for capital investment	126,000			126,000	
			472,100			352,100	120,000
Back Office							
Reduction in Heads of Service	Reduce Heads of Service by 1	The saving from this restructure was taken into account in the 2010/11 budget	0				
Administration and Secretarial	Management Support Team and Secretarial Reorganisation	The consequences will be a reduction in capacity to provide secretarial support to Strategic Directors, Heads of Service and the Mayoralty.	85,600			85,600	
Transformation Unit	Reduce numbers in Service Transformation units across the Council	Reduction in internal Service Transformation capacity. Project based approach to purchasing work from Council's Performance Partner on a risk reward basis where determined that this is required.	95,400				95,400
Finance Restructure	Deletion of 1 post	Restructure following the expiry of the Highways Agency agreement and efficiencies in working practices.	50,000				50,000
IT Restructure	Deletion of 3 IT posts and replacement with 3 posts with different skill sets	Updated skills profile to meet current need	7,050			7,050	
Legal	Deletion of Assistant Practice Manager Post	The post dealt with Standards Committee, Invoicing for Council Services including legal and support for practice management in legal, and T1 implementation support. It is anticipated that Standards work will reduce following the change in Government policy and the remaining	22,000			22,000	

AREA	PROPOSAL	IMPACT / COMMENTS	2011/12 Saving £		RISK H	RISK M	RISK L
		work will be absorbed within the service area.					
Corporate Administration	Staffing Reductions in administration and democratic service	Staffing reductions have been taken within the year creating a significant proportion of this saving. There are one and a half further posts which will be made redundant. One of these posts was planned as software systems are being improved to undertake the work without human intervention. The other post will reduce capacity, however, work will be reallocated.	78,590			78,590	
Housing Benefits	Deletion of Vacant Post	Minimal impact due to increased performance	24,100				24,100
Print Plus	Efficiencies in postage and consumption of paper and ink	Cost savings achieved through review of post being dispatched with Corporate Finance Manager and procurement savings re paper and ink.	20,000			20,000	
			382,740			213,240	169,500
Market Testing							
Entertainment venues	The Spa and Whitby Pavilion	Market testing in progress	0				
Fleet	Vehicle Maintenance	Market testing in progress	0				
Plants	Subject to a satisfactory tender, outsource the provision of plants	Market testing in progress	0				
			0			0	
Joint Working							
Council Tax	Joint working with Ryedale - Managing the Council Tax Service	Managing the Council Tax Service	30,000				30,000
CCTV	Rental of traffic management unit and use of CCTV by NYCC	To be confirmed as part of the Highways Agency transfer under SLA	90,000				90,000

AREA	PROPOSAL	IMPACT / COMMENTS	2011/12 Saving £		RISK		
					H	M	L
Highways Tree Maintenance	Additional income for maintaining NYCC highways trees	If additional income is not generated staff numbers will be reduced.	30,000			10,000	20,000
			150,000			10,000	140,000
Cuts / Additional Income							
Planning Conservation	Reduce the time spent on conservation work	Saving in discussion with HoS	18,100			18,100	
CCTV	Deletion of vacant post in the CCTV service area		22,110			22,110	
Mileage	Reduce mileage rate from 52p to 40p in line with HMRC taxable allowance		20,000				20,000
Conferences and Seminars	Reduction in the number attended	Prioritise spend	20,000			20,000	
Grants	Review grants to all organisations	Reduce grants in line with the 14% cuts in RSG	62,000			62,000	
Grants	Formalise the deletion of the Museum Development Officer post, which was included within the Service Level Agreement (SLA) with the Scarborough Museums Trust (SMT).	The required external funding for the post (TLS0168) was not secured so it has never been filled since the creation of the SMT. The SLA already provides for the non delivery of support to independent museums should the external funding not be available.	36,000			36,000	
Moors and Coast Tourism Partnership	Reduce contributions in line with funding cuts	Reduced funding to deliver tourism initiatives across the Borough	7,400				7,400
Mayoral and Civic Hospitality	Reduce civic and hospitality budgets in line with funding cuts	Cuts are in line with outcome of Public consultation. A full review of the service will take place in 2011/12 to determine whether further cuts can be applied	12,000				12,000
Crematorium	Surcharge to repay the capital investment re mercury abatement	Additional charge already being levied	50,000				50,000
Capital	Reduce contributions to the capital programme	Reduces monies available to progress capital schemes	50,000				50,000
Parks	Delete part time supervisor post	Job role no longer required	11,000			11,000	
			308,610			169,210	139,400

AREA	PROPOSAL	IMPACT / COMMENTS	2011/12 Saving £	RISK H	RISK M	RISK L
Use of Reserves						
Revenue Earnings Reserve	Reduce the corporate contributions to revenue earnings reserve	Contributions are no longer required	59,930			59,930
Pension Reserve	Reduce contributions to the pension reserve	Allowable following increased contribution to the Fund earlier in the year	100,000		100,000	
			159,930		100,000	59,930
Other						
Salaries	0.75% Pay Award included in 2010/11 budget	Deducted £50k corporate overtime saving as this has been achieved and subsumed within other saving proposals	113,000		113,000	
Contingency Budget	Reduce contingency budget	No general contingency included in budget. This will leave an allowance of £120k for inflationary cost increases	217,000			217,000
Open Air Theatre	Cost reductions and increased profit share	As reported to Council in the business case for capital investment	12,400	12,400		
West Yorkshire Pension Scheme contributions	Reductions in contributions	This saving relates to residual costs accruing to the Council on an old West Riding pension scheme	12,000			12,000
			354,400	12,400	113,000	229,000
Total			**2,239,880**	**96,700**	**1,285,350**	**857,830**

Local Area & Budget Survey 2010

Council Spending

Service Area	Spend Less	Spend the Same	Spend More	Total Responses
Allotments	**55.7%**	**37.3%**	**6.9%**	1297
Beach management	**12.6%**	**76.4%**	**11.0%**	1344
Car Parking	**49.7%**	**37.0%**	**13.2%**	1329
Cemeteries and crematoria	**19.8%**	**74.9%**	**5.3%**	1332
Children's play areas and skate parks	**29.5%**	**51.2%**	**19.3%**	1338
Coast and flood protection	**17.3%**	**58.1%**	**24.6%**	1345
Community centres	**37.2%**	**51.6%**	**11.2%**	1324
Community safety	**25.0%**	**47.1%**	**27.9%**	1339
Cultural facilities	**56.7%**	**32.7%**	**10.5%**	1344
Cultural facilities run by the Council	**52.2%**	**40.1%**	**7.7%**	1333
Decorative lighting	**61.8%**	**29.7%**	**8.4%**	1368
Economic development	**32.4%**	**47.0%**	**20.5%**	1350
Environmental protection & enforcement	**20.3%**	**62.3%**	**17.4%**	1359
Grants to Area Committees	**75.3%**	**21.8%**	**2.9%**	1319
Grants to voluntary organisations	**51.4%**	**39.5%**	**9.0%**	1346
Grounds maintenance	**24.8%**	**65.2%**	**10.0%**	1379
Harbours	**27.5%**	**66.3%**	**6.1%**	1344
Housing Services	**30.4%**	**47.0%**	**22.5%**	1365
Improving neighbourhoods	**37.2%**	**47.1%**	**15.7%**	1343
Improving town centres and shopping	**29.8%**	**48.8%**	**21.4%**	1364
Leisure centres and swimming pools	**23.1%**	**52.1%**	**24.8%**	1362
Mayoral and civic budgets	**92.5%**	**6.1%**	**1.4%**	1379
Parks and open spaces	**25.5%**	**62.2%**	**12.3%**	1364
Planning services	**62.7%**	**33.6%**	**3.8%**	1324
Public conveniences	**14.0%**	**48.9%**	**37.1%**	1385
Recycling	**18.4%**	**61.0%**	**20.7%**	1389
Refuse collection	**5.3%**	**79.5%**	**15.1%**	1391
Street cleansing	**12.2%**	**68.9%**	**19.0%**	1391
Sustainability	**45.5%**	**39.2%**	**15.3%**	1339
Tourism attractions	**36.3%**	**50.9%**	**12.8%**	1383
Tourist Information Centres	**46.6%**	**49.6%**	**3.8%**	1374

Council Spending - Top 10

Top 10 Areas where the Council should: SPEND LESS		
1	Mayoral and civic budgets	92.5%
2	Grants to Area Committees	75.3%
3	Planning services	62.7%
4	Decorative lighting	61.8%
5	Cultural facilities	56.7%
6	Allotments	55.7%
7	Cultural facilities run by the Council	52.2%
8	Grants to voluntary organisations	51.4%
9	Car Parking	49.7%
10	Tourist Information Centres	46.6%
Top 10 Areas where the Council should: SPEND THE SAME		
1	Refuse collection	79.5%
2	Beach management	76.4%
3	Cemeteries and crematoria	74.9%
4	Street cleansing	68.9%
5	Harbours	66.3%
6	Grounds maintenance	65.2%
7	Environmental protection & enforcement	62.3%
8	Parks and open spaces	62.2%
9	Recycling	61.0%
10	Coast and flood protection	58.1%
Top 10 Areas where the Council should: SPEND MORE		
1	Public conveniences	37.1%
2	Community safety	27.9%
3	Leisure centres and swimming pools	24.8%
4	Coast and flood protection	24.6%
5	Housing Services	22.5%
6	Improving town centres and shopping	21.4%
7	Recycling	20.7%
8	Economic development	20.5%
9	Children's play areas and skate parks	19.3%
10	Street cleansing	19.0%

LINKAGE BETWEEN THE 'LOCAL AREA AND BUDGET SURVEY' AND THE BUDGET PROPOSALS

The table below shows the top ten areas that respondents to the Local Area and Budget Survey indicated they would like the Council to spend **less** on, and demonstrates how the Council has responded to that feedback:

Service (Spend Less)	How the Council has responded
Mayoral and Civic Budgets	14% cuts are proposed to mayoral and civic hospitality budgets in the 2011/12 budget, which are in line with the cuts in grant funding imposed on the Council. In addition a full review of the mayoral budget will be undertaken during 2011/12 to determine whether further savings can be put forward in future years budgets.
Grants to Area Committees	14% cuts are proposed to grants to Area Committees in the 2011/12 budget, which is in line with the cuts in grant funding imposed on the Council.
Planning Services	The budget proposals for 2011/12 set out savings in relation to planning conservation. In addition a full review of the planning service budgets will be undertaken during 2011/12 by the Corporate Efficiency Board to determine whether efficiency savings can be identified within the service area.
Decorative Lighting	The Corporate Efficiency Board will undertake a review of all decorative lighting in 2011/12 to identify areas of potential saving.
Cultural Facilities	14 % cuts are proposed for grants to the Stephen Joseph Theatre Trust, which is in line with the cuts in grant funding imposed on the Council. The Service Level Agreement (SLA) with the Scarborough Museum Trust has been reviewed and the deletion of a Museum Development Officer post, which was included in the original SLA will be formally deleted. The SLA with the Scarborough Museum Trust will be reviewed further in 2011/12.
Allotments	The Council's investment in allotments is minimal however a review of allotments is currently being undertaken
Cultural Facilities run by the Council	The subsidy for the Scarborough Spa has been reduced in the budget proposals to reflect the lower running costs following completion of the capital scheme. In additional the Spa and Whitby Pavilion are being market tested to determine whether outsourcing the service would achieve further savings

LINKAGE BETWEEN THE 'LOCAL AREA AND BUDGET SURVEY' AND THE BUDGET PROPOSALS

Service (Spend Less)	How the Council has responded
Grants to Voluntary Organisations	14% cuts are proposed to grants to voluntary organisations in the 2011/12 budget, which is in line with the cuts in grant funding imposed on the Council. A corporate review of grants is currently being undertaken.
Car Parking	The Council generates significant revenue streams from car parking income. Any savings in the costs of patrolling car parks would be more than offset by corresponding reductions in income. The car parking working group have reviewed fees and charges and have requested that a value for money exercise be undertaken by the car parking team during 2011/12.
Tourist Information Centres	Plans are in place to achieve a break even position on all Tourist Information Centres by 2013.

The table below shows the top ten areas that respondents to the Local Area and Budget Survey indicated they would like the Council to spend **more** on, and demonstrates how the Council has responded to that feedback:

Service (Spend More)	How the Council has responded
Public Conveniences	A review of public conveniences will be undertaken during 2011/12. In addition the Council has earmarked £35k in its capital programme to be spent in Filey (see Appendix B) and Filey Town Council have indicated that they may use this money for the provision of public conveniences in Filey Town Centre. Consultation will continue to take place with the Town Council. The Kyber Pass toilet facilities in Whitby will be reviewed to determine whether the site could be redeveloped on an Invest to Save basis.
Community Safety	The consultation responses did not provide a clear outcome for community safety. Although 27.9% of respondents indicated that they wanted to see more spent on community safety a further 25% of respondents indicated that they wanted to see less spent and 47.1% indicated that the same should be spent. As community safety is a key priority for the Council this budget provides funding for the continuation of the ASB Officer and continuation of the Night Marshall service therefore the investment in community safety has been maintained at 2010/11 levels.
Leisure Centres and	The consultation responses did not provide a clear outcome for

LINKAGE BETWEEN THE 'LOCAL AREA AND BUDGET SURVEY' AND THE BUDGET PROPOSALS

Service (Spend More)	How the Council has responded
Swimming Pools	leisure centres and swimming pools. Although 24.8% of respondents indicated that they wanted to see more spent on leisure centres a further 23.1% of respondents indicated that they wanted to see less spent and 52.1% indicated that the same should be spent. The budget does make provision for investment in fitness suite at Whitby Leisure Centre. This investment will help the centre to maintain income levels so should be cost neutral over the longer term period. A further £70k is provided for investment in the Leisure Strategy. This will allow the Council to explore development opportunities for its leisure sites in order to improve and enhance the quality of leisure facilities in the Borough. It is envisaged that the scheme will be cost neutral for the Council as the disposal of part or all of the Council's land holdings at Filey Road, Seamer Road, Scarborough Indoor Pool and Weaponess will facilitate the delivery of new leisure facilities. The scheme will significantly improve the quality of leisure sites across the Borough.
Coast and Flood Protection	Coast and Flood protection budgets will be maintained at 2010/11 levels and the Council will continue its work to lever in external monies to progress coast protection schemes.
Housing Services	The consultation responses did not provide a clear outcome for housing services. 22.5% of respondents indicated that they wanted to see more spent on housing services however this was outweighed by a 30.4% proportion of respondents who indicated that they wanted to see less spent. The Council will continue to invest in Disabled Facilities Grants and review its land assets to identify potential plots for affordable housing.
Improving Town Centres and Shopping	The consultation responses did not provide a clear outcome for improving town centres and shopping. 21.4% of respondents indicated that they wanted to see more spent on improving town centres and shopping however this was outweighed by a 29.8% proportion of respondents that indicated that they wanted to see less spent. The budget allows for a one off investment of £20k for investment in Town Centre Development studies, which will identify economic regeneration opportunities within the Borough.

LINKAGE BETWEEN THE 'LOCAL AREA AND BUDGET SURVEY' AND THE BUDGET PROPOSALS

Service (Spend More)	How the Council has responded
Recycling	The majority of respondents indicated that the amounts spent on recycling should remain the same and 20.7% indicated that they wished to see more spent. The budget proposals put forward for the recycling and refuse section are efficiencies therefore the service levels will be maintained at 2010/11 levels. The recycling scheme was enhanced during 2010/11 to include additional materials such as tetrapak cartons and plastic food containers (yogurt pots, food trays etc.) all of which can be simply placed in the blue bin or bag. This use of a co-mingled bin for recycling means that the range of materials can be increased without any impact on customers or the collection infrastructure.
Economic Development	The consultation responses did not provide a clear outcome for economic development. 20.5% of respondents indicated that they wanted to see more spent on economic development however this was outweighed by a 32.4% proportion of respondents that indicated that they wanted to see less spent. Spend on economic development has been maintained at 2010/11 levels.
Children's Play Area and Skate Parks	The consultation responses did not provide a clear outcome for children's play areas and skate parks. 19.3% of respondents indicated that they wanted to see more spent on children's play however this was outweighed by a 29.5% proportion of respondents that indicated that they wanted to see less spent. The revenue budgets for Play Areas have been maintained at 2010/11 levels.
Street Cleansing	19% of respondents indicated that they wished to see more investment in street cleansing however the majority of respondents indicated that the Council should spend the same. The savings proposals put forward in the street cleansing service are efficiency savings therefore service levels will be maintained at 2010/11 levels. At the end of 2008/09 the Council set aside £50k money for investment in street cleansing. A proportion of this funding will be used to employ a seasonal dog warden in 2011/12 to deter dog fouling and help keep the streets tidier.

