

BUDGET BRIEFING

1 INTRODUCTION

1.1 Briefing Overview

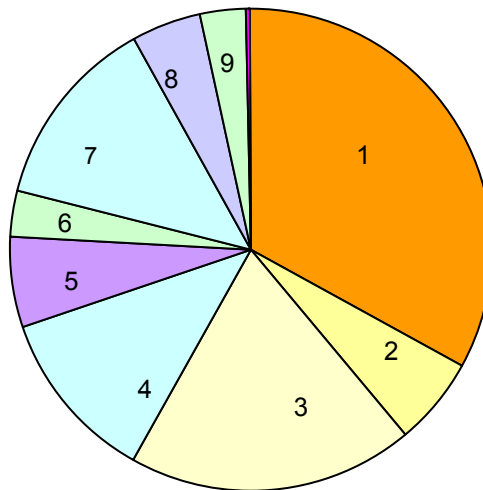
This Budget Briefing is one of the initiatives to inform Members, staff, the media and the public about the Council's financial circumstances. It is primarily a reference document about the Council's approach to financial management, business management, strategic policy management, relationship with Central Government and capital expenditure.

This introduction provides a brief explanation of the financial aspects of the Council's activities, and draws attention to the main characteristics of the Council's financial position. The three following graphs show in broad terms what the Council's money is spent on - i.e. the services it provides and where the money comes from. The graphs relate to the General Fund and Housing Revenue Account when combined for 2010/11 original estimates.

1.2 What Revenue money is spent on (£107.9m)

1. Housing Benefits
2. Other Central Services to the Public
3. Cultural & Related Services
4. Environmental Services
5. Planning & Development Services
6. General Fund Housing
7. Housing Revenue Account
8. Highways, Roads & Transport
9. Corporate Costs & Overheads
10. Other Operating Expenditure

Gross Budget 2010/11 £m	%
35.7	33
6.4	6
20.8	19
12.8	12
6.7	6
3.3	3
14.0	13
5.2	5
3.3	3
-0.3	0
107.9	100



Approximately one third of total expenditure is on employees, with the remainder being on running expenses - such as maintaining buildings, paying benefits, operating vehicles, purchase of supplies and services - and treasury management charges (payment of interest and principal on loans outstanding).

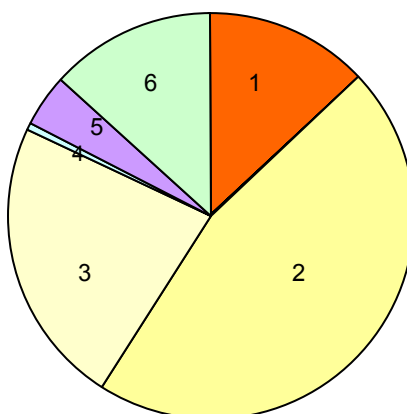
Housing Benefit Payments are covered by the receipt of Government Grant.

Expenditure and income on Council Housing is charged to a separate ring-fenced account called the Housing Revenue Account.

1.3 Where the money comes from (£107.9m)

- 1. Council Tax
- 2a. General Government Grant
- 2b. Specific Government Grants to Services
- 3. Sales, Fees & Charges
- 4. Interest Earnings, Reserves
- 5. Internal Recharges including capital charges
- 6. Housing Rents

