
REPORT TO	Cabinet
DATE:	26 July 2006
DEPARTMENT:	Department of Resources
REPORTING OFFICER:	Head of Financial Management (<i>Val Hunter</i>)
SUBJECT:	MEDIUM TERM FINANCIAL STRATEGY 2007/2008 TO 2009/2010
WARDS AFFECTED:	All
FORWARD PLAN REF:	N/A

1.0 PURPOSE OF REPORT

- 1.1 This report aims to help translate the Council's policy objectives into action. It does this by reconciling spending ambitions with resource projections over the medium term, and by providing for appropriate resource reallocation.
- 1.2 This report should be read in conjunction with the Strategic Plan and Corporate Improvement Plan. A key issue is that in taking decisions, due consideration is given to the Council's agreed corporate priorities. These priorities have been determined with reference to the 2004 SIMALTO exercise, which sought to identify residents' views and preferences.
- 1.3 The report emphasises the need for continued sound financial management in the face of difficult financial circumstances.
- 1.4 The report identifies 2007/2008 budget parameters and policy approaches for approval. It also identifies financial targets for the three-year period to reflect the overall policy stance.
- 1.5 All Departments and the Corporate Management Team have been consulted in the preparation of the report.

2.0 RECOMMENDATIONS

- 2.1 To agree the following proposal for the Medium Term Financial Strategy:
 - (a) That revenue budget targets for 2007/2008 to 2009/2010 be agreed. (See Exempt **Appendix 4** for illustrative figures.)

(b) That 2007/2008 budget parameters be agreed:

Fees and charges increase	4% guideline (subject to service considerations and market forces)
Pay increases provision	2.5%
Other non demand-led expenditure budgets	0%
Efficiency savings illustrations (provisional targets)	2% (of which 0.75% to be cash-based)

(c) That a continued working balance target of £2m to £2.75m be approved.

(d) That the cash limit for HIC be applied as outlined in the report.

(e) That the cash limit for Cultural Services as outlined in the report be continued for one more year.

(f) That the emerging requirements in respect of Resource Reallocation as set out in paragraph 12 be noted.

2.2 That, given the continued validity of the 2004 SIMALTO exercise, the Council contains its formal consultation to the District Panel on the draft medium-term financial strategy for this year.

2.3 That a revised process for verification and validation of efficiency savings submissions is agreed between the Executive Director (Corporate Policy & Improvement) and the Director of Resources and endorsed by CMT and the Cabinet Member – Resources.

2.4 That the Governance Panel of the Corporate Overview & Scrutiny Commission be allowed until 31 October 2006 to report on its deliberations on the Medium Term Financial Strategy 2007/2008 to 2009/2010.

3.0 RECOMMENDED REASON FOR DECISION

3.1 It is long-standing Council policy, and good financial discipline, to have a medium term financial strategy to underpin the authority's budgeting framework. Within the Audit Commission's Key Lines of Enquiry on Use of Resources, KLEO 2.1 requires that "The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities".

4.0 ALTERNATIVE OPTIONS CONSIDERED AND RECOMMENDED FOR REJECTION

4.1 Not to adopt a medium-term strategy. This alternative is recommended for rejection, as it would not conform to accepted standards of financial discipline. It would attract adverse comment from the District Auditor and impact severely on the Council's Use of Resources assessment.

5.0 BACKGROUND

- 5.1 The Council's 2007/2008 to 2009/2010 Medium Term Financial Strategy is driven by the corporate improvement planning process and plans. The Strategic Plan, agreed in October 2005, sets out the Council's strategic objectives and plans which reflect both local and national improvement priorities (see **Appendix 1**). The Council's corporate planning process and financial planning process are integrated and look forward at least three years.
- 5.2 The corporate and financial planning process translates the Council's medium-term corporate priorities and objectives into an outward-looking improvement plan (called the Strategic Plan) for 2006/2007 and beyond, together with an inward-looking improvement plan which focuses on the organisation's strengths and weaknesses (called the Corporate Improvement Plan).
- 5.3 As part of the development of the Corporate Planning process in 2006/2007, the Council will develop its Corporate Resource Strategy, which will look to link the allocation of resources (finance, IT and property) with strategic priorities. In future, from 2008/2009 onwards, this will be the framework document for future financial planning.
- 5.4 The Medium Term Financial Strategy looks ahead three years at the Council's broad financial prospects. It, together with the Strategic Plan, incorporates the views and outcomes of stakeholder consultation, the results of risk assessments, projected developments in Council services and external initiatives such as the national efficiency agenda in local government. Both documents also reflect the Council's ambitions to improve the organisation's capacity to deliver improved services through its People Management Strategy, its Asset Management Strategy, its IT Strategy, etc.
- 5.5 The CPA Inspection, in January 2004, rated the Council as "fair" and the judgements from that assessment have been set out in both the Strategic Plan and the Corporate Improvement Plan.
- 5.6 The Council has already addressed most of these issues. It has used the findings of the CPA inspection to build on its strengths, tackle its weaknesses and set out its improvement plans and priorities in the 2005/2008 Corporate Improvement Plan.
- 5.7 The Audit Commission recently completed their 2005/2006 Use of Resources and Direction of Travel CPA assessments. These assessments were positive and identified that the Council were putting in place measures to address weaknesses identified.