APPENDIX B

ADDITIONS TO THE CAPITAL PROGRAMME 2011

Recommended additions to the capital programme are set out in the following categories:

1. Priority Schemes
2. Asset Management Schemes
3. IT System Enhancements
4. Vehicle and Equipment Replacement
5. Invest to Save

1. Priority schemes

Priority schemes are designed to complement the revenue budget in meeting the aims and priorities set out in the Corporate Plan. The proposed investments for the 2011/12 financial year are minimal as the Council's available capital resources are limited.

- **Developing Safer and Stronger Communities**

  Within this aim the top priority is 'Reducing Crime and Disorder'. This is primarily met through the Council's revenue budget. There are no additional capital investments recommended within this aim for 2011/12.

- **Building Prosperous Communities**

  Major capital investment has recently been committed for the regeneration and modernisation of the Spa. Works are progressing well with completion anticipated to be in the spring of 2011. The Open Air Theatre has also been completely redeveloped.

  Futurist Theatre (£200k)

  The strategy for the Futurist Theatre, which was agreed by Cabinet upon advice from the Overview and Scrutiny Futurist Review, is that in 2011 and 2012 the Council should take opportunities to bring into Council ownership property interests at the Futurist Theatre to facilitate the delivery of future plans for the site.

  Yorkshire Forward are seeking to dispose of their property interests and have indicated the value that they currently attribute to the fish and chip shop together with a willingness to sell to the Council at that sum. The purchase price will be lower than that paid for the facility and is at a level that may create an opportunity for a short term return on investment pending the development of future plans for the site.

  On this basis it is recommended that the Council takes up the opportunity as it will prevent any alternate disposal of the interest that could undermine the delivery of the strategy for this site.

  In 2009/10 the Council received confirmation that it had been awarded £200k in relation to a Seaside reward grant. It was reported that this grant would be retained in earmarked reserves until the issues surrounding the funding for the Spa capital scheme had been resolved. Confirmation has now been received that Yorkshire Forward will reinstate their full funding allocations in 2011/12 therefore it is now proposed that these grant monies be released to progress the purchase of Futurist assets.

Whitby Marina Development

In March 2010 members were notified that Yorkshire Forward had granted an additional £300k towards the building of Marina facilities at Whitby Harbour. This grant was made on the understanding that the monies would be invested in the Whitby Harbour area.

Early consultation was undertaken with the Whitby Marina focus group who indicated that they wished the money to be spent on infrastructure and environmental improvements associated with the Marina. (e.g improved fuel provision for leisure craft, environmental improvements and landscaping to the upper harbour)

As the Pilot Board for Whitby Harbour has now been established it is proposed that responsibility for allocating this budget be delegated to the Whitby Harbour Board.

- **Creating Healthy and Vibrant Communities**

  The top priority within this aim is ‘Ensuring Affordable and Decent Housing’. The Housing Strategy addresses this through the Revenue Budget and the 10 year Capital Plan.

  Disabled Facilities Grants (£640k)

  A budget of £640k will be included in the 2011/12 capital programme for Disabled Facilities Grants. This budget includes external funding of £321k.

  The capital programme includes a commitment of £9.0 million over the period from 2010-2020 towards disabled facilities grants (£3.33 million of which is anticipated to be externally funded).

  Identification of Land for Affordable Housing

  The Council actively assesses its land holdings to identify potential plots that could be used to progress affordable housing developments. During 2010/11 the Council has approved the release of several plots of land to progress affordable housing schemes and land assets will continue to be reviewed in 2011/12.

  North Bay Play Area (£250k)

  The North Bay Play Area will help to meet the priority of improving services for young people, focusing on play facilities.

  This scheme was approved in the 2010 strategy and work is planned to commence during 2011/12. This will provide a new children’s play area in the North Bay. The Open Air Theatre operator will fund £100k of the scheme cost and it is proposed that the remaining £150k will be funded by the Borough Council from the capital receipt on land drawn down on the Sands Development. The external funding is expected during the 2011/12 financial year and the scheme will be progressed upon receipt.

Feasibility study works of approximately £5k are currently being undertaken and it is expected that these will be completed in February 2011.

- **Creating Quality Environments**

Within this aim the Council's top priority is 'Enhancing Public Spaces and Parks'. Schemes relating to St Peters Park and Manor Road Park have been included in the capital reserve list and will be progressed if capital receipts allow.

Investment in Filey (£35k)

During the 2010/11 financial year full Council approved the new policy that; 'Where an amenity, which served the wider community is lost and this results in the Council receiving an unplanned capital receipt, then that Community should be given the opportunity to make representations to reinvest the receipt (in part or in total) into a capital scheme which supports local objectives'

The Council has received a capital receipt of £35k in respect of a Development in Filey in lieu of the creation of a civic amenity site. It is therefore proposed that this capital receipt be earmarked for use in Filey.

Consultation has taken place with Filey Town Council and they have highlighted several areas where the monies could be invested. The initial feedback received from the Town Council is that they wish the monies to be earmarked for the creation of toilet facilities within the grounds of the Evron Centre in Filey town centre. The Town Council has undertaken a consultation exercise and the lack of toilet provision in Filey town centre is a high priority set out in the Town Council's Town Plan 2005 – 2010 and the draft Plan for 2010 -2015. The cost of the scheme is estimated at £50k although costs can only be confirmed following an invitation to tender exercise.

Officers will continue to consult and liaise with the Town Council during 2011/12 to firm up proposals for the allocation of these monies.

- **Improving the Council**

The top priority within this aim is 'Improving Performance of our Services and Ensuring they provide Value for Money'. The Whitby Depot facilities, which are detailed under the Invest to Save section of this appendix, are a good example of joined up working with the County Council and will meet the priority of Improving the Performance of our services and ensuring that they provide Value for Money. An investment of £205k in new car parking machines in 2010/11 will also meet this priority.

Works and investigations continue around the most effective and efficient relocation of the Scarborough Depot.

Summary

Due to the low level of capital resources the priority schemes recommended for approval within this Financial Strategy are limited. Priority schemes on the capital reserve list may be progressed if capital receipts over and above the amounts already included in the capital plan are generated during 2011/12. Further details will be presented to Council before any schemes are taken forward.

2 Asset Management

A separate budget exists for Asset Management schemes with consideration given to the need for enhancement or refurbishment of the existing asset stock.

The Capital Strategy set a budget of £4.2 million of investment in the Council's Assets over the 14-year period 2006 to 2020.

No new asset management schemes are recommended for approval within the 2011/12 budget. The unallocated balance for asset management schemes now stands at £2.345m for the period up to 2019/20.

3 Information Technology Schemes

The Capital Strategy provided for £4.023m investment in IT over the 10-year period 2008-2017. The following IT expenditure is proposed for inclusion in the 2011/12 budget:

Type	Description	Cost
Ongoing Infrastructure requirements:	PC Replacement	£22k
	Microsoft Licence Agreement	£80k
	Server Licences Virtualisation	£5k
	Gov Connect Annual Charges	£15k
	Penetration Testing	£10k
	Telephony System	£200k
	General ICT Infrastructure	£10k
	General Communications costs	£10k
System upgrades / Integration	ICON	£13k
	TIC stock system	£20k
Transformation Programme work	Cmetrix	£5k
TOTAL		**£390k**

* the cost of this scheme will be funded from TIC revenue budgets in 2011/12.

A further £1.9m of funding will remain for the 6 year period concluding in the 2017/18 financial year.

4 Vehicle and Equipment Replacement

Separate capital provision exists within the Capital Development Fund for the replacement of essential, operational vehicle, plant and equipment items.

The Transport Manager and relevant Service Unit Manager will assess the condition of existing assets prior to any renewal decisions being made. The value of vehicles and equipment to be replaced in 2011/12 totals £0.579m.

5 Invest to Save

The following schemes have been assessed under the Council's Invest to Save criteria and qualify for funding:

Purchase of Empty Homes for Homelessness Accommodation (£1.5m)

The Council has a legal obligation to provide temporary accommodation for homeless people. This legal obligation is currently discharged through the use of Private Sector Leased Accommodation for homeless families at Kelia Court and through the use of Bed And Breakfast (B&B) accommodation. As at the end of December 2010 the Council had 60 households in temporary accommodation made up of 23 families at Kelia Court and a further 37 single people in B&B.

Trends over recent months indicate that homelessness is increasing. Cuts to public spending, reductions in benefits eligibility along with the massive shortfall of affordable housing within the Borough mean that in coming years we are likely to see an upsurge in homelessness. The Council therefore needs to develop more cost effective forms of temporary accommodation than those currently used.

Last year the Council's net spend on B&B was £199k and this year a net spend of £224k is forecast.

As an invest to save measure it is proposed that the Council provides grant funding to RSLs (as match funding) to support the acquisition of empty properties on the open market to enable them to be brought back into use as temporary accommodation for homeless people. Ownership by an RSL removes all on-going cost liabilities from the Council however, as part of the condition of grant payment the Council would be guaranteed 100% nomination rights for 25 years in order to meet our obligations.

It is estimated that a total match funding capital budget from the Council of £750k would enable 15-18 empty homes to be brought back into use for this purpose. The borrowing and associated interest costs will be repaid from revenue savings achieved on the cost of temporary accommodation, which will be in the region of £134k per year

This scheme will be funded from Prudential Borrowing

Whitby Depot - £300,000

In principle approval has previously been granted for progression of a joint depot with North Yorkshire County Council on the Stainsacre Industrial Estate. The expected cost of the depot is £300k and this will be fully financed from the sale of the existing Stakesby Depot and Holly Tree Court Nursery.

The cost of the scheme will be repaid upon the capital receipt of the land disposal.

Further details will be presented to Members as the scheme progresses.

6 SUMMARY OF CAPITAL EXPENDITURE PROPOSED FOR INCLUSION IN THE 2011/12 BUDGET

The Table below summarises the new expenditure that is proposed for inclusion in the Council's 2011/12 capital programme.

Scheme	Report Reference	Total Cost £000's	External Funding £000's	Net Cost £000's
Priority Schemes:	Section 1			
Disabled Facilities Grants		640	(321)	319
Futurist Theatre assets		200	-	200
North Bay Play Area (agreed in the 2010 Financial Strategy)		250	(100)	150
Investment in Filey		35	-	35
Information Technology Schemes	Section 3	390	-	390
Vehicle and Equipment Replacement	Section 4	579	-	579
Invest to Save:	Section 5			
Temporary Accommodation		1,500	(750)	750
Whitby Depot		300	-	300
TOTAL		**3,894**	**(1,171)**	**2,723**

7 CAPITAL BID RESERVE LIST 2011/12

Requests for capital investment far outweigh available capital resources. As capital receipts are limited in the current economic climate it is unlikely that there will be significant amounts available for investment in the short-term, however in the longer term the sale of Dean Road Depot will achieve a significant capital receipt.

It is recommended that the following schemes be included on the capital reserve list:

- My Barrowcliff
- Eastfield Blueprint
- St Peters Park, Whitby
- Manor Road Parks Ponds
- Spa Landslip
- Town Hall Relocation
- Repayment of Debt

My Barrowcliff – Total Scheme cost £980k (SBC investment £190k)

This project will tie together several initiatives in and around the Barrowcliff estate. In 2010/11 the Council committed £10k funding to the initial planning stage of the project and this is now fully funded and currently underway.

The scheme will be delivered by Groundwork and will involve the community in the long term improvement of the estate and provide a strategic vision to attract significant external funding. The total cost of the scheme is anticipated to be £980k (25% revenue, 75% capital) with £790k being externally funded. The impact on Council capital resources would therefore total £190k (19%).

Eastfield Blueprint – Total Scheme cost £200k (SBC investment £50k)

This scheme would be delivered by Groundwork and would encompass many wide ranging initiatives such as open spaces, lighting and shopping areas, parking and traffic safety together with various revenue schemes. The total cost of the scheme is anticipated to be £200k (50% capital, 50% revenue) with £150k being externally funded. The impact on Council resources would therefore total £50k.

St Peters Park, Whitby – Total Scheme cost £425k (SBC investment £375k)

This is the second phase of a project and will include improvements in the access to the park as well as the revamping of the existing toddler and younger children's playground. The construction of a permanent BMX track together with improvements to the Multi Use Games Area and creation of a new garden will complete the works. The scheme is forecasted to cost £425k with £375k to be funded by the Council.

The scheme is dependent on the Council obtaining capital receipts from the sale of land for the provision of affordable housing in Whitby. As a result of the land sale the football pitch at Helredale playing field will be lost, therefore this project will also make provision for a new football pitch as a replacement.

Manor Road Parks Ponds – Total Scheme cost £35k (SBC investment £7k)

Following the recently completed regeneration of the children's play area, this new scheme will create a wildlife oasis on a currently dilapidated area of the park. An investment of £7k from the Council would attract an additional £28k from external sources bringing the total scheme cost to £35k.

Information and educational resources will be provided around the wildlife areas, while community involvement in the improvement will create a more sustainable park for the future.

Spa Landslip

The total re-instatement costs were estimated to be in the region of £1m however a low cost remedial solution has been designed and accepted and tenders are currently being sought.

Other Regeneration Schemes

The Council is continuing to review a number of potential regeneration projects such as Middle Deepdale, the Town Hall relocation, the Futurist Theatre, the expansion of Whitby Business Park, the Mere, the Leisure Strategy and the Innovation Centre.

Repayment of Debt

In recent years the Council has agreed to fund the redevelopment of the Open Air Theatre and relocation of the Depot from borrowing until respective capital receipts are received the facilitate their repayment. The repayment of this borrowing and associated interest costs are funded from the revenue budget annually. If significant capital receipts are generated the Council could opt to ‘repay’ this borrowing to reduce its revenue costs.

The Sands

During 2008/09 the Council received a net capital receipt of £595,000 in relation to land drawn down for the Sands Development. This capital receipt has been earmarked for potential expenditure on the scheme, therefore is not included in the resources available for investment shown in Section 10 of this Strategy. £150k of this receipt is earmarked for the development of a play area in North Bay.

APPENDIX C

ACTION PLAN FOR ACHIEVEMENT OF OBJECTIVES

Objective	How we will achieve it	Timescales	Lead Officer
1. Budgets are Prudent and Sustainable in the Long Term	Adequate provision is made for inflation, pressures, pay awards, and new legislation	Ongoing	HFAM/CFM
	The revenue budget is not supported by one off savings, or unsustainable use of reserves	Ongoing	HFAM
	Effective budget monitoring to ensure early identification of issues and action planning	Quarterly reports to cabinet Monthly reporting to managers	CFM
	Income equalisation reserves are set aside for high risk areas	Ongoing	HFAM/CFM
2. Financial Plans Recognise Corporate Priorities and Objectives	Additional investment, and savings proposals make explicit reference to corporate priorities	Ongoing	HFAM
	Local and national targets are considered	Ongoing	HFAM
	Long term vision and objectives are considered within the report	Ongoing	HFAM
	Provision within financial planning figures for growth and contingency amounts to fund priority areas	Ongoing	HFAM
	All capital schemes undergo an options appraisal and are prioritised in line with Council priorities and aims.	Ongoing	CFM
3. Significant risks are identified, and factors to mitigate against those risks are identified	Risk management is embedded in corporate and service planning	Ongoing	HFAM
	Financial risks are considered on an ongoing basis, are specifically reflected within	Ongoing	CFM

	the Financial Strategy and are closely monitored		
4. The Capital Programme is planned over a 10 year period, with "unsupported" borrowing minimised, other than where there are clear financial or economic benefits for the Renaissance of the Borough,	10 Year capital programme developed	Complete	HFAM/CFM
	The establishment of a Capital Development Fund	Complete	CFM
	The Use of Unsupported Borrowing only on an Invest to Save Basis or where clear economic benefits can be demonstrated	Ongoing	HFAM/CFM
	Contingency funding is included within the capital programme	Ongoing	HFAM
	A Corporate approach to external funding opportunities	Ongoing	HFAM/CFM
5. Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account.	Specific reference within the Financial Strategy of constraints, and current issues	Ongoing	HFAM/CFM
	Regular reporting to Cabinet on local government finance issues	Ongoing	HFAM/CFM
	Ensure awareness of financial position within the organisation through an effective Communication strategy	Ongoing	HFAM/CFM
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.	Financial plans take account of this level of council tax increase and target efficiency requirements reflect the likely levels of council tax	Ongoing	HFAM

7. Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council	Annual review of reserves, linked to corporate priorities and treasury management implications	Annually, within Financial Strategy	HFAM/CFM
8. Value for money and achievement of improved efficiency and service delivery underpin the Financial Strategy, and the outcomes of investment made in priority areas are evaluated	The Service transformation group facilitates improved service delivery via the optimum use of IT through the Council	Ongoing	HTM
	The Corporate Efficiency Programme and efficiency partner will improve the efficiency and value for money provided by the Council	Ongoing	HFAM
	Benchmarking the costs of our services	Report via CEP	HFAM
	The outcomes of priority investment are monitored – see Appendix J	Ongoing	CFM
9. The Financial Strategy supports the achievement of Excellence in Financial Management	An action plan in relation to the Use of Resources Assessment	Ongoing	HFAM
	Developing the financial culture within the Council	Ongoing	HFAM
	Financial reporting and documentation- based upon stakeholder needs	Ongoing	CFM
	Improved use of Financial Systems (linked to General Ledger Upgrade)	Ongoing	CFM
	Training and Development – finance/non finance	Ongoing	HFAM/CFM

HFAM – Head of Finance and Asset Management
HTM – Head of Transformational Management
CFM – Corporate Finance Manager
CPM – Corporate Performance Manager

APPENDIX D

INVEST TO SAVE STRATEGY

Introduction

The Financial Strategy outlines restrictions on new borrowing. An exception to this will be made in the case of Invest to Save Schemes.