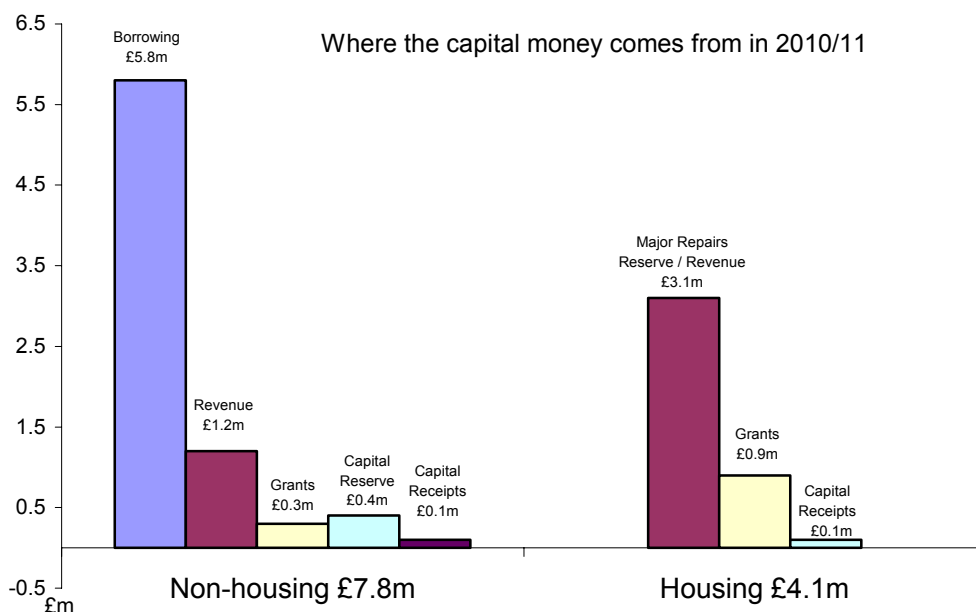
Budget 2010/11 £m	%
14.1	13
11.3	11
38.3	35
24.7	23
0.6	1
4.5	4
14.4	13
107.9	100



Revenue Support Grant and redistributed business rates, together with specific Government Grants towards Rent Allowances, Rent Rebates and Council Tax Benefits, provide almost half of the total income. Council Taxpayers contribute about 13% of total income, with the remainder coming from the services provided through rents, fees and charges and external interest.

1.4 Capital Spending

The Council's Capital Programme for 2010/11 comprises £7.8m for non-housing services and £4.1m for Housing. Major capital projects identified for the year include the Exhibition Hall Redevelopment (£5.8m), purchases of Vehicles/Equipment (£1.0m), Open Spaces schemes from Commuted Sums (£0.2m), together with the ongoing programme of improving and refurbishing Council Houses (£3.5m) and Private Sector Grants and Loans (£0.6m).



Non-housing Capital Grants include BIG Lottery grants and Commuted Sums from developers.

Revenue on non-housing services is the use of earmarked reserves for Vehicle Replacement Reserve (£0.7m), Computer Investment Reserve (£0.4m) and Cultural Services Investment Reserves (£0.1m).

The Major Repairs Allowance (£2.7m) is part of the subsidy paid by the Government into the Housing Revenue Account. If not spent in the current financial year, this is transferred to the Major Repairs Reserve to finance HRA capital spending in future years.

2 THE COUNCIL'S APPROACH TO FINANCIAL MANAGEMENT

2.1 Medium Term Financial Strategy

The Council's Medium Term Financial Strategy was initially established in 1992 and is reviewed each year by Council. It is driven by the corporate planning process. The Corporate Plan sets out the Council's corporate priorities and key strategic actions, which reflect both local and national priorities. The Council's corporate planning and financial planning processes are integrated and look forward at least three years. The Medium Term Financial Strategy aims to help translate the Council's policy objectives into action by reconciling spending ambitions with resource projections over the medium term and by providing for appropriate resource reallocation. It provides a financial framework beyond the confines of annual budgets. In particular, it has sought to avoid purely incremental budgeting and short-term solutions.

The Medium Term Financial Strategy was reviewed and updated for the period 2010/11 to 2012/13 by the Council in October 2009. The following objectives were endorsed:

- A target budget for 2010/11 of £25.252m.
- A target working balance of between £2.5m and £3m.
- For 2010/11, cash limited allowances of 2% for pay, 0% for non demand-led expenditure budgets and 3% as a guideline for charges (subject to service considerations and market forces).
- Cash efficiency savings of 2% for each Department.