5.8 Within the Use of Resources judgement the Council was given an overall score of 2 (on a scale of 1 = lowest, 4 = highest) with financial management and financial reporting scoring 3 and all other areas scoring 2. The Council has begun to address the areas of weakness identified to enable further improvement to be achieved.

6.0 CURRENT FINANCIAL AND MANAGEMENT POSITION

6.1 The Council's overall financial management position is in line with many other District Councils. Spending patterns over services and overall spending levels are broadly consistent with the national average position and reserves and balances are around average levels.

6.2 The main difference is that Harrogate's grant per head is £10 (13%) below the national average for shire districts and this is largely compensated by higher than average council tax levels. Since the introduction of Council Tax in 1993/1994, Harrogate's tax level has fallen relative to shire districts as a whole.

6.3 The other main factors distinguishing Harrogate from other shire districts are that it directly operates a major conference and exhibition business and that Harrogate is one of the largest districts in terms of population and geographic area. There is a roughly equal spread of rural and urban population, which poses particular challenges for service provision and resource allocation.

6.4 While the pattern of spending across different services follows broadly national patterns, there are some differences. The main areas of relatively high spending are:

- ◆ Recreation and Leisure - £16.44 per head (42% above average - £757,000)
- ◆ Planning - £15.60 per head (24% above average - £474,000). NB cost includes the effect of Planning Delivery Grant expenditure.
- ◆ Waste collection - £20.88 per head (9% above average - £266,000)

Low spending areas include Environmental Health, Street Cleansing and Corporate Services.

6.5 Whilst the financial position of the Council is consistent with many similar councils, resources projected for the medium term are insufficient to meet spending needs, especially in those areas promoted or imposed by central government or over which the Council has little discretion. Examples include recycling, the impact of single status/job evaluation, fuel costs and a variety of outstanding capital projects.

6.6 On the other hand, the Council's financial position has been greatly strengthened over the last 15 years through strong financial discipline. Spending across the Council has been kept within budgets, external loans have been reduced from £55m to £16m and other credit liabilities have been reduced by not leasing offices, vehicles or computers. The Council has been successful in securing a variety of external grants and increasing income levels.

- 6.7 The present projected level of working balance of £2.037m is within the medium-term target range and is supported by a risk assessment.
- 6.8 For the medium term, revenue resources will be restricted due to low levels of increase in government grant and effective capping of increases in Council Tax to a maximum of 5%. The Council has been successful at generating efficiency savings, now formalised under Gershon rules at 2.5% per annum, but this is becoming increasingly difficult to achieve.
- 6.9 By contrast, **revenue spending demands** are increasing at a rapid rate. A key purpose of this strategy is to reconcile these factors. The sources of pressures for growth in revenue spending are:

External – mostly Government priorities

- ◆ Waste Management
- ◆ Access to Services
- ◆ Pensions
- ◆ Concessionary Fares
- ◆ Single Status and Job Evaluation
- ◆ Fuel Costs

Internal

- ◆ Buildings and Infrastructure
- ◆ Local priorities from Members and the community

7.0 CAPITAL

- 7.1 The Council's overall approach to capital has developed in response to CIPFA's (statute-backed) Prudential Code. CIPFA felt that authorities' capital plans were often assembled piecemeal taking issues as they emerged. Councils are now expected to adopt a medium term planning horizon, and to prioritise schemes with regard to their contribution to service and corporate objectives. Accordingly, Harrogate has developed a revised capital scheme appraisal process, for use as future schemes emerge.
- 7.2 Under the Prudential Code, councils now have freedom to determine their own borrowing limits but may only do so if the borrowing is 'affordable' ie taking account of debt charges and any running costs, set against 3 year projections of other revenue account pressures and Council Tax effects. For Harrogate this means that the opportunities for borrowing are likely to be limited, because Harrogate has debt charges (including HIC) above average by £1.7m per year and a Council Tax 32% above the shire district average.