Invest to Save schemes are those where there is a capital cost, and associated borrowing costs arise, but the ongoing savings cover the associated borrowing costs. This results in both an improved revenue position (ie the benefits of the proposal exceed the borrowing costs) plus improved service provision through the capital investment.

All such proposals are considered in line with the Council's capital programme. The available funding for such proposals is in effect unlimited, providing the business case can be made.

All schemes will be assed for their viability, and contribution to corporate priorities.

The maximum period to repay the initial investment is 25 years. This is in line with standard accounting policies.

The repayments will be expected to repay the capital outlay, interest and a provision to cover financial risk. In essence the Council incurs the borrowing, and associated repayment/interest costs are then fully covered through the revenue savings. An allowance for risk will usually be included in the assessment. Therefore, most schemes will need to demonstrate that they more than cover the borrowing costs, and an overall net saving results.

Interest

The rate of interest to be used in assessing whether the scheme meets the Invest to Save criteria will be the marginal cost of borrowing at the time of the decision. The interest rate will be fixed for the duration of the scheme.

All Invest to Save Schemes will be subject to a review report once the scheme has been implemented, to ensure the financial savings identified are achieved. Where savings are not demonstrated, the relevant service would be expected to find compensating savings. This rule ensures all services take a prudent view of such scheme, in the recognition that any risks/non achievement will ultimately fall back on them.

Information Requirements

To proceed with a request for Invest to Save, a capital bid must be made in line with the capital strategy process. This will include detailed financial appraisal. The appraisal will be subject to review from Finance.

In summary the following stages apply to ITS schemes

- Preparation of a Business Case (Head of Service)
- Financial Appraisal (Corporate Finance Manager)
- Risk Assessment (Head of Service)
- Report to Cabinet / Council (Head of Finance and Asset Management)

APPENDIX E

TREASURY MANAGEMENT STATEMENT, ANNUAL INVESTMENT STRATEGY AND MRP POLICY FOR 2011/2012

INTRODUCTION

Statutory Requirements

The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice (the Code) to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Department of Communities and Local Government (DCLG) has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

The suggested strategy of the treasury management function for 2011/2012 is based upon the treasury officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury adviser, Sector Treasury Services (Sector).

Treasury Management is a key component of the Medium Term Financial Strategy, as its activities, especially capital borrowing, underpin the financial affordability in meeting the Council's objectives.

Unless otherwise stated this report follows the convention used by HM Treasury in as much as years are always calendar years, not financial years i.e. quarter 1 (Q1) refers to the January to March quarter.

CIPFA Requirements

The CIPFA Code of Practice on Treasury Management as revised in November 2009 was adopted by this Council on 26 February 2010.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities. This is attached in Appendix E2.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Full Council, or specified body, of an annual Treasury Management Strategy Statement for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

BALANCED BUDGET

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. In particular, Section 32 requires the Council to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and

2. any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

PRUDENTIAL INDICATORS FOR 2011/2012 TO 2013/2014

It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit” and represents the legislative limit specified in the Act.

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is ‘acceptable’.

Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

Treasury Management is linked specifically to the Capital Strategy, through the setting of Prudential Indicators for capital investment and financing, including the level of borrowing to support capital schemes. The Prudential Indicators proposed for the next three financial years are detailed and explained within Appendix F.

The Council's treasury portfolio position as at 31 December 2010 comprised:

	Principal	Average Rate
Borrowings	£	%
Variable Rate Funding	4,000,000	4.4500
Total Debt	**4,000,000**	**4.4500**
Investments		
Internal	10,200,000	0.7100
Total Investments	**10,200,000**	**0.7100**

The level of investments fluctuate during the financial year as a result of cash flows and the above level is projected to fall to £2m by 31 March 2011, before increasing during the following financial year.

ECONOMIC BACKGROUND

Global economy

The sovereign debt crisis peaked in May 2010 prompted, in the first place, by major concerns over the level of the Greek government's total debt and annual deficit. However, any default or write down of Greek debt would have substantial impact on other countries, in particular, Portugal, Spain and Ireland. This crisis culminated in the European Union (EU) and International Monetary Fund (IMF) putting together a €750bn support package in mid May. A second crisis, this time over Ireland, resulted in an EU and IMF bailout loan of €67.50bn in November 2010.

Growth in the US, UK and the Euro zone in Q2 2010 was particularly driven by strong growth in the construction sector catching up from inclement weather earlier in the year and is unlikely to be repeated; general expectations are for anaemic (but not negative) growth in 2011.

UK economy

Following the general election in May 2010, the coalition government has put in place an austerity plan to carry out correction of the public sector deficit over the next five years. The inevitable result of fiscal contraction will be major job losses during this period, in particular in public sector services. This will have an impact on consumer and business confidence and appears to have also hit the housing market as house prices started on a negative trend during the summer and autumn of 2010. Mortgage approvals are also at very weak levels and declining, all of which indicates that the housing market is likely to be very weak next year.

Economic Growth is likely to have peaked in the current period of recovery at 1.2% in Q2 2010. The outlook is for anaemic growth in 2011/2012 although the Bank of England and the Office for Budget Responsibility are forecasting near trend growth (2.5%) i.e. above what most forecasters are currently expecting.

Unemployment – since July 2010 there have been small increases in the number of unemployed which is likely to be the start of a new trend for some years ahead of rising unemployment.

Inflation and Bank Rate – CPI has remained high during 2010. It peaked at 3.7% in April and has gradually declined to 3.1% in September (RPI 4.6%). Although inflation has remained stubbornly above the Monetary Policy Committee (MPC) 2.0% target, the MPC is confident that inflation will fall back under the target over the next two years.

There is unlikely to be any increase in Bank Rate until the end of 2011.

AAA rating – prior to the general election, credit rating agencies had been issuing repeated warnings that unless there was a major fiscal contraction, the UK AAA sovereign rating was at significant risk of being downgraded. Sterling was also under major pressure during the first half of the year. However, after the Chancellor's budget on 22 June 2010, Sterling strengthened against the US dollar and confidence has returned that the UK will retain its AAA rating. In addition, international investors now view UK government gilts as being a safe haven from EU government debt.

Looking Ahead

It is currently difficult to have confidence as to exactly how strong the UK economic recovery is likely to be, and there are a range of views in the market, particularly around the following areas:

- the speed of economic recovery in our major trading partners - the US and EU
- the degree to which government austerity programmes will dampen economic growth and undermine consumer confidence
- changes in the consumer savings ratio
- the speed of rebalancing of the UK economy towards exporting and substituting imports
- the potential for more quantitative easing, and the timing of this in both the UK and US, and its subsequent reversal
- the speed of recovery of banks' profitability and balance sheet imbalances and the consequent implications for the availability of credit to borrowers
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy

The overall balance of risks is weighted to the downside and there is some risk of a double dip recession and deleveraging, creating a downward spiral of falling demand, falling jobs and falling prices, although this is currently viewed as being a small risk.

CAPITAL BORROWING AND THE BORROWING PORTFOLIO STRATEGY

Detailed below are the expectations of the new borrowing rates for the Public Works Loan Board (PWLB), and are subject to variation if there are any unexpected shocks to financial and/or political systems. The PWLB is a statutory body operating within the UK Debt Management Office, an Executive Agency of HM Treasury.

- The 50-year PWLB rate is expected to gradually increase from current levels of 5.10% to reach 5.50% by March 2012. The rate will continue to rise to reach 5.75% by Q1 2014.

- The 25-year PWLB rate is expected to rise from 5.00% to 5.40% by March 2012, and to reach 5.70% by Q1 2014.

- The 10-year PWLB rate is expected to increase to 4.40% by March 2012, eventually rising to 5.40% by Q1 2014.

- The 5-year PWLB rate is expected to rise from 3.00% to 3.50%, reaching 5.00% by Q1 2014.

In addition, to the above forecasts the Council's borrowing strategy will be based upon the following information:

- The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking market loans at long term rates which will be higher in future years

- Rates are expected to gradually increase during the year so it should be advantageous to schedule new long term borrowing for the start of the year.

- Variable rate borrowing, up to 10 years, is expected to be cheaper than long term borrowing and will, therefore, be attractive throughout the financial year compared to long term fixed rate borrowing.

- PWLB rates on loans of less than ten years duration are expected to be substantially lower than longer term PWLB rates offering a range of options for new borrowing.

- Consideration will be given to long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available).

External v Internal Borrowing

The forthcoming financial year is expected to be a time of historically low Bank Rate, with long term borrowing rates anticipated to be higher than investment rates, which continues to present a window of opportunity to maximise short term savings by repaying existing debt or avoiding new borrowings; thus reducing investment balances. The measures taken in the last two years have already reduced significantly the level of credit risk the Council faces.

The short term savings from avoiding new borrowing must be weighed against the potential for incurring additional long-term extra costs by delaying unavoidable new borrowing until later years when PWLB long term rates are forecast to be significantly higher.

Against this background caution will be adopted with the borrowing operations and Council officers will, in conjunction with Sector, continually monitor both the prevailing interest rates and the market forecasts, and adopt a pragmatic approach to any changing circumstances.

Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the capital programme and the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

DEBT RESCHEDULING

On the 1 November 2007 the PWLB introduced a spread between the rates applied to new borrowing and repayment of debt. On 20 October 2010 the PWLB further widened the difference between these two sets of interest rates, which has made PWLB to PWLB debt restructuring significantly less favourable.

In general, short term borrowing rates will be considerably cheaper than longer term rates, there are likely to be significant opportunities to generate savings by switching from long term debt to short term debt. However, these savings would need to be considered in the light of the size of premiums incurred, their short term nature and the likely cost of refinancing those short term loans, once they mature.

The Council does not currently have any PWLB loans. The only existing loan is a £4million six monthly callable LOBO (Lenders Option, Borrowers Option). If the lender exercised their option to vary the interest rate payable on this loan the Council would either have to accept the new terms offered, repay in full from cash balances or refinance with a new loan (LOBO or PWLB). Given the volatility in the financial markets it is not possible to determine either the trigger or timing of the lender exercising their option.

Any rescheduling undertaken will be reported to Cabinet as part of the Treasury Management Annual Outturn Report.

ANNUAL INVESTMENT STRATEGY

INVESTMENT POLICY

The Annual Investment Strategy (AIS) is produced in accordance with the DCLG Guidance on Local Government Investments and revised CIPFA Code of Practice. The Council aims to achieve the optimum return on its investments commensurate with the proper levels of capital security and liquidity. The Council's risk appetite is low reflecting the priority given to security of its investments.

The borrowing of monies purely to invest in order to make a return is unlawful and this Council will not engage in such activity.

Investment instruments that the Council may use for the prudent management of its treasury balances during the financial year are detailed in Appendix E1 under the heads of Specified and Non-Specified Investments.

Creditworthiness Policy

The Council uses the creditworthiness service provided by Sector. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element.

However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays : -

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches, credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Council would not be able to replicate using in-house resources.

The Council will therefore use appropriately credit rated counterparties within the following durational bands*:* -

- Yellow 5 years (for AAA rated government debt only)
- Purple 2 years
- Blue 1 year (only applies to full/semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour *dependant on the credit rating.

* Appropriate rated building societies up to 1 month. If below the minimum credit criteria then do not use.

This Council does not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Sector creditworthiness service does though use ratings from all three agencies, but by using a scoring system, does not give undue preponderance to just one agency's ratings.

Although all credit ratings are monitored weekly the Council is alerted to changes to ratings of all three agencies throughout the week.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- If a counterparty or investment scheme is upgraded so that it meets the Council's minimum criteria, it will be included on the lending list.

- In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will use market data and information, information on government support for banks and the credit ratings of that government support.

Authorised Institutions

The Council will invest with Bank of England Authorised Institutions with a minimum credit rating of F1+ (or equivalent) short term and AA- (or equivalent) long-term at the time of dealing.

The UK Government, whilst not providing a blanket (explicit) guarantee on all deposits, has underlined its determination to ensure the security of the UK banking system by offering support to eight institutions named as:

- Abbey (now part of Santander)
- Barclays
- HBOS (now part of Lloyds Group)
- HSBC
- Lloyds TSB
- Nationwide Building Society
- Royal Bank of Scotland
- Standard Chartered

The UK Government would in essence be taking part ownership of the above banks if they utilise the facility. Therefore, even if the above named institutions credit rating falls beneath the minimum criteria stipulated they should still continue to be used for investments as they have an implied Government guarantee.

Nationalised banks in the UK have credit ratings which do not conform to the credit criteria usually applied to identify banks which are of high credit worthiness. In particular, as they no longer are separate institutions in their own right, it is impossible for Fitch to assign them an individual rating for their stand alone financial strength. Accordingly, they have assigned an F rating which means that at a historical point in time, this bank failed and is now owned by the Government. However, these institutions are now recipients of an F1+ short term rating as they effectively take on the creditworthiness of the Government itself. They also have a support rating of 1; in other words, on both counts, they have the highest ratings possible.

Building Societies

The Council has historically placed investments with unrated counterparties, such as building societies, where their creditworthiness was assessed on the total asset value of the organisation. However, over the past two years or so a number of building societies have sought refuge through merging with larger institutions. This highlighted that the use of asset value alone was not considered an appropriate measure of credit risk. Therefore, the Council will only invest with building societies that have a minimum credit rating of A- long term and F1 short term. This in itself is no guarantee against an institution failing but it does provide a measure of their current and on-going viability.

Local Authorities

Local Authorities do not generally have a credit rating assigned; however, this does not imply they are not creditworthy organisations. There is a clear legal situation pertaining to straightforward cash lending for English and Welsh local authorities where Section 13 (3) of the Local Government Act 2003 states that:-

‘’All money borrowed by a Local Authority, together with any interest on the money borrowed, shall be charged indifferently on all the revenues of the authority’’.

Although a number of public sector bodies, approximately 123, still have money frozen in the Icelandic banks local authorities are believed to be financially sound and it is proposed to continue to use them for placing investments with (including those with funds frozen).

Foreign Banks/Country limits

On credit grounds alone, there is no reason why a highly credit-rated bank with non-UK origins operating in the UK should be discriminated against vis-à-vis its UK counterparty. However, the Icelandic bank situation has also raised the issue of a sovereign states’ propensity and ability to support a bank and/or banking system. The Icelandic government had the propensity to support their banks but unfortunately not the financial ability to do so.

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). This will also be the consideration where a country has given a blanket (explicit) guarantee on all deposits.

The list of countries that qualify using this credit criteria as at the date of this report are detailed below:

• Canada	• Norway
• Denmark	• Singapore
• Finland	• Sweden
• France	• Switzerland
• Germany	• UK
• Luxembourg	• USA
• Netherlands	

This list will be added to or deducted from by Finance Officers should ratings change in accordance with this policy.