2.2 Revenue Budget 2010/11

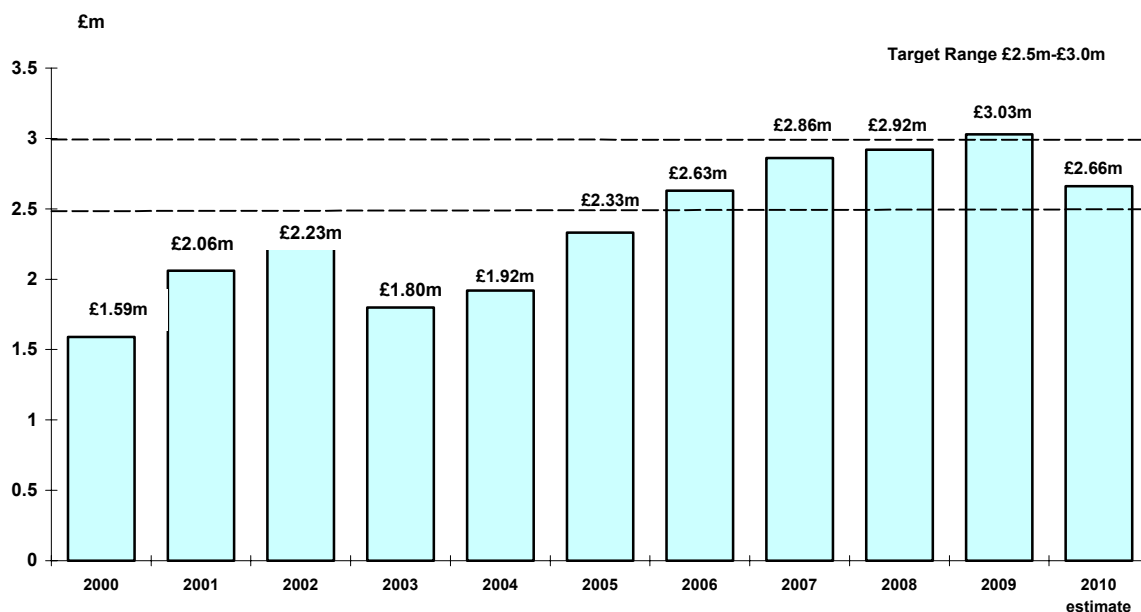
Key features relating to the revenue budget for 2010/11 are as follows:

- Revenue Support Grant totalling £11.268m, an increase of 2% on the 2009/10 figure of £11.052m.
- A strong warning by the Local Government Minister that the Government expects the average Band D Council Tax rise in England in 2010/2011 to be the lowest for at least sixteen years and confirmation that the Government remain prepared to take capping action against excessive increases.
- An approved revenue budget for 2010/11 of £24.872m. This represents a reduction on the target budget of £25.252m, which results in a Council Tax freeze, reflecting the current economic position.
- Cash efficiency savings of £655,070.

The overall financial circumstances facing the Council for the 2010/2011 budget continue to be very difficult and complex. It has been possible to put forward and reconcile a tax freeze with a reasonable response to spending demands in the short term. It is, however, more difficult to reconcile this with adequate reserves and a sustainable medium term financial position. The prospects for 2011/2012 and beyond are of increased financial pressures resulting from potential cash cuts in government grant, which will result in the need to make significant savings and look at alternative ways of working, including shared services.

2.3 General Fund Working Balance

This chart shows that the General Fund Working Balance is at the lower end of the Council's target range of £2.5m to £3m as set out in the Medium Term Financial Strategy. Increases in recent years were to hold prior-year underspendings over the year-end, prior to approval of their deployment.



GENERAL FUND WORKING BALANCE 31 MARCH

2.4 Prospects Beyond 2010/11

The financial projection for 2011/12 shows that, subject to efficiency savings, the budget is broadly in balance, with a small surplus in 2012/2013. However, this is based on tax increases of 2.5% per annum in 2011/12 and 2012/13 and assumes (as per the Medium Term Financial Strategy) a freeze in government grant over the same period. The impact of a 6.9% cut in government grant (as might be read into the pre-budget report) would be a reduction in excess of £750,000 per annum.

The overall public sector deficit at £178 billion will be a massive challenge for whoever is in Government after June 2010. There is no doubt that major cuts across most public services will be required over a three-year period. This will clearly impact on the Council and all the services it provides.