- 7.3 The implication of the financial strategy set out in this paper is that for the immediate future and certainly until the Royal Hall project is concluded, prudential borrowing to support capital spending will only be acceptable for corporate priorities and only in the following circumstances:
- a. The project is expected to be self funding and is backed by a robust business assessment
 - b. Specific revenue support is available within existing budgets
 - c. The project is related to a specifically agreed growth proposal, which also provides the agreed revenue support
 - d. An emergency situation (eg health and safety)

In the longer term the use of prudential borrowing to support the achievement of the Council's priorities within the financial strategy may need to be further developed (although there is a negative side effect on HRA subsidy).

- 7.4 Once current schemes are brought to conclusion, **local capital resources** will be at minimum prudent levels, but supplemented by annual HIC repayments of Breakout Space loan estimated to total £3.0m by March 2009. The Council's vigorous programme of asset disposals over the past decade provided valuable capital receipts to sustain the capital programme over that period. But the consequence is that the Council's asset base is now virtually reduced to its operational property and a small core of strategic or investment holdings, with no further major capital receipts in prospect.
- 7.5 In contrast, **capital spending demands** continue. There is one major scheme in hand, the Royal Hall £8.0m. (NB: most major schemes are by nature vulnerable to possibly unaffordable cost escalation.) This scheme will dominate the capital programme until Summer 2007. Meanwhile forward planning is continuing for the next Capital Strategy period. A review in May 2003 identified £35m of future schemes of differing priority. These include necessary refurbishment of various buildings (including Harrogate Theatre) and economic development match funding for rural workshops.
- 7.6 Additional capital needs include refuse recycling vehicles and wheeled bins, IT and eGovernment equipment, replacement CCTV cameras, mercury filters for cremators and a forward strategy for Starbeck Pool. There are also proposals for new car parks in Ripon and Knaresborough, which are potentially fundable from on-street income over a number of years (perhaps underwritten by the HIC repayments mentioned above).
- 7.7 Successful external funding bids (eg lottery) have been key to many projects in recent years. However, this source of funding is less likely for many of the future capital needs now identified.
- 7.8 Capital spending demands for the Housing Investment Programme are mainly the achievement of the Decent Homes Standard. The recent Housing Options Appraisal has indicated that this can be met from the existing funding framework – mainly Major Repairs Allowance.

8.0 CENTRAL GOVERNMENT APPROACH

- 8.1 The Government's approach to financial control of local authorities is continuing to undergo considerable change.
- 8.2 From 2006/2007 the Government sought to introduce fixed three-year settlements for RSG, specific grants and capital allocations. The result was the announcement of a two-year settlement for 2006/2007 and 2007/2008 to bring the settlement into line with the Government's Spending Review, with the intention that three-year settlements will be announced in future. Although this approach will have the advantage of giving Councils greater certainty for planning purposes on the amount of grant to be received, it could also leave them vulnerable from 2007 onwards to the full cost of variations in estimates (eg higher population, higher benefit claims, higher interest rates) on which they presently receive full subsidy.
- 8.3 For 2006/2007 the national formula grant increase for shire districts was 4.7%, although Harrogate received 6.9% (above the 3% 'floor' for the first time in 5 years). Despite this, Harrogate's grant per head remains 13% below the shire district average.
- 8.4 For 2007/2008 indicative grant figures show a 4.7% increase in formula grant for the average shire district, with Harrogate receiving 5.6% (again above the 2.7% 'floor').
- 8.5 Grant increases for the three years 2008/2009 to 2010/2011 are subject to the outcome of the Government's Comprehensive Spending Review CSR 07, which is currently taking place. The objectives of the review are to set the tone and direction of public spending for the next 10 years and release resources for national priorities. Despite the Government's apparent recognition as part of the 2006/2007 settlement of the need to identify, quantify and **fund** new burdens, there appears to be little prospect of anything other than a real term freeze in funding for the foreseeable future.
- 8.6 There is currently uncertainty about how or if CSR 07 will feed into the efficiency agenda and the agreed targets, which the Government now requires each public sector agency to achieve. The targets currently set for the three-year period 2005/2006 to 2007/2008 require annual savings of 2.5%, of which half (1.25%) should be cashable.
- 8.7 The Council has developed a strategy (agreed by Cabinet) for addressing the efficiency agenda as it currently stands. This links to the Medium Term Financial Strategy and the issue of efficiency savings is addressed further in Section 9 of this report.