The UK Sovereign rating has been under significant pressure however, since the general election there is renewed confidence that the UK will retain its AAA sovereign rating. The major credit rating agencies are continuing to monitor the progress made in addressing the problems. It is recommended that the Council should continue to invest within UK based institutions, including the central government, even if the sovereign rating is downgraded.

A definition of the long and short term ratings used within this report is detailed in Appendix E3.

TEMPORARY INVESTMENTS STRATEGY

The Council's funds are mainly cash-flow derived, with a small element of core balance available for longer term investments. The core balance has been reduced during the past 24 months, or so, through repaying debt and funding capital expenditure rather than take new borrowing. This has also reduced the level of credit risk exposure, and generated short term savings.

The Bank Rate has remained unchanged at 0.50% since March 2009, and is forecast to remain at that level until the end of 2011. Bank Rate forecasts for financial year ends (March) are as follows:

- 2011: 0.50%
- 2012: 1.00%
- 2013: 2.25%
- 2014: 3.25%

There is a downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected.

The Council will avoid locking into longer-term deals while investment rates are at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile. Cash-flow generated balances will continue to be placed in business reserve accounts and short-dated deposits (up to 3 months) to benefit from the compounding of interest.

For 2011/2012 it is forecasted that the Council should budget for an investment return of 0.70% on investments placed during the financial year.

END OF YEAR INVESTMENT REPORT

In accordance with the CIPFA Code of Practice the investment activities for 2011/2012 will be reported to Cabinet as part of the Treasury Management Annual Outturn Report, no later than 30 September following the end of the financial year.

APPENDIX E1

LOCAL GOVERNMENT INVESTMENTS (England)
SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated, with maturities upto a maximum of 1 year, meeting the minimum 'high' credit criteria where applicable.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Criteria	Capital Expenditure?	Circumstance of use	Maximum period
Debt Management Agency Deposit Facility* (DMADF) * this facility is at present available for investments up to 6 months	No	Yes	UK Sovereign rating.	No	In-house	1 year *
Term deposits with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	No	Yes	High security although most local authorities are not credit rated.	No	In-house and by external fund managers	1 year
Term deposits with banks and building societies nationalised by high credit rated sovereign countries with maturities upto 1 year. This includes forward deals where negotiated period plus period of deposit is less than 1 year.	No	Yes	AAA rated sovereign rating for non-UK countries. UK sovereign rating for UK counterparties	No	In-house and by external fund managers	1 year
Term deposits with credit-rated banks with maturities up	No	Yes	AA- long term F1+ short	No	In-house and by external fund	1 year

to 1 year, including forward deals.			term		managers	
Term deposits with credit-rated building societies with maturities up to 1 year, including forward deals.	No	Yes	A- long term F1 short term	No	In-house and by external fund managers	1 year
Term deposits with banks and building societies operating with a Government guarantee (explicit) on ALL deposits by high credit rated countries.	No	Yes	AAA rated sovereign rating for non-UK countries. UK sovereign rating for UK counterparties	No	In-house and by fund managers	1 year
Term deposits with banks and building societies operating with UK Government support to the banking sector (implicit guarantee).	No	Yes	UK sovereign rating	No	In-house and by fund managers	1 year

LOCAL GOVERNMENT INVESTMENT (England)

NON-SPECIFIED INVESTMENTS

Note : The maximum percentage limit for each investment is based on the aggregate sum managed in-house and through external fund managers

1 Maturities of ANY period

Investment	**Share/ Loan Capital?**	**Repayable/ Redeemable within 12 months?**	**Security / 'High' Credit Rating criteria**	**Capital Expenditure ?**	**Circumstance of use**	**Max % of overall investment portfolio**	**Maximum period**
Deposits with unrated deposit takers with unconditional financial guarantee from HMG or credit-rated parent institution.	No	Yes, but only if maturity is 1 year or less	Parent must be rated minimum AA- long term and F1+ short term. Sovereign rating AAA or UK sovereign rating.	No	In-house	50	5 years, dependant on credit rating of parent or sovereign
Fixed term deposits with variable rate and variable maturities	No	Yes, but only if maturity is 1 year or less	AA- long term F1+ short term	No	In-house and external fund managers	25	5 years
Certificates of deposit issued by banks and building societies	No	Yes, but only if maturity is	UK Sovereign rating	No	In-house and external fund	25	5 years

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / 'High' Credit Rating criteria	Capital Expenditure ?	Circumstance of use	Max % of overall investment portfolio	Maximum period
covered by the UK Government (explicit) guarantee.		1 year or less	AA- long term F1+ short term		managers		
Certificates of deposit issued by banks and building societies covered by the UK Government banking support package (implicit) guarantee.	No	Yes, but only if maturity is 1 year or less	UK Sovereign rating AA- long term F1+ short term	No	In-house and external fund managers	25	5 years
Certificates of Deposit issued by credit-rated deposit takers (banks and building societies) NOT covered by UK Government guarantee support package (implicit guarantee) *Custodial arrangement required prior to purchase*	No	Yes, but only if maturity is 1 year or less	AA- long term F1+ short term	No	To be used by fund managers; to be used in-house after consultation/ advice from treasury consultant	50	5 years
Commercial paper issuance covered by a specific UK government (explicit) guarantee and issued by banks covered by the UK bank support package. Custodial arrangement required	No	Yes – generally have a maximum life of 9 months.	UK sovereign rating F1+ short term	No	In-house and by external fund managers (subject to the guidelines and parameters agreed with them)	20	1 year

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / 'High' Credit Rating criteria	Capital Expenditure ?	Circumstance of use	Max % of overall investment portfolio	Maximum period
Commercial paper issuance covered by UK banks covered by UK government (implicit) guarantee. Custodial arrangement required	No	Yes – generally have a maximum life of 9 months.	UK sovereign rating F1+ short term	No	In-house and by external fund managers (subject to the guidelines and parameters agreed with them)	20	1 year
Treasury bills [Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value] Custodial arrangement required prior to purchase	No	Yes	UK sovereign rating.	No	In-house and external fund managers subject to the guidelines and parameters agreed with them	25	1 year
Bonds issued by a financial institution that is guaranteed by the United Kingdom Government (refers solely to GEFCO – Guaranteed Export Finance Corporation) Any maturity Custodial arrangement required prior to purchase	No	Yes, but only if maturity is 1 year or less	UK sovereign rating.	No	(1) Buy and hold to maturity : to be used in-house after consultation/ advice from treasury consultant (2) for trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	50	10 years

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / 'High' Credit Rating criteria	Capital Expenditure ?	Circumstance of use	Max % of overall investment portfolio	Maximum period
Bonds issued by multilateral development banks (as defined in SI 2004 No 534) any maturity Custodial arrangement required prior to purchase	No	Yes, but only if maturity is 1 year or less	AAA or UK sovereign rating.	No	(1) Buy and hold to maturity : to be used in-house after consultation/ advice from treasury consultant (2) for trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	50	10 years
UK government gilts *Custodial arrangement required prior to purchase*	No	Yes – but can be up to 10 years.	UK sovereign rating	No	(1) Buy and hold to maturity : to be used in-house after consultation/ advice from treasury consultants (2) for trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	50	10 years
Floating Rate Notes (FRNs) *[Bonds (i.e. debt instruments) with a coupon whose rate varies in line with a market rate of interest and is generally re-set every 3 months]* *Custodial arrangement required prior to purchase*	Yes	Yes	Yes – varied	Yes	For trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	20	5 years

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / 'High' Credit Rating criteria	Capital Expenditure ?	Circumstance of use	Max % of overall investment portfolio	Maximum period
Corporate bonds issuance covered by UK government (implicit) guarantee and issued by banks covered by the UK bank support package.	Yes	Yes	UK sovereign rating YES-varied** Suggested minimum long-term rating : AA- : for bonds with maturities up to 2 years AA : for bonds with maturities up to 10 years	Yes	For trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	20	10 years
Corporate bonds other	Yes	Yes	YES-varied** Suggested minimum long-term rating : AA- : for bonds with maturities up to 2 years AA : for bonds with maturities up to 10 years	Yes	For trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	20	10 years
Sovereign bond issues (other than UK government): any maturity *Custodial arrangement required prior to purchase*	No	Yes but only if maturity is 1 year or less.	AAA rated sovereign rating	No	(1) Buy and hold to maturity : to be used in-house after consultation/ advice from Sector (2) for trading : by external cash fund manager(s) only subject	20	10 years

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / 'High' Credit Rating criteria	Capital Expenditure ?	Circumstance of use	Max % of overall investment portfolio	Maximum period
					to the guidelines and parameters agreed with them		
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs) e.g. • **Government Liquidity Funds** • **Money Market Funds** • **Enhanced Cash Funds** • **Bond Funds** • **Gilt Funds**			Minimum AA- long term F1+ short term but for certain investments should be AAA rated	No, ***(ensure it is not a body corporate by virtue of its set up structure)***	to be used by external fund managers only subject to the guidelines and parameters agreed with them ***Important : In the selection of a fund the manager will ensure that the fund is not a body corporate by virtue of its set up structure**	20	*the period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements*

2 Maturities in Excess of 1 Year

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / 'High' Credit Rating criteria	Capital Expenditure ?	Circumstance of use	Max % of overall investments	Maximum period
Term Deposits with UK Local Authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities in excess of 1 year	No	No	High security although most local authorities are not credit rated	No	In-house and by external fund manager	100	5 years
Term deposits with banks and building societies with maturities greater than 1 year	No	No	AA- long term F1+ short term	No	in-house and fund managers	50	5 years
Forward deposits with credit rated banks and building societies for periods > 1 year (i.e. negotiated deal period plus period of deposit)	No	No	AA- long term F1+ short term	No	By fund managers; and in-house after consultation/ advice from Treasury Consultants.	50	5 years
Term deposits with credit rated banks and building societies with unconditional guarantee from a Sovereign government.	No	No	Sovereign rating of AAA or UK Sovereign rating. AA- long term F1+ short term	No	In-house	20	5 years

APPENDIX E2

TREASURY MANAGEMENT POLICY STATEMENT

The Council defines its treasury management activities as: "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management."

CAPITAL FINANCING

The Capital Finance Requirements, if required, will in the foreseeable future be met from the Public Works Loans Board after having regard to both current interest rate levels and anticipated rate fluctuations.

The Council's present debt structure and the low level of capital expenditure to be financed from loan in the next few years makes it unlikely that other loan instruments will be required. However, it may be that a straightforward long-term loan is available from the Money Market at more advantageous terms. In these circumstances this alternative which is in accordance with the requirements of the Local Government Act 2003 will be considered. No other borrowing or off balance sheet instruments will be used to raise capital finance without the prior approval of the Section 151 Officer (or appropriate substitute).

INVESTMENT OF SURPLUS MONIES

The Council's practice for the investment of surplus funds is limited to the following:-

- Institutions supported by the UK government and thus its sovereign rating.
- For any bank outside the UK, the Country of origin should have a Sovereign rating of AAA at the time of dealing.
- Institutions with an unconditional guarantee from a AAA rated sovereign country.
- Bank of England Authorised Institutions with a minimum credit rating of F1+ (or equivalent) short term and AA- (or equivalent) long term at the time of dealing from any one of the major credit rating agencies.
- The wholly owned subsidiaries of the UK clearing banks (subject to the parent meeting the minimum credit criteria and providing a statement of support).

- Building Societies with a minimum credit rating of A- (or equivalent) long term and F1 (or equivalent) short term at the time of dealing.
- Nationalised Industries, including nationalised banks, and other Public Corporations.
- UK Central Government and UK Local Authorities.
- Other Institutions as approved through the Annual Investment Strategy, in accordance with the Local Government Investment Regulations.

The strategy which has been implemented over many years is to maximise the return on the investment of funds whilst having regard to the security of investment; thus achieving optimum performance commensurate with the level of risk. Investments are arranged in line with the Annual Investment Strategy under the heads of Specified and Non-Specified Investments, which details the maximum maturity duration for each instrument, bearing in mind future cash flow requirements and anticipated interest fluctuations. It is stressed that whilst maximising income is the aim, the first priority is the preservation of the capital value invested.

Having regard to the above criteria it follows that a spread of investments is required to minimise the counterparty risk and therefore a maximum investment at any one time with any one of the Institutions set out above is recommended. The limit applied is as follows and it is recommended that the maximum applied to each of the institutions be continued:

Authorised Institutions as above	£5m
Government guaranteed institutions	£5m
UK clearing banks wholly owned subsidiaries	£3m
Building Societies as above	£3m
Nationalised Industries and other Public Corporations	£3m
Individual Local Authorities	£3m
Central Government – Debt Management Account	£15m

The following matters are also brought to the Council's attention:

A Policy on External Service Providers

a) Fund Manager

The Council will engage the services of professional external Fund Managers, where appropriate, in order to maximise its lending and borrowing operations whilst it is felt that there is added value of such appointments. Contracts will be awarded in accordance with the Council's Constitution. The Fund Manager's performance would be continually monitored throughout the contract period to ensure compliance with the risk management controls incorporated into the agreement. The Council does not currently engage the Services of a Fund Manager.

b) Treasury Management Advisers

The Council will engage the services of professional external treasury management advisers, where appropriate, in order to access specialist skills and resources. Sector Treasury Services are currently appointed in this role.

The Council recognises that it is responsible for treasury management decisions at all times and will ensure that undue reliance is not placed upon our external service providers.

B Policy on Delegation

All executive decisions on borrowing, investment and financing shall be delegated to the Head of Finance and Asset Management (Section 151 Officer) and through him to the Finance Officers who are required to act in accordance with CIPFA's Code for Treasury Management in Public Services, and other relevant regulations.

The Section 151 Officer's treasury management role is:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers as appropriate.

C Treasury Management Practices

The Head of Finance and Asset Management will maintain Treasury Management Practices (TMPs), which will set out the manner in which the Council will seek to achieve and control its treasury management policies, objectives and activities. The TMPs are working documents which assist in the identification, monitoring and control of the risk associated with treasury management activities.

D Review and Reporting Arrangements

The system and procedures for Treasury Management will be assessed and reviewed on a regular basis. Any significant amendment will be reported to Cabinet or the relevant Committee as appropriate.

Appendix E3

Long Term Credit Rating Definition

There are many grades of long term ratings, below are the Investment Grades only. These ratings generally cover maturities up to five years and thus is an assessment of the ongoing stability of the sovereign/institution's prospective financial condition.

Investment Grade	Definition
AAA	Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
BBB	Good credit quality. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.

Short Term Ratings Definition

A short-term rating is based on the liquidity profile of the rated entity and relates to the ongoing capacity to meet financial obligations with a relatively short time horizon generally less than 13 months. Below are the top three ratings.

Short term rating	Current Definition
F1	Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
F2	Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3	Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near term adverse changes could result in a reduction to non investment grade.

ANNUAL STATEMENT ON MINIMUM REVENUE PROVISION (MRP) IN RESPECT OF CAPITAL EXPENDITURE FINANCED BY BORROWING

BACKGROUND

Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life.

Local authorities are required each year to set aside some of their revenues through an annual Minimum Revenue Provision in respect of capital expenditure financed by borrowing.

The Local Authorities (Capital Finance and Accounting (England) (Amendment) Regulations 2008 (the Regulations) make it the responsibility of each authority to decide upon the most appropriate method of making a prudent provision. The Regulations also recommend that an annual statement on the policy to be adopted is submitted to Full Council for approval.

The Regulations explain that the ‘aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant (RSG), reasonably commensurate with the period implicit in the determination of that grant’. Four optional methods for calculating MRP are set out in the Regulations.

OPTIONS

Capital Financing Requirement (CFR) Method

MRP is equal to 4% of the Capital Financing Requirement (CFR) at the end of the preceding financial year.

Regulatory Method

MRP is equal to the amount determined in accordance with the former 2003 Regulations. The calculation in this method is based on the CFR as in Option 1 above, but with an adjustment that ensures that the MRP liability is not higher as a result of the 2003 Regulations.

Asset Life Method

MRP is determined by reference to the life of an asset that can be identified as financed wholly or partly by borrowing. There are two usual methods by which this can be achieved:

(a) Equal instalment method

An equal amount is charged each year based on the asset expenditure financed by borrowing and the life of the asset on which the expenditure is incurred.

(b) Annuity method

MRP is the principal element for the year of the annuity required to repay over the asset life the amount of capital expenditure financed by borrowing.

POLICY

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10. The Asset Life Method was adopted as it was anticipated that borrowing could be matched with long life assets while fitting in with the council's debt profile.