3 BUSINESS MANAGEMENT ISSUES

3.1 Business Units

The Borough Council manages its finances through Business Units. The Authority's Business Unit structure has been fully operational since 1994. The arrangements provide for Heads of Service to be responsible for managing their budgets and resources on a day-to-day basis within their agreed bottom line target set by Council.

A "Managers' Handbook" provides detailed rules, advice and guidance to Heads of Service and Cost Centre Managers. The handbook contains twenty principles covering key managerial and financial issues. For each of the twenty principles a number of practices or rules have been developed.

Where Business Units achieve a surplus, a proportion of this may be retained for investment in service development and efficiency improvements. The reinvestment of surpluses in efficiency

improvements (e.g. on new computer software) is generating further cost savings in future years. Where losses occur these must be made good from brought forward Business Unit Reserves. Business Unit reserves are reviewed annually by Cabinet to ensure that their planned use is in accordance with the Council's corporate objectives and service priorities.

In July 2009, the Council approved a Business Transformation Programme (now called innovate@Harrogate) of activities in order to achieve organisational improvements, secure cultural change and lead to efficiency savings. The programme of activities needs short term funding and it has since been agreed that certain planned and committed expenditure from Business Unit reserves is aligned to Business Transformation.

3.2 **Service Plans**

A significant feature of the operation of Business Units is the requirement each year to prepare an annual Service Plan covering resources, services, tasks and operations. Service plans outline objectives and indicate by means of action plans how these objectives will be achieved. All plans must be produced in accordance with the corporate Service Plan framework and are required to demonstrate clear links to the Authority's corporate priorities as set out in the Council's Corporate Plan.

3.3 **Internal Trading**

Principle 8 within the Managers' Handbook states, "The authority will regulate and control trading relationships between the internal customer and the deliverer of an in-house support service." It has been agreed that within Harrogate Borough Council this principle should be met by means of "Service Level Protocol Arrangements". These arrangements have been developed to reflect the specific needs of Harrogate Borough Council and in particular the decision to devolve management control and not to devolve the budgets themselves. A "Service Level Protocol Agreement" is a means of specifying services and agreeing trading relationships between support service providers and their internal customers.

3.4 **Corporate and Democratic Core (CDC)**

The Corporate and Democratic Core (CDC) consists of two accounts, Corporate Management and Democratic Representation and Management. The costs that can be charged to each account are set out in the Best Value Accounting Code of Practice (BVACOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the code is to modernise the system of local authority accounting and reporting to ensure it meets the changing needs of local government. The Government has formally approved the code and although it is not law Local Authorities should adopt it as 'proper accounting practice'.

Corporate Management (CM)

Corporate Management includes the following defined costs:

- The Head of Paid Service (at Harrogate this is the Chief Executive)
- Maintenance of statutory registers
- Provision of information to members of the public exercising their statutory rights
- Costs relating to completing and submitting and/or publishing service staffing returns, Statements of Accounts, annual reports and public performance reports.
- Estimating, negotiating, accounting for and allocating corporate level resources (credit approvals, capital finance, precepts, block grants and taxes)
- Statutory external audit and external inspections
- Treasury Management
- Bank Charges

Democratic Representation and Management (DRM)

Democratic Representation and Management includes the following defined costs:

- Members' allowances and expenses
- Officer time spent on providing advice and support to Members
- Subscriptions to local authority associations and provincial councils.

All costs that fall within the above definitions can be charged directly to the CM or DRM Accounts and as such are not charged to services.

The Authority's budget for 2010/11 has been prepared in accordance with the requirements of the BVACOP.

3.5 Insurance Arrangements

In 1994 the Council introduced a self-funding arrangement in respect of Public Liability insurance. This meant that, in return for reduced premiums, the Council agreed to fund claims up to an agreed ceiling. The Council's liability is limited to £50,000 per individual claim, with a maximum liability for the 2009/10 insurance year of £386,130.