- 8.8 In 2005/2006 the Government introduced a Local Authority Business Growth Incentive (LABGI) scheme. The scheme aims to encourage economic growth by allowing Councils to retain a share of additional business rates arising from growth in business rateable value in their area. The scheme is currently scheduled to run for three years. The distribution formula is arbitrary and complex, and Harrogate's entitlement for 2005/2006 was £190,000 received in February 2006. The Council is free to spend LABGI income as it sees fit, whether this is on economic development or on any other services or simply to substitute for grant shortfall. Cabinet agreed, as part of the 2006/2007 revenue budget process to set aside £50,000 of the 2005/2006 income as match funding for economic regeneration projects and to allocate £12,000 to support the establishment of the new Customer Services Unit with the balance of £128,000 being used to support the 2006/2007 revenue budget. A further allocation of LABGI income is due in February 2007, although it will be some time before the precise sum is known. Of this a further £50,000 is to be set aside for economic development and £72,000 is required to support the 2006/2007 revenue budget. It is recommended that any remaining funds are used to support the 2007/2008 revenue budget. A further allocation of LABGI income will be due in February 2008. However, there is currently no indication that the scheme will continue beyond this date
- 8.9 In 2005/2006 the Government also introduced Business Improvement Districts (BIDs), which are permitted to undertake local projects funded by a levy on the rates, if a majority of businesses agree.
- 8.10 The proposed council tax revaluation (the first since 1991) originally scheduled for 2007 was postponed by the Government in September 2005 pending the outcome of the Lyons inquiry into the functions and financing of local government. The revaluation, if it eventually happens, has the potential for widespread changes in bills across the country, possibly masked by a phasing-in scheme. This process could particularly affect Harrogate district taxpayers, and the Council has been lobbying hard for some time to protect their interests.
- 8.11 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 Performance Assessment process, which in the worst cases can bring replacement of management and direct Government intervention.

9.0 THE EFFICIENCY AGENDA

9.1 The Council needs to achieve efficiency savings to meet two separate agendas:

- ◆ Government imposed efficiency savings (the Gershon agenda)
- ◆ The Council's own internal efficiency savings programme

9.2 As stated in paragraph 8.6, the Government requires all public sector organisations to achieve pre-set targets for efficiency savings, which must be submitted to the Department of Communities and Local Government (DCLG) and verified by external audit. The Government has introduced stringent requirements for validating submissions and the Council has applied these accordingly.

9.3 The Council's target for the three-year period 2005/2006 to 2007/2008 has been calculated in accordance with the Government's formula at £1,830,000 of which £915,000 must be cashable.

9.4 Although the target covers the period 2005/2006 to 2007/2008, authorities were allowed to include savings generated in 2004/2005 towards their target. As a result of this the Council had at the end of 2005/2006 achieved savings of £1,752,700 of which £1,443,830 was cashable. Taking into account projected savings for 2006/2007, the Council will achieve its three-year target ahead of schedule and, therefore, there will be no requirement as part of the 2007/2008 budget process to set Gershon efficiency targets.

9.5 Notwithstanding the above, the Council has for over 10 years had a programme of internal efficiency savings, which have been used to assist in balancing the annual budget and provide funds for resource reallocation. The target for 2005/2006 was 3.5% of which 2% had to be cashable. This was a uniform direction to all services, regardless of priorities, service performance or value for money.

9.6 This approach has, over time, enabled the Council to achieve a balanced budget within the agreed tax strategy. However, with the introduction of the Government imposed Gershon targets, a revised Strategic Plan and the outcome of the Use of Resources review, there is a need to review the process for the targeting of efficiency savings. This review will be picked up as part of the development of the Council's Corporate Resource strategy, which is being developed during 2006/2007.

9.7 Pending the outcome of the above review, it is proposed that the approach in relation to the 2007/2008 budget is to continue to set an agreed internal uniform efficiency savings target, which will support the development of a balanced budget and facilitate the re-allocation of resources.

9.8 It is proposed that for 2007/2008 an efficiency target of 2% is agreed, of which 0.75% is to be cashable. This will result in an overall savings target of £488,000 and should produce cash savings in support of the 2007/2008 budget totalling £183,000.

9.9 It is proposed that a review process should be agreed between the Executive Director (Corporate Policy & Improvement) and the Director of Resources to enable efficiency savings submission to be verified and validated in accordance with Gershon criteria, strategic and service priorities and the Council's proposed investment. This review process, which will be finalised alongside the medium term financial strategy and agreed with CMT and the Cabinet Member for Resources will enable a more strategic overview to be taken in achieving efficiency savings as part of the 2007/2008 budget process.