Expenditure reflected within the debt liability at 31st March 2010 will, under delegated powers, be subject to MRP under the Asset Life Method*,* which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

FINANCE LEASES

Upon the commencement of the lease term finance leases are recognised as assets and liabilities in the balance sheet. These are subsequently measured at the lower of fair value or the net present value of the future minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The MRP requirement would be regarded as met by a charge equal to the element of the charge that goes to write down the balance sheet liability.

RECOMENDATION

The recommended option is to link MRP to the capital charge element of finance lease transactions. Although calculations are more complex the Asset Life (Annuity Method) reconciles these values ensuring the combined impact on the General Fund is neutral.

APPENDIX F

PRUDENTIAL INDICATORS

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 affordability indicators for capital expenditure and financing and by setting borrowing limits and indicators for treasury management.

Affordability Indicators

The indicators of affordability address the revenue implications of the Council's capital investment programme. These indicators, recommended for approval, are set out in Bold in the following table.

	2010/11 Revised Estimate £000s	2011/12 Estimate £000s	2012/13 Estimate £000s	2013/14 Estimate £000s
Opening Capital Finance Requirement	16,163	18,732	21,929	21,270
a) Capital Expenditure	**14,550**	**5,487**	**1,923**	**2,641**
Sources of finance:				
Grants/other contributions	(7,303)	(1,171)	(332)	(332)
Capital receipts & reserves set aside	(4,180)	(566)	(1,591)	(2,309)
Net Repayment of Borrowing				(5,806)
Minimum Revenue Provision	(498)	(553)	(658)	(658)
b) Net Borrowing Indicator and Closing Capital Finance Requirement	**18,732**	**21,929**	**21,271**	**14,806***
c) Ratio of Financing Cost to Net Revenue Stream	**2.53%**	**3.87%**	**4.69%**	**4.69%**
d) Incremental impact on the Council Tax		**-£0.00**	**£0.00**	**£0.00**

***** Borrowings undertaken in relation to the Open Air Theatre and the relocation of the Scarborough Depot are to be repaid in 2013/14 through receipts from the Sands development and land sales respectively. This net borrowing for these two schemes will reduce by £6,519k over the period.

a) Capital Expenditure Indicator

The total amount of capital expenditure is the initial driver behind the cost of the capital programme for Council Tax payers. This is therefore given as the first indicator. Capital expenditure for 2011/12 has increased significantly from the estimates provided last year, largely due to the inclusion Scarborough Deport relocation, which was approved during the 2010/11 year.

The total cost falling on the Council Tax Payer is dependent on capital expenditure after taking account of grants and contributions. The Capital Expenditure Indicator does not therefore by itself, indicate the cost of the Capital Programme to Council Tax payers either in one year or over the course of the Financial Strategy.

b) Net Borrowing and Capital Financing Requirement Indicators

Capital expenditure in excess of the financing provided by external grants or the set-aside of reserves or capital receipts, increases the underlying need to borrow. This underlying need is shown by the indicator, the Capital Financing Requirement. The Capital Financing Requirement in turn determines the minimum provision required in the Revenue Budget for repayment of borrowing.

During 2010/11 approval has been given to fund the relocation of the Scarborough Deport (£3m) and the purchase of empty homes for homelessness accommodation (£0.75m) from unsupported borrowing. This is reflected in the increase in the Net Borrowing Indicator over the 2011/12 financial year.

The relocation of the Council depot in Scarborough, will require the Council to incur expenditure on purchasing / constructing a new depot prior to the capital receipt being generated on the sale of the current site. It is prudently anticipated that the Council will receive these receipts and those generated on the Sands development in 2013/14 and subsequently repay the outstanding borrowing on the schemes. The Net Borrowing Indicator will therefore reduce by £5.806m in 2013/14.

c) Ratio of Financing Cost to Net Revenue Stream Indicator

The costs of borrowing and also the interest received from investments, except where these are affected by short-term cash fluctuations, are determined by decisions on past and future capital investment. The proportion of revenue grant and council tax that is required to cover this net cost is measured by the

Prudential Indicator: Ratio of Financing Costs to Net Revenue Stream. It is anticipated that this ratio will increase gradually as a consequence of reductions in the Governments finance settlement following the Comprehensive Spending Review announced on 20 October 2010.

d) Incremental impact on the Council Tax Indicator

The Council's capital strategy supports capital investment by identifying matching financing from reserves and capital receipts. The incremental effect of this updated strategy compared with the resources previously identified is insignificant. The Incremental Impact on the Council Tax Indicator which measures this in terms of the resulting additional cost each year to Council Tax (Band D) therefore shows a negligible decrease.

Borrowing Limits

The level of external debt is determined with reference to the net borrowing indicator (as above), but also by treasury and operational management decisions. Borrowing Limits are set as a means of reviewing and controlling the amount of borrowing that can be afforded at any time.

The Council is required to set an authorised limit, which is a self-imposed maximum borrowing limit, and an operational boundary, which is an indicator to focus day-to-day treasury management and ensure that the authorised limit is not breached. The Authorised Limit reflects a level of borrowing which, while not desired, could be afforded but might not be sustainable. The operational boundary is a key management tool for in-year monitoring. A separate limit is set for 'other long term liabilities' to recognise the other alternatives to borrowing, such as finance leases, that, although not currently used, will likely be used to finance capital expenditure in future. The Authorised Limit and Operational Boundary for borrowing previously advised were £20m and £17m respectively. The recommended limit and operational boundary proposed for the next three years are reduced by £7m as follows:

Limits and Boundaries for 2011/12 – 2013/14	Authorised Limit	Operational Boundary
Borrowing Other long term liabilities	13.0m 2.0m	10.00m 1.5m
Total	13.5m	10.45m

Treasury Management Indicators

The Treasury Management Indicators are set as a means of aiding a prudent borrowing and investment strategy. The predominant indicator is that the Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Code, as revised in November 2009, was adopted by Council on 26 February 2010, and has been followed since. The Prudential Code further requires three specific indicators to be calculated each year to set limits to the exposure to risk of additional costs that might arise from treasury management. These indicators are outlined below.

Upper limits for interest exposure from use of fixed and variable interest rates

The Council's borrowing is all at fixed rate. The risk from exposure to variable interest rates is therefore currently limited to investments and any short term cash flow borrowing that may be necessary. Fixed rate investments reduce uncertainty but the flexibility arising from variable rate investments is advantageous and necessary for at least part of the investment portfolio. The proposed upper limits for exposure calculated with respect to projected interest receivable are:

Upper Limits for interest rate exposure for 2011/12 –2013/14	%
Upper limit - fixed rate	100
Upper limit - variable rate	30

Upper and lower limits for the maturity structure of the Council's debt for the forthcoming year

The risk associated with the maturity structure of debt is dependent on whether that structure might require an Authority to refinance debt at a time of volatile interest rates. The risk associated with the present debt structure is low since no borrowing is due to mature within 10 years. However, the following upper and lower limits for maturity structure are proposed, to allow for some flexibility in refinancing should this be a favourable option, while limiting maturity structure risk.

Maturity structure of debt for forthcoming year	**Upper Limit**	**Lower Limit**
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	75%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	0%

Upper Limit for Total Principal Sums Invested Over 364 Days

The risk involved in being forced to realise an investment before maturity increases with the investment term. The Council presently limits this risk by limiting the term of any investment to under 364 days. It is, however, proposed to keep the present upper limit of £3m on sums invested over 364 days in order to give some investment flexibility whilst limiting risk exposure. This headroom is unlikely to be used in 2010/11.

Total principal sum invested over 364 days	
Limit for 2011/12 – 2013/14	£3.0m

APPENDIX G

RESERVES AND BALANCES

Introduction

The Council's reserves and balances underpin the sustainability of both the revenue and capital financial plans. This appendix provides guidance on what is considered to be best practice for the level and utilisation of reserves and balances

Guidance on Local Authority Reserves and Balances

When calculating their budget requirement the Local Government Finance Act 1992 requires Councils to have regard to their level of capital and revenue reserves needed for meeting estimated future expenditure.

The Head of Finance and Asset Management, being the appointed Section 151 Officer, is required to advise the Council on the level of reserves it should hold in order to ensure a sound financial standing, and also ensure that clear protocols exist for their establishment and use. Clearly a well-managed Council, with a prudent approach to budgeting, should be able to operate with a relatively low level of General reserve. The Audit Commission is in turn required to review the level of reserves and financial performance over a period of time. However, it is not the responsibility of the auditor to prescribe an optimum or minimum level of reserves.

The introduction of the Prudential Code for Capital Finance (The Code) reinforces the safeguards for financial planning. The Code emphasises the requirement to consider affordability when making decisions about the Council's future capital programme. The development of five-year revenue forecasts and long term capital programme focus greater attention on the levels and application of the Council's Balances and Reserves.

Adequacy of the Council's Reserves and Balances

In order to assess the adequacy of unallocated reserves the Council must take into account the strategic, operational and financial risks that it will face in both the long and short term.

In recent years the Council has set a high-risk budget, characterised by the need to achieve a high levels of savings, significant reductions in the workload for trading accounts, and budgets that include large levels of seasonal income that are heavily weather dependant. A reasonably high level of reserves was preserved to mitigate these risks.

The development of the Financial Strategy and embedding of the Medium Term Financial Plan and Risk Strategy allows the Council to be less cautious when prescribing its minimum level of retained balances however future year budgets will continue to be particularly high risk due to the impact of the current economic conditions, cuts in external funding and the associated high levels of savings needed to balance the budgets.

Due to the increased financial risks associated with funding cuts it is proposed that the criteria for the General Fund Reserve be increased from the a range of £1.5m - £2.0m to

£2.0m - £2.5m. The criteria for the remaining corporate reserves will remain unchanged. The revised criteria are set out below:

General Fund Balance	the balance be maintained within the range of £2.0m to £2.5m.
Capital Contingency	The balance to be maintained within the range of £0.5m to £1.5m over time
Insurance Reserve	A minimum balance to be maintained in the medium term of £1.350m
Pension Reserve	the balance be maintained within the range of £0.1m to £0.75m
Capital Development	The approved expenditure from the fund will match its resources over a 10 year planned period.

Any variance to these limits will be reported to Cabinet, who will consider the required action. However, through effective management of resources the intention is not to breach these criteria.

Summary of Reserves and Balances

To aid understanding of the many Council reserves they have been summarised into the following three categories:

(a) General Fund Balance
(b) Corporate Reserves
(c) Operational Reserves and Balances

(**a) General Fund Balance**

This Fund represents an accumulated working balance to meet future contingencies. In previous years a range of £1.5m to £2.0m has been set out in the Financial Strategy however in light of the current economic climate and funding cuts it is recommended that this range be increased to £2.0m to £2.5m

The current balance on the General Fund is £1.967m. £22k of this balance is earmarked to fund professional advice in relation to establishing a property partnership and it is proposed that £250k be earmarked to balance the 2011/12 revenue budget. This leaves a net balance on the reserve of £1.695m, which is currently below the revised criteria.

The first call on any revenue underspend achieved in 2010/11 will be to build up the General Fund Reserve to at least the minimum level. Earmarked reserves will also be reviewed and any surplus resources will be transferred to the General Fund Reserve or Pension Reserve.

(b) Corporate Reserves

Capital Development Reserve

The Capital Development Fund underpins the Capital Strategy. It unifies all capital resources with the intention of focusing investment into priority areas over the medium term. The table below shows how the Capital Development Fund will match resources to investments over the period from 2010/11 to 2019/20.

Capital Development Reserve

The Capital Development Fund underpins the Capital Strategy. It unifies all capital resources with the intention of focusing investment into priority areas over the medium term. The Capital Development Reserve matches resources to investments over a 10-year period.

The projections for the Capital Development Reserve currently show that a balance of £863k will be available for investment in 2011/12 if the projected levels of capital receipts are achieved.

Capital Contingency Reserve

The Capital Contingency reserve is essential in the management of Capital Resources.

There are two likely uses for the Capital Contingency Reserve.

(i) it will provide a flexible and responsive resource to fund **small-scale** ad hoc capital schemes.

(ii) It will provide contingency funding for potential additional costs incurred on the existing capital programme.

Members previously approved that the balance of this reserve be maintained within the range £0.5m to £1.5m. The uncommitted balance on the Reserve currently stands at £0.563m. A revenue contribution of £150,000 will be transferred to this reserve in 2011/12.

Insurance Fund

As at 31 March 2010 the balance on the insurance reserve was £1.636m. £140k of this balance is committed for outstanding remedial works at the rear of Scarborough Spa, leaving an uncommitted balance of £1.496m. The balance on the reserve is therefore considered to be adequate.

Pension Fund

The pension reserve is used to meet the upfront costs associated with the added year's element of employees' pensions and redundancy costs.

The projections for the uncommitted balance on the Reserve for 2011/12 are £508k. This amount is required to fund any redundancy and term pension costs associated with staffing restructures put forward by the Council's efficiency partner as well as future years staffing restructures.

Value for Money

The Value for Money Reserve was established to provide a resource to support the efficiency agenda and to help deliver more effective services. The reserve receives an annual revenue contribution of £50,000.

The uncommitted balance on the reserve for 2011/12 stands at £120k. It is proposed that £70k of this balance be used to progress the Leisure Strategy (further details are provided in Appendix G1) and the remaining £50k will be used to establish an efficiency partner reserve.

Efficiency Partner Reserve

It was always recognised that the payments due to the Council's efficiency partner would be paid on an Invest to Save basis as the upfront fees payable for the reviews would be funded from future years' savings. An efficiency partner reserve will therefore be established to manage the payments due over the medium term period.

Operational Reserves

There are no changes proposed to Operational Reserves. These reserves are held for each Head of Service. The reserves primarily relate to accumulated under spending that has been carried over to support known future operational requirements, and to provide a working balance to equalise fluctuations in seasonal income and expenditure.

All transactions to and from these reserves are subject to the approval and review of the Section 151 Officer, in accordance with the Council's Financial Regulations, and the broad Policy Framework. Any proposed use of the reserves not within the overall Policy Framework would be reported to Cabinet/Council.