Self-insured claims are paid from the Insurance Reserve. This was created in 1994 and built up by redirecting savings in external premiums into the Reserve. The annual value of claims settled since the introduction of self-insurance is significantly lower than the reduction in premium that was achieved. In addition to funding self-insured claims, the Insurance Reserve is also used to provide match funding towards risk management initiatives.

The annual contribution to the reserve has been reduced by £50,000 in the 2010/11 budget as a result of the anticipated reduction in claims following the termination of the Highways Agency on 31 March 2010. The balance on the Insurance Reserve will continue to be kept under review to determine whether any further adjustments to the annual contribution are required. Following the introduction of conditional fee arrangements, there was an initial increase in the number of claims received but more recently the number of claims has been falling.

4 STRATEGIC POLICY MANAGEMENT

4.1 A Shared Vision

The long-term vision of the Council set out in its 2009-2012 Corporate Plan is:

OUR VISION:

A Harrogate District that is safe, green, healthy, beautiful and vibrant; a place where people want to live, work and visit.

OUR AIM:

To deliver services and real improvements in the community that are valued by local people and which improve their quality of life; working with others to build prosperous and sustainable communities across the District.

As well as the day-to-day delivery of council services, we will deliver, on our own or in partnership with others, additional outcomes in the community through the following corporate priorities, goals and actions in **2010/2011** and beyond:

4.2 Six Corporate Priorities

The Corporate Plan covers the period 2009 to 2012. It explains how the Council will improve the things that matter to local people and deliver its commitment to providing first-class public services like planning, housing, benefits, the Harrogate International Centre, leisure, licensing, etc, in line with the direction set out by the following six corporate priorities: Caring for the Environment; Home for Local People; A Connected District; Stronger and Safer Communities; A Strong Local Economy; Shaping the Council Towards Excellence. In July 2009, the Council adopted "Caring for the Environment" as its top corporate priority.

Our ambitions under each of the corporate priorities are:

1) Caring for the Environment: *enhance and protect the District's natural and built environment.* [This is the Council's top priority]

- 1.1 Limit the amount of household waste for landfill to 570kg per head of population and set the amount recycled or composted to 31% of the waste collected by rolling out new waste and recycling services to our residents in 2010/2011.
- 1.2 Ensure the necessary infrastructure is in place to support the provision of new houses and jobs as part of the District's Local Development Framework Infrastructure Delivery Plan.
- 1.3 Reduce the District's, and the Council's, "carbon footprint" and increase their energy efficiency by reviewing the agreed Climate Change Strategy, in the light of the latest local and national policy and performance, and producing an action plan to reduce their carbon emissions from 2005 levels by 40% by 2020.
- 1.4 Manage the biodiversity of the District including completing all of the appraisals of the District's 52 Conservation Areas by 31st March 2011.

2) Homes for Local People: *people have access to housing opportunities throughout the District.*

- 2.1 Tackle housing needs, including providing more affordable housing, by delivering 75 additional affordable homes by 31st March 2011.
- 2.2 Promote housing opportunities, including investment in the Council's Housing Stock so that 100% of the homes of Council tenants continue to meet the Decent Homes Standard.
- 2.3 Work with our partners to tackle homelessness including reducing the number of households living in temporary accommodation to 60 or below by 31st March 2011.

3) A Connected District: *good travel, transport and electronic links to and from the District, with the rest of the Leeds City Region, the North Yorkshire sub-region and nationally.*

- 3.1 Improve accessibility, mainly in rural areas, by completing the network of service access points in the District's market towns over the next 24 months and continuing to promote local take-up of the national concessionary fares scheme.
- 3.2 Lobby for improved transport and electronic communication links through North Yorkshire County Council, Department for Transport, Network Rail, etc and through participation in the Leeds City Region Partnership and the implementation of the City Region Transport Strategy.

4) Stronger and Safer Communities: *vibrant and inclusive communities where people are safe, feel safe and feel part of their local community.*

- 4.1 Work with our partners on the Harrogate District Safer Communities Partnership to reduce the number of assaults with serious injury during 2010/2011 from 3.28 per 1000 residents to 3.18 per 1000 residents.
- 4.2 Improve community engagement and involvement across the District by developing cohesive communities through partnership working, effective neighbourhood management and the development, by April 2010, of the Council's Partnership Community Engagement and Empowerment Strategy and associated Toolkit so that, by 2011:
 - 4.2.1 the percentage of people who feel they can influence decisions in their locality has increased to 33%
 - 4.2.2 the percentage of people who feel they belong to their neighbourhood has increased to 65%
 - 4.2.3 the percentage who believe that people from different backgrounds get on well together in their local area has increased to 83%

5) A Strong Local Economy: *a robust and diverse economy that benefits all local people and creates employment opportunities, particularly in rural areas and the market towns across the District.*

- 5.1 Help to create jobs in the District by continuing to enhance and, where possible, expand the Council's portfolio of workspace and by maintaining workspace occupancy levels in excess of 80%.
- 5.2 Attract investment in the District's infrastructure, working with a range of public and private sector partners to improve transportation links, support the development of communications and digital technology and encourage provision of a diverse employment sites and premises portfolio.
- 5.3 Maintain the distinctiveness and competitiveness of the District's business and leisure tourism offer by investing in the Harrogate International Centre and by ensuring that the Yorkshire Dales and Harrogate Area Tourism Partnership successfully delivers the Leisure Tourism Marketing Plan on behalf of the Council.
- 5.4 Promote the provision of, and access to, skills training at all levels to meet employer and employee requirements through active membership of the Harrogate Work and Skills Partnership and collaboration with partners.

6) Shaping the Council towards excellence: *through our five-year Business Transformation Agenda, Innovate@Harrogate, driving continuous improvements and efficiencies in the following areas of our work:*

- 6.1 **Collaboration:** *identify ways in which we can improve how we work together, share information and best practice both within the Council and with our partners.*
Goal: To agree, by Summer 2010, a model for collaborative working with implementation commencing from April 2011.
- 6.2 **Improving the Customer Experience:** *looking at the standard of customer service we provide and how we ask them what standard of service they would like so that we can improve their experience when they contact the Council or use a Council service.*
Goal: To set up One Front Office, handling all customer contacts across the Council, by April 2012.
- 6.3 **Better use of resources:** *reviewing our office buildings, use of energy, use of information and documents, printing and procurement to ensure that they are efficient, effective and good value for money.*

Goal: To deliver a 20% reduction in the Council's office floor space by April 2014.

6.4 **New ways of working:** *improving our efficiency and effectiveness through flexible working, mobile working and better use of existing Council systems.*

Goal: To provide effective mobile working across the Harrogate District from 2010.

6.5 **Organisational development and cultural change:** *making sure that our vision, values and behaviours support our ambition to deliver improvements, efficiencies and manage change effectively.*

Goal: To develop a vision, mission, values and behaviours statement for the organisation by April 2010.

The five-year Business Transformation Agenda is set out in detail in a separate document. The corporate and cross-cutting five-year programme of activities (see section 6 above) will achieve organisational improvements, secure cultural change, lead to efficiencies and help the Council achieve its vision, aim and corporate priorities in 2010/2011 and beyond.

The above priorities, ambitions and targets are explained, in detail, in the Council's corporate and service plans. Progress on implementing the improvements and service performance is monitored throughout the year and reported to the Council's Overview and Scrutiny Commissions and the Cabinet quarterly.

For more information on Strategic Policy, contact Mike Simpson, Corporate Improvement Manager, on Harrogate 556065 or email him on mike.simpson@harrogate.gov.uk

5 RELATIONSHIP WITH CENTRAL GOVERNMENT

5.1 Overall Approach

The Government has over many years sought to reform the way that local authorities are financed and run. In response to requests for the return of Non-Domestic Rates, the Local Authority Business Growth Incentive (LABGI) scheme was introduced. This ran for three years to 2007/08 and enabled local authorities to retain the proceeds of rateable value growth. LABGI has now been restored from 2009/10 for a further two years, although at a much reduced level. The ability to levy a Supplementary Business Rate was introduced by the Government in 2009, although this function is limited to upper tier authorities.