Earmarked reserves have been reviewed and sufficient monies have been released to fund the following areas of priority spend in 2011/12:

Bid	£	Local / National Priority Growth Bid
ASB Officer	22,500	Safer & Stronger Communities
Night Marshalls	31,200	Safer & Stronger Communities
Off Shore Wind Farm opportunities	40,000	Building Prosperous Communities
Town Centre Development	20,000	Building Prosperous Communities
Whitby Harbour Board	50,000	Building Prosperous Communities
	163,700	

Further details of these schemes are provided in Appendix G1 of this report

APPENDIX G1

PRIORITY AREAS TO BE FUNDED FROM THE ONE OFF FUNDING SOURCES

Priority Area	Details	Amount £
Leisure Strategy	This scheme is to provide upfront funding to progress the development of proposals for the creation of a leisure village within Scarborough. The village will replace the Scarborough Swimming Pool, Sport's Centre and old football ground site. The disposal of part or all of the Council's land holdings Filey Road, Seamer Road and Weaponess will facilitate the delivery of the village. It is proposed that this be funded from the Value for Money Reserve	70,000
ASB Officer	The funding for the Anti-Social Behaviour Officer runs out in March 2011. This £22.5k will extend the funding until March 2012. This funding is subject to North Yorkshire Police or other Partners agreeing to fund the remaining 25% of the post.	22,500
Night Marshalls	This funding would support the continuation of the Night Marshalls service in 2011/12. This funding represents 50% of the schemes costs and is subject to North Yorkshire Police matching the Borough Council's contribution.	31,200
Off Shore Wind Farm opportunities	Development of offshore wind farms near the British coast line is being undertaken in a number of phases. Dogger Bank, a site in the North Sea, will have 2,500 wind turbines and is scheduled to commence in 2014. Access from land will be required to the site and the Borough ports are ideally positioned to deliver this. Whitby in particular has the ability to accommodate relatively large vessels at almost all states of the tide and is particularly well placed to serve the Dogger Bank wind farm site. It is estimated that the construction and ongoing operational and maintenance requirements of the wind farm sector will create in excess of 15,000 jobs over the coming months and years. With the proposed wind farms having a projected operational life of up to 50 years this presents a significant economic development opportunity for the Borough. If only 1% of the industry's potential is realised in the Borough this could potentially equate to 150 jobs and significant upturn in Harbour activity and revenue generation. The Council has established a Project Board to progress work in this area and it is proposed that a one off sum of £40k be earmarked for the project. A number of other potential funding sources have been identified, which could increase this budget further. Further details will be reported to Cabinet at a later date.	40,000
Town Centre Development	This funding will allow the Council to test scenarios for town centre development opportunities.	20,000

Whitby Harbour Board	The pilot Whitby Harbour Board was established during 2010/11. This budget will provide some upfront funding for the Board to aid its establishment during the two year pilot period.	50,000
TOTAL		**233,700**

APPENDIX H1

THE CAPITAL PROGRAMME 2011-2021

	Expenditure Profile					
	up to 31/03/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013 onwards £000's	Total Cost £000's
Building Prosperous Communities						
Sandside Environmental Improvements	2,397	7				2,404
Whitby Upper Harbour Phase 2	568	621				1,189
Scarborough Spa Redevelopment	660	5,980				6,640
Middle Deepdale Planning Application Work	390	123				513
Open Air Theatre	2,704	865				3,569
Shellfish Holding Facility (Whitby)	370	21				391
Investment Management Plan		50				50
West Pier Feasibility	10					10
Whitby Business Park Feasibility	43	57				100
Futurist Theatre Assets			200			200
Total	7,142	7,724	200	0	0	15,066
Creating Healthy & Vibrant Communities						
Bankside Play Area Improvements	42					42
Beach Walk Play Area Improvements	79					79
St Peter's Play Area Improvements	69					69
Whitby Golf Club		150				150
North Bay Play Area			250			250
Purchase of the Scarborough Football Ground	1,435	3				1,438
Edgehill Community Garden		42				42
Overdale/Eastway	85	7				92
Ingham Play Park		144				144
White Leys	26	50				76
Manor Road Park	50	50				100
Castle Dykes		50				50
Filey Country Park		99				99
Children's Play		5				5
Byland Road		115				115
Filey		35				35
Disabled Facilities Grants (from 10/11)		869	640	940	6,580	9,029
Housing Grants and Energy Grants (from 10/11)		287				287
Total	1,796	1,906	890	940	6,580	12,102
Creating Quality Environments						
Glen & Crescent Gardens	87					87
Northstead shops parking bays	35					35
Ravenscar Landslip	61	49				110
Scarborough Marina – onshore/pontoons	139	241				380
Pannett Park	1,456	256	17	5	30	1,764
Royal Albert Park - Phase 2	674	67				741
Royal Albert Park - Phases 3 & 4		139				139
The Dell, Eastfield		180	51			231
Station Square Feasibility	70	5				75
Sainsbury's Park Improvements	171	8				179
Falsgrave Park Entrance Improvements	1	4				5
Trafalgar Square Improvement Scheme	26	7				33

THE CAPITAL PROGRAMME 2011-2021

	Expenditure Profile					
	up to 31/03/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013 onwards £000's	Total Cost £000's
Centurion Way	53	3				56
Peasholm Park (winter repairs)	140					140
Old Railway Line	53	8				61
Crematorium Mercury Abatement		128	128	128	256	640
Cinder Track		287				287
Foreshore Wall Investigations	94	111				205
Olivers Mount/The Mere (Section 106)	50	2				52
Total	3,110	1,495	196	133	286	5,220
Creating Safer & Stronger Communities						
Cemetery Safety		141				141
Rafters Refurbishment	60					60
Total	60	165	0	0	0	201
Improving the Council						
Disability Discrimination Act Works	214	254				468
Whitby Depot Facilities			300			300
Projects and Partnership Support		25	25			50
Capacity Building Reserve		35				35
Parking Machines		205				205
Power Perfector	27	21				48
Scarborough Joint Depot development costs	25	75				100
Scarborough Deport Relocation			3,000			3,000
Total	266	616	3,325		0	4,207
Asset Management						
Repairs and Redecoration to Commercial Properties	39	11				50
South Cliff Lift Health & Safety Equipment	42	8				50
Legionella Inspection of Public Conveniences		40				40
Repairs to Stoneworks in Council Chamber		35				35
South Cliff Lift Health & Safety Works		16				16
Filey Evron Centre		34				34
Filey Pre Season Works		26				26
Whitby Pre Season Works		24				24
Earmarked budget for asset management works					2,245	2,245
Total	81	194	0	0	2,245	2,520
Vehicle & Equipment Replacement						
IT replacement		629	390	308		1,327
Earmarked budget for IT schemes					1,542	1,542
Vehicles, Plant & Equipment Fund (Gross)		904	579	547	7,798	9,828
Total	0	1,533	969	855	9,340	12,697

APPENDIX H1

THE CAPITAL PROGRAMME 2011-2021

	Expenditure Profile					
	up to 31/03/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013 onwards £000's	Total Cost £000's
Invest to Save						
LED Strip Lighting - Peasholm Park	10	4				14
LED Strip Lighting - Scarborough, Whitby and Filey	80	105				185
Whitby Beach Chalets	9					9
Whitby Pavilion Notice Boards		21				21
Evron Centre Cash Office		20				20
Endeavour Wharf	71	21				92
Improvement of Vacant Commercial Properties	7	61				68
Whitby Pavilion Stage		5				5
Scarborough Sports Centre Reception		7				7
New Spa Dishwasher	24					24
West Pier Redevelopment		253				253
Purchase of Empty Homes			1,500			1,500
Total	201	497	1,500	0	0	2,198
Coast and Flood Protection and Repair						
Scarborough Strategy: Holbeck to Scalby Mills Review	210	5				215
East Pier, Castle Headland & The Holms	73	1,233				1,306
Whitby Coastal Defence Strategy Phase 2	330					330
NECAG Strategic Coastal Monitoring	161	165				326
Robin Hoods Bay Coastal Defence Strategy	141	98				239
Strategic Regional Coastal Monitoring 2008-2011	652	758				1,410
Cayton Bay (Knipe Point) Cliff Instability Investigation	421	59				480
Spa Landslip	60	140				200
Filey Flood Remedial Works	579	0				579
Filey Flood Alleviation Study	170	56				226
Scarborough Harbour - Steel Sheet Piling	2	48				50
Whitby Harbour - Steel Sheet Piling	6	72				78
Local Coast Monitoring	149	225				374
Pathfinder – Knipe Point		1,023				1,023
Filey Coastal Slope and Outflanking Defence Studies	5	312				317
Spa Coast Feasibility Study	13	547				560
Cell 1 Strategic Regional Coastal Monitoring Programme			638	530	1,840	3,008
Whitby East Pier Urgent Works	233	1,623				1,856
Filey Flat Cliffs		161				161
Eastfield Surface Water		77				77
	3,203	6,602	638	530	1,840	12,813
Total	15,848	20,708	7,718	2,458	20,291	67,024

APPENDIX H2

CAPITAL PROGRAMME FUNDING SOURCES 2011-2021

	Up to 31/03/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013 Onwards £'000	Total £'000
Government Departments	2,409	7,012	959	851	4,087	15,318
Yorkshire Forward	2,499	3,807				6,306
Lottery	1,362	586	55	11	29	2,043
Other External Sources	1,500	616	850			2,966
SBC Contributions and Reserves	4,710	5,620	2,104	1,596	16,175	30,205
Borrowing	3,368	3,067	3,750	0	0	10,185
Total Funding	**15,848**	**20,708**	**7,718**	**2,458**	**20,291**	**67,023**

APPENDIX H2

FUNDING THE CAPITAL PROGRAMME 2011-2021 (BY SCHEME)

	Funding Source						
	Government Departments £000's	Yorkshire Forward £000's	Lottery £000's	Other External Sources £000's	SBC Contributions and Reserves £000's	Borrowing £000's	Total Funding £000's
Building Prosperous Communities							
Sandside Environmental Improvements		1,406		306	692		2,404
Whitby Upper Harbour Phase 2		300			889		1,189
Scarborough Spa Redevelopment		4,270			370	2,000	6,640
Middle Deepdale Planning Application Work					513		513
Open Air Theatre		50				3,519	3,569
Shellfish Holding Facility (Whitby)				371	20		391
Investment Management Plan					50		50
West Pier Feasibility					10		10
Whitby Business Park Feasibility		100					100
Futurist Theatre					200		200
Total	0	6,126	0	677	2,744	5,519	15,066
Creating Healthy & Vibrant Communities							
Bankside Play Area Improvements			41		1		42
Beach Walk Play Area Improvements			20	37	22		79
St Peter's Play Area Improvements			62	7			69
Whitby Golf Club					150		150
North Bay Play Area				100	150		250
Purchase of the Scarborough Football Ground					25	1,413	1,438
Edgehill Community Garden			42				42
Overdale/Eastway				92			92
Ingham Play Park			100	42	1		143
White Leys				61	15		76
Manor Road Park				50	50		100
Castle Dykes				20	30		50
Filey Country Park				49	50		99
Children's Play					5		5
Byland Road					115		115
Filey					35		35
Disabled Facilities Grants (from 10/11)	3,331				5,698		9,029
Housing Grants and Energy Grants (from 10/11)	287						287
Total	3,618	0	265	458	6,347	1,413	12,102
Creating Quality Environments							
Glen & Crescent Gardens			30	12	45		87
Northstead shops parking bays					35		35
Ravenscar Landslip					110		110
Scarborough Marina – onshore/pontoons		130			250		380
Pannett Park			1,393	89	282		1,764
Royal Albert Park - Phase 2			84	251	406		741
Royal Albert Park - Phases 3 & 4					139		139
The Dell, Eastfield			175	21	35		231
Station Square Feasibility		50			25		75
Sainsbury’s Park Improvements			44	135			179
Falsgrave Park Entrance Improvements				5			5
Trafalgar Square Improvement Scheme			29	4			33

FUNDING THE CAPITAL PROGRAMME 2011-2021 (BY SCHEME)

	Funding Source						
	Government Departments £000's	Yorkshire Forward £000's	Lottery £000's	Other External Sources £000's	SBC Contributions and Reserves £000's	Borrowing £000's	Total Funding £000's
Centrion Way					56		56
Peasholm Park (winter repairs)					140		140
Old Railway Line			23	14	24		61
Crematorium Mercury Abatement					640		640
Cinder Track				258	29		287
Foreshore Wall Investigations					205		205
Olivers Mount/The Mere (Section 106)				52			52
Total	0	180	1,778	841	2,421	0	5,220
Creating Safer & Stronger Communities							
Cemetery Safety					141		141
Rafters Refurbishment				60			60
Total	0	0	0	60	141	0	201
Improving the Council							
Disability Discrimination Act Works					468		468
Whitby Depot Facilities					300		300
Projects and Partnership Support					50		50
Capacity Building Reserve					35		35
Parking Machines					205		205
Power Perfector					48		48
Scarborough Joint Depot development costs					100		100
Scarborough Depot Relocation						3,000	3,000
Total	0	0	0	0	1,206	3,000	4,207
Asset Management							
Repairs and Redecoration to Commercial Properties					50		50
South Cliff Lift Health & Safety Equipment					50		50
Legionella Inspection of Public Conveniences					40		40
Repairs to Stoneworks in Council Chamber					35		35
South Cliff Lift Health & Safety Works					16		16
Filey Evron Centre					34		34
Filey Pre Season Works					26		26
Whitby Pre Season Works					24		24
Allocated Budget to be Approved					2,245		2,245
Total	0	0	0	0	2,520	0	2,520
Vehicle & Equipment Replacement							
IT replacement					1,327		1,327
IT Fund Allocated to be Approved					1,542		1,542
Vehicles, Plant & Equipment Fund (Gross)					9,828		9,828
Total	0	0	0	0	12,697	0	12,697

APPENDIX H2

FUNDING THE CAPITAL PROGRAMME 2011-2021 (BY SCHEME)

	Funding Source: Government Departments £000's	Yorkshire Forward £000's	Lottery £000's	Other External Sources £000's	SBC Contributions and Reserves £000's	Borrowing £000's	Total Funding £000's
Invest to Save							
LED Strip Lighting - Peasholm Park					14		14
LED Strip Lighting - Scarborough, Whitby and Filey					185		185
Whitby Beach Chalets					9		9
Whitby Pavilion Notice Boards					21		21
Evron Centre Cash Office					20		20
Endevour Wharf					92		92
Improvement of Vacant Commercial Properties					68		68
Whitby Pavilion Stage					5		5
Scarborough Sports Centre Reception					7		7
New Spa Dishwasher					24		24
West Pier Redevelopment						253	253
Purchase of Empty Homes				750	750		1,500
Total	0	0	0	750	1,196	253	2,198
Coast and Flood Protection and Repair							
Scarborough Strategy: Holbeck to Scalby Mills Review	188				26		215
East Pier, Castle Headland & The Holms	1,306						1,306
Whitby Coastal Defence Strategy Phase 2	330						330
NECAG Strategic Coastal Monitoring	326						326
Robin Hoods Bay Coastal Defence Strategy	239						239
Strategic Regional Coastal Monitoring 2008-2011	1,410						1,410
Cayton Bay (Knipe Point) Cliff Instability Investigation	300			180			480
Spa Landslip					200		200
Filey Flood Remedial Works					579		579
Filey Flood Alleviation Study	226						226
Scarborough Harbour - Steel Sheet Piling					50		50
Whitby Harbour - Steel Sheet Piling					78		78
Local Coast Monitoring	374						374
Pathfinder – Knipe Point	1,023						1,023
Filey Coastal Slope and Outflanking Defence Studies	317						317
Spa Coast Feasibility Study	560						560
Cell 1 Strategic Regional Coastal Monitoring Programme	3,008						3,008
Whitby East Pier Urgent Works	1,856						1,856
Filey Flat Cliffs	161						161
Eastfield Surface Water	77						77
	11,700	0	0	180	933	0	12,813
Total	15,318	6,306	2,043	2,966	30,205	10,185	67,024

APPENDIX I

RISK ASSESSMENT AND SENSITIVITY ANALYSIS

Risk	Likelihood	Seriousness	How we will manage the risk
Non achievement of income targets	Medium	High	• See sensitivity analysis below for high risk areas.
Fluctuations in inflation, Government Grants and changes in legislation	Medium	High	• Reviewed through the Financial Strategy and monitored throughout the year. • Any changes in legislation fully considered. • Ensure that the minimum level of reserves is maintained to mitigate against risks. • Ensure that authorities interests are represented through the LGA and other groups.
The revenue budget for the Scarborough Spa operation is not sufficient	Medium	High	• Market testing of the venue is taking place to ensure that running costs are minimised
Budgets are overspent	Medium	High	• Robust budget setting process • Month end close downs and automated reports produced for managers developing a culture of awareness and ownership • Regular monitoring with corrective action • Effective project planning and management • Ensure contingency sums where budget constraints allow • See sensitivity analysis below for high risk areas
Savings are not achieved	High	High	• Regular budget monitoring to identify issues at early stage • Where savings are not achieved alternative savings must be identified • Establishment of reserves to mitigate against non achievement of savings
Reserves are inadequate	Medium	High	• Minimum levels of reserves are set and reviewed each year with consideration given to budget risks. • Reserve balances are reported to Cabinet on a quarterly basis and any breaches of minimum levels are highlighted

RISK ASSESSMENT AND SENSITIVITY ANALYSIS

Risk	Likelihood	Seriousness	How we will manage the risk
			• Minimum levels reviewed in line with changing economic conditions • Increase in minimum balance on General Fund Reserve to reflect the inherent budgetary risk associated with funding cuts and the economic climate
Changes in usage and demand affects revenue streams	Medium	High	• Regularly monitor income • Review trends • Take appropriate action to mitigate downward trends • Ensure income budgets are not too demanding
Budget does not reflect corporate priorities	Low	High	• Ensure corporate involvement in the budget process • Early consideration of budget pressures and changes in legislation • Regular reporting to CFSG • Approved scoring criteria for prioritising capital and revenue bids
The capital programme is not affordable	Low	High	• All schemes are monitored through the 10 year Capital Development Reserve • Capital contingency reserve provides a balance to mitigate against overspends on capital schemes • Improved monitoring and reporting through new ledger system on a regular basis
Poor planning with decisions being made without proper consideration / consultation	Low	High	• Develop a long term Financial Strategy • Set out a clear budget timetable • Regular updates to Members • Effective consultation process focused on achieving responses from the full demographic of the borough

APPENDIX I

RISK ASSESSMENT AND SENSITIVITY ANALYSIS

Risk	Likelihood	Seriousness	How we will manage the risk
Budget does not consider the full impact of sustainability	Medium	Medium	• The Council has developed a sustainability policy which contains principles and measures that are to be implemented over the coming years
The Budget does not assess equalities impact on its population and community groups	Medium	Medium	• The impact of the budget on social and community needs is provided in a separate note in Section 11 of this Strategy
There are insufficient resources to meet the needs of asset management	High	High	• A specific budget has been allocated to asset management over a 10 year period • All schemes are prioritised • The Council is undertaking a review to rationalise its assets • A budget has been established to demolish unused assets • An asset management strategy has been developed

RISK ASSESSMENT AND SENSITIVITY ANALYSIS

The following budgets have been highlighted as being particularly high risk due to their size or nature. The following table shows a sensitivity analysis which demonstrates the budgetary effect if variations arise and how the risk of unfavourable variations will be reduced or mitigated.