The Comprehensive Area Assessment (CAA) Framework for all Councils came into force from April 2009. CAA is a new statutory framework looking at how well people are served by all their local public services, not just those provided by councils. The focus of CAA will be on areas, outcomes, and local priorities.

In 2010/11, under CAA, there will be the following statutory assessments by the Audit Commission:

- an **area assessment** that looks at how well local public services are delivering better results for local people in priority services such as health and community safety.
- an **organisational assessment** of each council, focusing on how well the council uses its resources and manages its performance.

The Audit Commission will publish, in November 2010:

- an **annual area assessment report** on the area covered by a Local Area Agreement (LAA) i.e. North Yorkshire. The report will provide an overview of the key priorities identified by the area, overall successes in improving outcomes for local people and the prospects for further improvement.

- **an annual organisational assessment report** on the Council summarising how well it managed its finances, governed the business (i.e. commissioning services, value for money, etc), managed resources (i.e. natural resources, physical assets and people) and managed performance (i.e. services, outcomes, improvements).
- a report on the Council's performance against each indicator in **the National Indicator Set**, including comparisons of performance with similar councils.

The above information will be published by the Audit Commission in a variety of ways, including on the Internet through the Oneplace website and within local communities. The reports will highlight areas of poor performance, innovation and good practice and include scored judgements on managing performance and use of resources.

A reform of the HRA subsidy system is proposed. The Government is proposing a devolved self-financing alternative to the current subsidy system, which would remove the need to redistribute nationally. Councils would finance their own businesses from their own rents and revenues, in exchange for a one-off allocation of existing housing debt. The Government hopes to agree the terms of the offer by Spring 2010, in order to implement a self-financing system by 2012/13.

A significant change in emphasis, which the Government is developing, seems to be control of local government by issuing policies, standards and targets rather than legislation. In this way, there is no legal requirement for Councils to pursue particular, often quite radical, initiatives promoted by the Government. However, they know that failure to follow Government signals can result in severe consequences, including loss of discretionary grants and freedoms, and also downgrading by the inspectors under the Comprehensive Area Assessment process, which in the worst cases can bring replacement of management and direct Government intervention.

5.2 The Financial Framework

The total of Government grants and non-domestic rates is known as Aggregate External Finance and is £76.2 billion for 2010/11 analysed as follows:

	2010/11	2009/10 (Adjusted)
	£ billion	£ billion
Revenue Support Grant	3.2	4.5
Non-Domestic Rates	21.5	19.5
Specific and General Grants (incl .PFI)	51.5	49.3
Aggregate External Finance	<u>76.2</u>	<u>73.3</u>

Total AEF has risen 4.0% over the equivalent for 2009/10 (adjusted).

In 2010/11 total business rates for redistribution are estimated at £21.5 billion, a 10.3% increase on the Government's original estimate for 2009/10.

Specific Grants include Dedicated Schools Grant, Police Grant, Benefits Administration grants and Planning Delivery grant.

5.3 Formula Grant

This comprises Revenue Support Grant, redistributed non-domestic rates, and (for relevant authorities) principal formula Police Grant.

From 2006/07 onwards the Government introduced a new system of formula grant distribution. The intention of the new system is to focus on grant and not on notional measures of spending and council tax. There also appears to be recognition from the Government of the need to identify, quantify and **fund** new burdens. The new system is based upon four blocks of cash:

- A **Relative Needs** block, worked out through a series of formulae. The formula takes into account various demographic features including population and numbers on income support.
- A **Relative Resource** block, which takes into account capacity to raise income from council tax.
- A **Central Allocation** block, which is allocated on a per capita basis.
- A **Floor Damping** block to ensure that all authorities of the same type receive a minimum grant increase.

2010/11 is the final year of the Government's first three-year local government finance settlement (CSR07). Grant figures for all three years have not changed from figures first indicated in January 2008.

To date, no progress has been made on the next comprehensive spending review, which in the normal political timetable would have been in place in summer 2009 and would have provided details of grant increases for the three year period after April 2011, when the current spending plans expire. The review has now been delayed until after the General Election in summer 2010.

5.4 Harrogate's Formula Grant

Harrogate's Formula Grant is £11.268m for 2010/11, an increase of 2.0% (£0.216m) from 2009/10 (adjusted). This compares with the national increase in Formula Grant (2.6% adjusted) and the increase in Shire District Formula Grant (1.4% adjusted). North Yorkshire County Council's Formula Grant has risen by 5.2% (adjusted) against the Shire County average rise of 4.0% (adjusted).

Harrogate's Formula Grant per resident remains the second lowest in North Yorkshire and 10% below the average Shire District. This is because Harrogate does not score highly on the Needs Indices used to measure social and economic deprivation.

6 CAPITAL EXPENDITURE

6.1 The National Background

The Capital Control System

Under the capital controls introduced in 2004, Councils are free to set their own 'affordable' limits on capital expenditure financed by borrowing or credit arrangements. There is no limit on capital expenditure financed by usable capital receipts, by grants or contributions from third parties or through revenue contributions.

Borrowing and Other Credit Arrangements

Borrowing or credit arrangements must be kept within the Council's own limits, which it sets with regard to the level of debt charges which the revenue account can bear on an affordable basis.

Capital Receipts

General Fund capital receipts are 100% usable. For the Housing Revenue Account only 25% of HRA dwellings capital receipts may be spent on new capital expenditure (and at any time following receipt). The remainder must be paid over to the Government. HRA land receipts are 100% usable on committed social housing works (including own stock).

Grants or Contributions from Third Parties

There is no limit on capital expenditure financed by grants or contributions (including lottery funding or commuted payments).

Revenue Contributions to Capital Expenditure

There is no limit on capital expenditure financed from revenue (including on-street parking income) subject to the availability of funds in the budget.

6.2 Arrangements for the Control of External Borrowing and for Debt Redemption

Control of Borrowing and Lending

The CIPFA Prudential Code (which has statutory force) sets out the factors that Councils must consider when setting their own affordable borrowing limits. This includes the overall levels of outstanding debt and the affordability of the debt charges.

There are also restrictions on the types of borrowing and lending, arising from Government Guidance and the CIPFA Code of Practice on Treasury Management (also with statutory force).

Debt Redemption - Minimum Revenue Provision (MRP)

Each year an authority must make a minimum charge in its revenue account, to be set aside in debt redemption. Amendments to the capital finance regulations replace the detailed calculation with a requirement to calculate MRP that local authorities consider to be prudent. Statutory guidance was issued in parallel and contains recommendations on determining a prudent amount of MRP.

6.3 Harrogate's Position

Resource Planning

Each year the Borough Council prepares and updates a rolling 3 year Capital Programme. Beyond year 1 the programme is provisional because of uncertainty about the level of available resources. Realistic estimates of these resources are made and the programme is constrained accordingly. It would be unrealistic and unproductive to include desirable yet unaffordable schemes. The main sources of funding are Government and Lottery grants, capital receipts, borrowing and internal funds for specific purposes, with revenue contributions making up the balance of funding - particularly on non-housing services.

The Government requires councils to produce a Capital Strategy as a formal expression of the way capital priorities are assessed and ranked, the extent of partnership working or private finance, the achievement of cross-cutting outcomes etc. Councils are also obliged to produce rolling Asset Management Plans, whereby assets are methodically scheduled, condition appraised and investment or disposal priorities assessed. Harrogate's comprehensive information base meant it was well placed to developing Asset Management data in comparison with many authorities.

Programme Management

While the Capital Programme is separately managed from the Revenue Budget because of the differences in nature of expenditure there are important links between capital spending and the revenue budget. Firstly there is a revenue consequence of capital spending in terms of borrowing costs or interest foregone; secondly effective and efficient capital investment is essential to the efficient operation of any organisation, and finally there is a choice at the margin at least between revenue and capital spending. Independent commentators, notably the Audit Commission, have drawn attention to the serious longer-term consequences of inadequate current levels of capital investment by local authorities.

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