Budget Area	Budget 2011/12 (£)	1% Variation	3% Variation	5% Variation	Likelihood	How we will / have managed the risk
Employee Costs	21,325,000	213,250	639,740	1,066,230	Low	• Salary budgets include a provision for a £250 pay award for all officers earning less than £21,000 • The budget is monitored on a monthly basis and history shows that the Council has adopted a prudent approach to budgeting • Salaried posts will only be filled if adequate budget provision exists
Car Parking Income	4,713,000	47,130	141,390	235,650	Medium	• Income is monitored closely • Income equalisation reserve established to offset fluctuations in car parking income. • Invest to Save schemes undertaken to increase number of spaces at prime car parks
Catering Income	2,249,000	22,490	67,460	112,440	High	• Monthly management statements produced and regular meetings between finance and Spa management take place • Improved monitoring of stocks position on a monthly basis • It is envisaged that the refurbishment of the Spa will increase sales. • Market testing of the Spa and Whitby Pavilion is currently taking place.

APPENDIX I

RISK ASSESSMENT AND SENSITIVITY ANALYSIS

Budget Area	Budget 2011/12 (£)	1% Variation	3% Variation	5% Variation	Likelihood	How we will / have managed the risk
Seasonal Leisure Sites	941,000	9,410	28,240	47,070	High	• Monthly monitoring statements produced • Exploration of changes to length of season, ie extension to caravan park opening periods • Reduce risk by reviewing outsourcing opportunities where possible
Tourist Information Centres	535,000	5,350	16,040	26,740	Medium	• Monthly monitoring statements produced • Improved monitoring of stocks and profitability of goods • New Technology One stock monitoring system to be introduced
Trading Accounts - External Income	763,000	7,630	22,880	38,130	Medium	• Staffing levels will be reviewed if external income levels fall. • Highways Agency budgets have now been removed following return to NYCC
Harbour Income	1,066,000	10,660	31,970	53,280	Medium	• Income monitored on a monthly basis • Introduction of Whitby harbour board to oversee the harbour operations and run the harbour in a commercial manner to maximise income and business opportunities
Rental Income	2,946,000	29,460	88,380	147,290	Medium	• Monthly monitoring statements produced • Invest to Save schemes initiated to ensure vacant properties are re-let as quickly as possible • Resources brought in to the estates section to undertake overdue rent reviews to maximise rental income

APPENDIX I

RISK ASSESSMENT AND SENSITIVITY ANALYSIS

Budget Area	Budget 2011/12 (£)	1% Variation	3% Variation	5% Variation	Likelihood	How we will / have managed the risk
Planning Fee Income	400,000	4,000	12,000	20,010	Medium	• Staffing utilised to undertake work on Local Development Framework therefore reducing revenue costs in the short term • Charging for pre-planning advice was introduced in 2010/11 and income from this service is expected to increase
Local Land Charge Income	71,000	710	2,120	3,540	Medium	• Budget growth provided in 2010/11 to reflect the abolishment of HIPS and the removal of personal search fees • Advertising currently being undertaken to increase market share
Recycling Credits / Sales	1,023,000	10,000	31,000	51,000	Medium	• Monitor tonnages and sales prices on a monthly basis to ensure targets are achieved. Ensure timely information is received from Recycling Partners • Recycling scheme was expanded in 2010 to include tetrapaks and plastic food containers and curbside glass recycling is being explored
Expenditure on bed and breakfast accommodation for homeless	431,000	4,000	13,000	21,000	Medium	• Homelessness prevention methods such as the bonds scheme introduced to minimise expenditure where possible • Procurement exercise has been undertaken to ensure costs are minimised • Invest to Save scheme proposed to reduce the cost of B&B accommodation

APPENDIX I

RISK ASSESSMENT AND SENSITIVITY ANALYSIS

Budget Area	Budget 2011/12 (£)	1% Variation	3% Variation	5% Variation	Likelihood	How we will / have managed the risk
Interest Receivable	38,000	380	1,130	1,880	Low	• Review the Treasury Management Policy and ensure that Financial Institutions satisfy strict criteria before investing funds with them. • Reduced the budgets for interest receivable in 2011/12 to reflect the continued low interest rate environment. • Minimise new borrowings where possible
Capital Expenditure	7,518,000	75,180	225,540	375,900	Medium	• Capital contingency reserve provides a balance to mitigate against overspends on capital schemes • Capital budgets include an amount for contingencies • Schemes are monitored and reported on a regular basis
Capital Salaries in Capital and Procurement, Legal & Parks & Countryside Sections	296,180	2,960	8,890	14,810	Medium	• Review capital programme to monitor where staff will charge time • Workforce planning linked with capital programme • Review staffing if schemes do not require internal staffing resources

APPENDIX J

OUTCOMES FROM PREVIOUS YEAR INVESTMENT IN PRIORITY AREAS

Ongoing Investment

Investment	Amount	Outcomes
Spa redevelopment	£276k	• Investment allowed reduced subsidy in 2011/12 • Market testing with an improved product now being undertaken • Increased potential for conferences and entertainments within the venue
Disabled facilities grant	£150k	• The funding enabled the Council to meet its legal obligations in relation to the provision of mandatory Disabled Facilities Grants, which must be approved and paid within fixed timescales. • The money thus safeguarded the Council from the threat of legal sanction or Ombudsman challenge for breech of the legislation. • The additional funding enabled the provision of 37 grants to be provided to disabled people for adaptation works in their homes.
Open Air Theatre	£109.5k	• Successful launch night • Capital scheme completed on time and in budget • Official opening conducted by HRH the Queen • 6 events hosted in 2010 plus live sports events • Positive media reaction
Futurist 'top up' subsidy	£40k	• Venue provided full season of entertainment during 2010/11 • Task force assessed long term viability of the venue and recommended that it be subsidised for a further 2 years whilst further opportunities explored • Venue will run at reduced subsidy of £60k for this 2 year period
Filey decorative lighting	£5k	• Scheme completed and funding provided to Filey Town Council • New improved lighting in place for 2010 festive period
Enforcement of fire safety standards	£31.5k	• 28 formal fire safety notices issued re fire safety in residential dwellings in the first 6 months of the year
Barons leisure centre	£10k	• Facility completed and the Centre now available for use • Facility proving popular with local residents and fitness facilities being well utilised

APPENDIX J

OUTCOMES FROM PREVIOUS YEAR INVESTMENT IN PRIORITY AREAS

One off investment in 2010/11

Investment	Amount	Outcomes
Muston and Yedingham Drainage	£8.7k	• Work carried out during the year on time and within budget
Barrowcliff Blueprint	£10k	• This project is now fully funded and underway. • Scheme to be delivered by Groundwork and will involve the community in the long term improvement of the estate and provide a strategic vision to attract significant external funding
Area Forum Support Costs and Neighbourhood Regeneration	£53k	• Funds provided two area forum support officers for the year and a neighbourhood regeneration officer • Officers key to providing a valuable source of community development, leadership and engagement across the Borough • Funding provided to extend two of these posts in 2011/12 within base budget
Allotments	£10k	• These monies have not yet been spent in the current year it is anticipated that funding will be carried forward to 11/12
Economic Assessment Duty	£6k	• This work has been carried out on time and within budget
Sustainability Officer	£13.8k	• A sustainability baseline review across all services identified the council's priorities and, through the sustainability working group, a grant of £65k from Salix was secured (from the Carbon Trust) to fund the implementation of various energy efficiency schemes across the authority. • The sustainability officer has also been involved in the Regional Improvement and Efficiency Partnership funding bid in conjunction with other neighbouring authorities.
Benefits – additional workload	£20k	• A significant rise in case load due to the recession and a reduction in staff resources resulted in a need for some additional hours. This resource was used to target specific peaks in workload.
Benefits – publicity and Citizens Advice Sessions	£20k	• Benefits staff worked with the Citizen's Advice Bureau to provide specialist debt advice as a result of the recession. • A leaflet drop was also undertaken to advise employer's of this specialist advice service.

		• Additional twice weekly half day surgery sessions run at the citizens advice bureau to provide specialist debt and money advice.
Benefits overpayments – additional workload	£35k	• The additional resource of 2 members of staff served to mitigate the significant increase in housing benefit overpayments due to the period of economic downturn. • The result has been a decrease in the level of debt at a time when an increase was deemed inevitable.
Anti social behaviour officer	£22.5k	• 929 reports made in the year to the ASB reporting line. • ASB officer involved in 19 issue cases in year. • 2010 Community Survey demonstrates a perceived reduction in anti-social behaviour.
Night marshals	£31.2k	• Night Marshall's have patrolled Thurs, Fri, Sat evenings and the bank hols. They attended a total of 474 incidents, 25 of which were serious. • Within the Night Marshall patrol area serious incidents have decreased by 75% • Drug trafficking has also decreased by 50%. • Night Marshall's are intervening at an early stage to prevent escalation of incidents. • The scheme has received positive feedback from members of the public and licensees.
Seafest	£8k	The event was a success and was achieved within budget

Full details of the above investments in priority areas are provided in the 2010-2020 Financial Strategy

APPENDIX K

REVENUE BUDGETS 2011/12

The table below outlines the movement from the 2010/11 base budget to the 2011/12 budget by head of service.

Head of Service	Base Budget 2010 / 2011	Movements between Base and Proposed Budgets					2011 / 2012 Budget
		Inflation	Growth	Savings	Financing [1]	Switches	
Head of Finance and Asset Mgt	4,407,192	(31,452)	500,000	(152,350)	(2,161,610)	(176,303)	2,385,477
Head of Environmental Health	9,916,435	(64,918)	198,723	(475,629)	0	(452,866)	9,121,745
Head of Human Resources	357,091	(360)	0	(193,862)	0	(46,107)	116,762
Head of Regeneration and Planning	3,743,840	(6,809)	72,903	(25,442)	0	(79,507)	3,704,985
Head of Legal and Support Services	2,831,054	(2,448)	90,000	(311,990)	0	(62,046)	2,544,570
Head of Tourism and Culture	2,082,457	(173,945)	(36,000)	(302,471)	0	(273,855)	1,296,186
Head of Service Transformation	359,405	(1,560)	(18,000)	(96,176)	0	(93,438)	150,231
Total Budgets under specific Heads of Service Control	23,697,474	(281,492)	807,626	(1,557,920)	(2,161,610)	(1,184,122)	19,319,956
Corporate	(2,426,432)	292,455	815,319	(681,960)	(769,470)	1,184,122	(1,585,966)
Total Net Budget	21,271,042	10,963	1,622,945	(2,239,880)	(2,931,080)	(0)	17,733,990
Financed by:							
Local Government Finance Settlement	(10,483,002)	0	0	0	1,527,712	0	(8,955,290)
Local Government Finance Settlement - Conc Fares	(2,019,000)	0	0	0	2,019,000	0	0
Borough Council Precept	(8,769,040)	0	0	0	(9,660)	0	(8,778,700)
Total Financing	(21,271,042)	0	0	0	3,537,052	0	(17,733,990)
Overall Total	**0**	**10,963**	**1,622,945**	**(2,239,880)**	**605,972**	**(0)**	**(0)**

1. Financing includes Contribution from General Fund, Council Tax Freeze Grant and cessation of Concessionary Fares Grant.

This information is outlined in greater detail in the next section of the appendix.

REVENUE BUDGETS 2011/12

Head of Finance and Asset's Management Budget Split by Service

Service	Base Budget 2010 / 2011	Movements between Base and Proposed Budgets					2011 / 2012 Budget
		Inflation	Growth	Savings	Financing	Switches	
Support Units	298,339	(6,972)	0	(95,761)	0	(211,436)	(15,830)
Corporate Management	346,194	(60)	0	(12,360)	0	0	333,774
Local Taxation	952,016	0	170,000	(30,000)	0	0	1,092,016
Grants	117,446	0	0	(13,750)	0	0	103,696
Economic Development	(28,524)	(168)	0	0	0	0	(28,692)
Highways	84,254	0	0	0	0	(677)	83,577
Highways Agency	(27,384)	0	0	0	0	130,854	103,470
Street Seats and Nameboards	87,851	0	0	0	0	(3,545)	84,306
Public Clocks and Fountains	11,050	0	0	0	0	(78)	10,972
Street Lighting	196,869	0	0	0	0	(8,977)	187,892
Concessionary Fares	2,161,596	0	0	1	(2,161,610)	13	0
Property Services Operational Unit	150,598	0	0	(480)	0	(15,897)	134,221
Highways Operational Unit	(209,940)	0	280,000	0	0	(44,632)	25,428
Decorative Lighting	149,214	0	0	0	0	(6,367)	142,847
Private Sector Housing	(4,122)	0	0	0	0	0	(4,122)
Housing Benefits	480,775	0	0	0	0	0	480,775
Residual Housing	78,408	0	0	0	0	(300)	78,108
Administrative Buildings	3,504	0	0	0	0	(3,504)	0
Land and Property	(525,481)	(24,252)	0	0	0	(36,855)	(586,588)
Depots	84,529	0	50,000	0	0	25,098	159,627
Total Budget	4,407,192	(31,452)	500,000	(152,350)	(2,161,610)	(176,303)	2,385,477

APPENDIX K

REVENUE BUDGETS 2011/12

Head of Finance and Asset's Management Budget Split by CIPFA Code

Service	Income & Recharges	Employees	Premises	Supplies and Services	Transport	Transfer Payments	Third Party Payments	Funds	Capital Charges	Support Services	2011 / 2012 Budget
Support Units	(5,028,605)	3,081,874	(9,252)	357,226	47,072	0	303,748	(43,602)	9,444	1,266,265	(15,830)
Corporate Mgt	(2,892)	0	0	76,200	0	0	240,360	(3,000)	0	23,106	333,774
Local Taxation	(10,002,732)	0	0	24	0	9,967,496	0	0	0	1,127,228	1,092,016
Grants	0	0	0	84,722	0	0	0	0	0	18,974	103,696
Economic Development	(166,918)	0	41,268	7,838	0	0	75,500	0	13,620	0	(28,692)
Highways	0	0	63,512	0	0	0	5,879	0	0	14,186	83,577
Highways Agency	0	0	69,438	456	0	0	0	0	33,576	0	103,470
Street Seats and Nameboards	0	0	60,626	0	0	0	17,813	(5,232)	0	11,099	84,306
Public Clocks	0	0	5,232	0	0	0	1,938	0	0	3,802	10,972
Street Lighting	0	0	186,137	390	0	0	0	0	0	1,365	187,892
Property Services Operational Unit	(1,023,353)	501,867	83,244	337,512	64,740	0	0	0	13,812	156,399	134,221
Highways Operational Unit	(603,109)	0	0	599,765	20,000	0	0	0	8,772	0	25,428
Decorative Lighting	0	0	106,387	5,000	0	0	0	5,150	13,764	12,546	142,847
Private Sector Housing	(5,532)	0	0	0	0	0	0	0	0	1,410	(4,122)
Housing Benefits	(30,003,528)	0	0	0	0	29,964,960	0	0	0	519,343	480,775
Residual Housing	0	0	53,208	3,936	0	0	0	20,964	0	0	78,108
Administrative Buildings	(447,696)	12,020	400,000	17,676	0	0	0	0	18,000	0	0
Land and Property	(1,338,302)	0	293,263	22,767	0	0	4,924	4,185	42,012	384,563	(586,588)
Depots	(150,866)	16,400	186,900	72,176	0	0	0	0	12,780	22,237	159,627
Total Budget	(48,773,533)	3,612,161	1,539,963	1,585,688	131,812	39,932,456	650,162	(21,535)	165,780	3,562,523	2,385,477

APPENDIX K

REVENUE BUDGETS 2011/12

Head of Environmental Services Budget Split by Service

Service	Base Budget 2010 / 2011	Movements between Base and Proposed Budgets					2011/2012 Budget
		Inflation	Growth	Savings	Financing	Switches	
Support Units	80,676	0	0	0	0	(80,676)	0
Highways	99,744	(504)	0	0	0	6,497	105,737
Environmental Initiatives	162,584	0	0	0	0	0	162,584
CCTV	442,877	(2,616)	0	(112,748)	0	(12,305)	315,208
Environmental Health – Safety	421,375	(240)	0	(150)	0	(7,415)	413,570
Environmental Health - Health	354,074	(1,200)	0	(397)	0	(2,763)	349,714
Cleansing	4,443,030	(16,706)	0	(248,751)	0	(106,280)	4,071,293
Cemeteries and Crematorium	(37,157)	(14,830)	0	(50,160)	0	(4,467)	(106,614)
Licensing	54,676	(8,556)	0	(735)	0	(7,779)	37,606
Community Safety	110,185	0	38,773	(1,520)	0	(6,454)	140,984
Fleet	852,736	(1,452)	0	(8,170)	0	19,920	863,034
Homelessness	548,920	(1,572)	130,000	(1,244)	0	(21,218)	654,886
Private Sector Housing	299,100	0	0	0	0	1,103	300,203
Home Improvement Agency	45,634	(1,176)	0	(976)	0	(8,677)	34,805
Environmental Health Miscellaneous	78,865	(132)	29,950	(4,417)	0	(50,026)	54,240
Parks	1,932,324	(15,934)	0	(46,361)	0	(172,074)	1,697,955
Outdoor Leisure Sites	26,792	0	0	0	0	(252)	26,540
Total Budget	9,916,435	(64,918)	198,723	(475,629)	0	(452,866)	9,121,745

APPENDIX K

REVENUE BUDGETS 2011/12

Head of Environmental Services Budget Split by CIPFA Code

Service	Income & Recharges	Employees	Premises	Supplies and Services	Transport	Transfer Payments	Third Party Payments	Funds	Capital Charges	Support Services	2011/2012 Budget
Support Units	0	0	0	0	0	0	0	0	0	0	0
Highways	(26,076)	1,841	62,760	3,684	0	0	58,620	0	0	4,908	105,737
Environmental Initiatives	0	0	0	0	0	0	0	0	161,184	1,400	162,584
CCTV	(223,080)	286,135	23,820	144,270	0	0	140	0	59,450	24,473	315,208
Environmental Health - Safety	(12,312)	57,053	3,120	31,184	14,166	0	65,208	2,964	3,372	248,815	413,570
Environmental Health - Health	(61,512)	44,805	10,260	21,215	13,068	0	7,188	0	3,288	311,402	349,714
Cleansing	(4,058,814)	2,854,053	88,922	226,346	1,512,786	0	2,744,744	119,534	245,664	338,058	4,071,293
Cemeteries and Crematorium	(926,096)	97,938	475,670	48,484	1,184	0	54,849	1,332	2,748	137,277	(106,614)
Licensing	(351,524)	179,340	309	24,243	5,010	0	22,296	(23,044)	0	180,976	37,606
Community Safety	(244,296)	183,011	0	196,713	7,511	0	0	(53,700)	0	51,745	140,984
Fleet	(2,717,964)	369,648	31,440	27,612	1,523,196	0	0	610,686	825,468	192,948	863,034
Homelessness	(205,690)	303,319	2,460	69,054	13,540	0	449,076	(27,577)	0	50,704	654,886
Private Sector Housing	(8,035)	7,338	0	504	0	0	2,496	0	0	297,900	300,203
Home Improve-ment Agency	(157,196)	130,267	336	13,806	7,390	0	38,500	(16,260)	0	17,962	34,805
Environmental Health	(1,109,888)	913,582	2,174	38,095	43,360	0	4,284	0	0	162,633	54,240
Parks	(3,847,276)	1,918,444	1,878,255	699,115	472,264	0	36,830	(59,427)	71,628	528,122	1,697,955
Outdoor Leisure	0	0	8,448	0	0	0	0	0	0	18,092	26,540
Total Budget	(13,949,759)	7,346,774	2,587,974	1,544,325	3,613,475	0	3,484,231	554,508	1,372,802	2,567,415	9,121,745

APPENDIX K

REVENUE BUDGETS 2011/12

Head of Human Resources Budget Split by Service

Service	Base Budget 2010 / 2011	Movements between Base and Proposed Budgets					2011 / 2012 Budget
		Inflation	Growth	Savings	Financing	Switches	
HR and Health and Safety	227,618	(360)	0	(188,235)	0	(39,023)	0
Policy and Performance and Best Value etc	129,473	0	0	(5,627)	0	(7,084)	116,762
Total Budget	357,091	(360)	0	(193,862)	0	(46,107)	116,762

Head of Human Resources Budget Split by CIPFA Code

Service	Income & Recharges	Employees	Premises	Supplies and Services	Transport	Transfer Payments	Third Party Payments	Funds	Capital Charges	Support Services	2011/2012 Budget
HR and Health and Safety	(473,917)	324,997	0	25,973	4,852	0	17,580	0	720	99,795	0
Policy and Performance and Best Value etc	(215,093)	184,486	0	16,669	1,834	0	5,460	(24,360)	720	147,046	116,762
Total Budget	(689,010)	509,483	0	42,642	6,686	0	23,040	(24,360)	1,440	246,841	116,762

APPENDIX K

REVENUE BUDGETS 2011/12

Head of Regeneration and Planning’s Budget Split by Service

Service	Base Budget 2010 / 2011	Movements between Base and Proposed Budgets					2011/2012 Budget
		Inflation	Growth	Savings	Financing	Switches	
Support Units	157,845	(96)	0	(494)	0	(32,761)	124,494
Economic Development	373,503	(1,056)	34,107	(1,464)	0	(17,663)	387,427
Planning	767,202	0	0	(22,245)	0	(57,039)	687,918
Building Control	88,567	0	0	0	0	(9,514)	79,053
Highways	15,490	0	0	0	0	0	15,490
Land Drainage and Coast Protection	2,412,098	0	0	0	0	(4,543)	2,407,555
Markets	(134,420)	(5,657)	0	(162)	0	55,553	(84,686)
Community Development	63,555	0	38,796	(1,077)	0	(13,540)	87,734
Total Budget	3,743,840	(6,809)	72,903	(25,442)	0	(79,507)	3,704,985

REVENUE BUDGETS 2011/12

Head of Regeneration and Planning's Budget Split by CIPFA Code

Service	Income & Recharges	Employees	Premises	Supplies and Services	Transport	Transfer Payments	Third Party Payments	Funds	Capital Charges	Support Services	2011/2012 Budget
Support Units	(459,910)	452,771	0	104,298	12,450	0	0	(90,000)	830	104,055	124,494
Economic Development	(560,530)	262,719	5,770	572,323	1,770	0	30,200	(50,000)	0	125,175	387,427
Planning	(441,240)	870,079	0	68,429	19,280	0	42,490	(151,480)	3,682	276,678	687,918
Building Control	(15,000)	0	9,000	48,922	0	0	17,886	(890)	2,784	16,351	79,053
Highways	0	0	2,892	0	0	0	11,220	0	0	1,378	15,490
Land Drainage and Coast Protection	0	0	309,653	83,136	4,968	0	25,634	0	1,820,122	164,042	2,407,555
Markets	(237,170)	45,402	65,067	8,605	186	0	8,740	0	13,656	10,828	(84,686)
Community Development	(22,990)	80,831	1,860	8,634	4,556	0	0	(2,460)	0	17,303	87,734
Total Budget	(1,736,840)	1,711,802	394,242	894,347	43,210	0	136,170	(294,830)	1,841,074	715,810	3,704,985

REVENUE BUDGETS 2011/12

Head of Legal and Support Service's Budget Split by Service

Service	Base Budget 2010 / 2011	Movements between Base and Proposed Budgets					2011/2012 Budget
		Inflation	Growth	Savings	Financing	Switches	
Support Units	359,112	(2,400)	0	(263,874)	0	(56,644)	36,194
Democratic Representation and Management	1,254,550	0	0	(23,982)	0	1,951	1,232,519
Corporate Management	898,879	0	0	(6,660)	0	(210)	892,009
Electoral Services	312,355	0	0	(17,298)	0	(4,487)	290,570
Local Land Charges	(29,957)	0	90,000	(176)	0	(2,111)	57,756
Burial of Destitute Persons	36,115	(48)	0	0	0	(545)	35,522
Total Budget	2,831,054	(2,448)	90,000	(311,990)	0	(62,046)	2,544,570

APPENDIX K

REVENUE BUDGETS 2011/12

Head of Legal and Support Service's Budget Split by CIPFA Code

Service	Income & Recharges	Employees	Premises	Supplies and Services	Transport	Transfer Payments	Third Party Payments	Funds	Capital Charges	Support Services	2011/2012 Budget
Support Units	(1,962,840)	1,064,406	0	379,977	3,250	0	100,666	(11,509)	29,124	433,120	36,194
Democratic Representation and Management	0	112,892	0	355,013	54,632	0	2,128	0	0	707,854	1,232,519
Corporate Management	0	3,486	0	7,092	0	0	40,000	(40,000)	2,172	879,259	892,009
Electoral Services	(18,134)	112,513	816	82,278	344	0	3,350	22,948	0	86,455	290,570
Local Land Charges	(70,824)	34,345	0	15,760	0	0	10,548	0	732	67,195	57,756
Burial of Destitute Persons	(2,268)	3,751	0	0	0	0	5,316	0	0	28,723	35,522
Total Budget	(2,054,066)	1,331,393	816	840,120	58,226	0	162,008	(28,561)	32,028	2,202,606	2,544,570

APPENDIX K

REVENUE BUDGETS 2011/12

Head of Tourism and Culture's Budget Split by Service

Service	Base Budget 2010 / 2011	Movements between Base and Proposed Budgets					2011 / 2012 Budget
		Inflation	Growth	Savings	Financing	Switches	
Support Units	26,459	0	0	(340)	0	(26,119)	0
Allotments	25,295	(108)	0	0	0	(106)	25,081
Parking Off Street	(3,462,415)	(95,189)	0	(20,000)	0	(134,250)	(3,711,854)
Parking On Street	13,386	0	0	0	0	(13,286)	100
Scarborough Harbour	36,362	(12,696)	0	(340)	0	(83,241)	(59,915)
Whitby Harbour	6,072	(17,504)	0	0	0	72,940	61,508
Ports Management Board	6,012	(228)	0	0	0	12,926	18,710
Tourism and Leisure Administration Units	26,046	0	0	(888)	0	(25,158)	0
Theatres	1,810,513	(2,427)	101,530	72,230	0	367,029	2,348,875
Public Conveniences	747,359	(3,690)	0	0	0	3,893	747,562
Catering	(136,103)	(84)	(222,530)	(221,000)	0	(418,129)	(997,846)
Indoor Leisure Sites	1,193,162	(18,144)	85,000	(41,247)	0	(42,482)	1,176,289
Outdoor Leisure Sites	338,491	(20,157)	0	(41,556)	0	17,683	294,461
Museums	831,625	0	0	(36,000)	0	0	795,625
Community Centres and Grants	393,846	(3,718)	0	(5,930)	0	3,433	387,631
Tourism Other	226,347	0	0	(7,400)	0	(8,988)	209,959
Total Budget	2,082,457	(173,945)	(36,000)	(302,471)	0	(273,855)	1,296,186

APPENDIX K

REVENUE BUDGETS 2011/12

Head of Tourism and Culture's Budget Split by CIPFA Code

Service	Income & Recharges	Employees	Premises	Supplies and Services	Transport	Transfer Payments	Third Party Payments	Funds	Capital Charges	Support Services	2011 / 2012 Budget
Support Units	(627,188)	514,115	11,580	29,524	17,466	0	0	0	1,360	53,143	0
Allotments	(5,112)	0	11,450	0	0	0	0	0	0	18,743	25,081
Parking Off Street	(4,787,958)	60,964	542,917	50,056	5,880	0	165,870	96,930	0	153,487	(3,711,854)
Parking On Street	(1,565,542)	0	11,900	827,040	1,932	0	16,200	36,000	0	672,570	100
Scarborough Harbour	(653,384)	226,038	140,307	23,512	2,380	0	34,420	22,930	106,956	36,926	(59,915)
Whitby Harbour Ports	(912,960)	446,806	170,570	92,740	63,460	0	20,520	14,460	90,912	75,000	61,508
Management Board	0	300	0	1,500	0	0	0	0	0	16,910	18,710
Tourism & Leisure Administration Units	(456,047)	256,278	0	18,840	7,068	0	0	0	0	173,861	0
Theatres	(770,225)	1,179,306	422,025	785,138	1,034	0	246,508	18,600	324,048	142,441	2,348,875
Public Conveniences	(213,204)	382,657	360,908	7,839	17,328	0	10,881	20,510	116,808	43,835	747,562
Catering	(2,248,810)	143,292	175,343	704,946	9,216	0	360	13,578	58,548	145,681	(997,846)
Indoor Leisure Sites	(1,208,184)	922,580	510,591	211,794	8,604	0	33,564	8,694	445,320	243,326	1,176,289
Outdoor Leisure Sites	(1,018,685)	375,562	348,751	69,036	6,504	0	222,276	35,254	86,736	169,027	294,461
Museums	0	0	38,256	585,036	0	0	0	0	143,052	29,281	795,625
Community Centres and Grants	(205,930)	145,541	144,656	108,916	3,942	0	9,996	6,888	77,508	96,114	387,631
Tourism Other	0	264	0	45,448	0	0	51,832	(4,000)	168	116,247	209,959
Total Budget	(14,673,229)	4,653,703	2,889,254	3,561,365	144,814	0	812,427	269,844	1,451,416	2,186,592	1,296,186

APPENDIX K

REVENUE BUDGETS 2011/12

Head of Service Transformation's Budget Split by Service

Service	Base Budget 2010 / 2011	Movements between Base and Proposed Budgets					2011 / 2012 Budget
		Inflation	Growth	Savings	Financing	Switches	
Service Transformation Administration Units	165,234	0	0	(102,041)	0	(57,154)	6,039
IT Services	55,347	0	(18,000)	6,461	0	(43,808)	0
Customer Services	138,824	(1,560)	0	(596)	0	7,524	144,192
Total Budget	359,405	(1,560)	(18,000)	(96,176)	0	(93,438)	150,231

Head of Service Transformation's Budget Split by CIPFA Code

Service	Income & Recharges	Employees	Premises	Supplies and Services	Transport	Transfer Payments	Third Party Payments	Funds	Capital Charges	Support Services	2011 / 2012 Budget
Service Transformation Administration Units	(198,197)	122,855	0	5,468	5,270	0	15,504	1,092	0	54,047	6,039
IT Services	(1,246,722)	681,974	1,932	404,673	3,650	0	20,468	0	35,904	98,121	0
Customer Services	(1,228,878)	778,353	57,714	325,634	1,836	0	11,424	20,075	38,124	139,910	144,192
Total Budget	(2,673,797)	1,583,182	59,646	735,775	10,756	0	47,396	21,167	74,028	292,078	150,231

APPENDIX K

REVENUE BUDGETS 2011/12

Corporately Controlled Budget's by Service

Service	Base Budget 2010 / 2011	Movements between Base and Proposed Budgets					2011 / 2012 Budget
		Inflation	Growth	Savings	Financing	Switches	
Support Units	146,030	0	0	(83,653)	0	(62,377)	0
Corporate	(2,678,289)	292,455	815,319	(598,077)	(769,470)	1,250,421	(1,687,641)
PR and Marketing	105,829	0	0	(230)	0	(3,924)	101,675
Total Net Budget	(2,426,430)	292,455	815,319	(681,960)	(769,470)	1,184,120	(1,585,966)

Corporately Controlled Budget's by CIPFA Code

Service	Income & Recharges	Employees	Premises	Supplies and Services	Transport	Transfer Payments	Third Party Payments	Funds	Capital Charges	Support Services	2011 / 2012 Budget
Support Units	(511,758)	399,629	0	29,131	6,414	0	0	0	1,728	74,856	0
Corporate	(1,353,661)	2,265,938	(169,540)	522,325	0	0	266,760	287,770	(3,520,296)	13,063	(1,687,641)
PR and Marketing	0	67,972	0	19,512	1,710	0	0	0	0	12,481	101,675
Total Budget	(1,865,419)	2,733,539	(169,540)	570,968	8,124	0	266,760	287,770	(3,518,568)	100,400	(1,585,966)