10.0 FUTURE STRATEGY OPTIONS FOR THE COUNCIL

10.1 The Council's policy priorities are set out in the 2005 to 2008 Strategic Plan. Its improvement plans are explained in the 2005 to 2008 Corporate Improvement Plan. The medium-term Financial Strategy sets out the financial planning framework for delivering the Council's policy priorities and planned improvements.

10.2 The existing medium term financial strategy agreed in July 2005 assumed a target **base** budget of £20.634m for 2006/2007. It was estimated that subject to a 2% grant increase this would result in a provisional tax increase of 3.4% **before** consideration of growth. The strategy identified potential growth in relation to recycling, Access to Services and HR Strategy (Single Status). The target did not make any allowance for the increased cost of the new Concessionary Travel Scheme as it was assumed that this would be fully funded and, therefore, met by additional grant. The strategy provided for £0.6m (3%) target increases in future years.

10.3 The budget ultimately set by Council in February 2006 was £22.031m. This represented an increase of £1.397m on the target **base** budget and resulted from the inclusion of the new concessionary travel scheme together with other increased costs such as fuel/utility costs and homelessness. These additional burdens had been recognised by the Government in the grant settlement. This resulted in a tax increase of 4.4%. The 2006/2007 budget contained a £0.1m response to growth pressures including Access to Services but due to the overall financial position it was not possible to make any additional budget provision in respect of recycling.

10.4 For 2006/2007 the Government is pursuing its national capping powers for the third time. It can be expected to act similarly for 2007/2008. In 2006/2007 the Government imposed a cap on those councils whose tax increase was in excess of 5%. This would suggest, therefore, a maximum tax increase for 2007/2008 of 5%.

10.5 On the other hand, the Council needs to determine an equitable balance between spending on services and the resultant demands on local taxpayers. This would suggest as a starting point, a tax increase no higher than the 4.4% agreed for 2006/2007.

- 10.6 Based on the indicative government grant settlement and tax-base growth in line with 2006/2007, this would result in a target budget for 2007/2008 of **£23.122m**. This represents an increase of £1.091m (4.95%) on the 2006/2007 budget of £22.031m. NB a variance of +/- £9,000 on the target budget would have the effect on increasing or reducing council tax by approximately 0.1%.
- 10.7 For the following two years (2008/2009 and 2009/2010), the position is more difficult to predict, given the uncertainty on the outcome of the Comprehensive Spending Review and consequent impact on the level of Revenue Support Grant (see paragraphs 8.5 and 8.6). However, it is suggested that the Council should plan for target expenditure increases of no more than £0.8m (3.5%). This is based on estimated grant increases of 2.5% and council tax increases at similar levels to 2007/2008.
- 10.8 Within the target budget increases, there are a number cost pressures and demands for revenue budget growth, which the Council will need to address in order to meet both its own and externally imposed priorities whilst at the same time achieving a balanced revenue budget for 2007/2008 and beyond.

HR Strategy (including Single Status). The 2004 national pay agreement requires pay and grading reviews to be implemented by March 2007, and adequate provision will be required in the base budgets for 2007/2008 onwards. Exempt Appendices 3 and 4 illustrate possible costs though it is not possible at this stage to produce accurate estimates. The project is progressing well though it is quite likely that some difficult financial issues will ultimately need to be resolved because of the need to reconcile fairness, recruitment in a competitive market place and funds available. The Council may well ultimately have to consider a range of service reductions and increased fees and charges in some areas.

Pensions. The North Yorkshire Pension Fund, like many other funds is in substantial deficit and over the past decade has agreed increases in the employer contribution rate to address this. The latest triennial valuation in 2004 showed an overall funding level of just under 60%, although the position on Harrogate's element of the fund was slightly better. While the Pension Fund Committee did not agree any mandatory increase in employer contributions from 2005/2006 onwards, Harrogate Borough Council did decide to increase its contribution levels to 18.8% for 2005/2006, 19.9% in 2006/2007 and 21% in 2007/2008. Partly as a result of this policy, Harrogate's element of the fund had a funding rate of 67% at 31 March 2006, significantly ahead of most of the other local authority employers in the scheme. The issue of long-term solvency is, therefore, being addressed by the Council and should be aided by changes in the nature of the scheme to be determined at national level. The additional cost of the increased contribution rate (net of contributions from HIC and the Housing Revenue Account) is **£250,000** per annum. The next triennial valuation of the fund is due in 2007 and will recommend funding levels for the three years starting in 2008/2009.

Access to Services and ICT. The Council is continuing to implement and support its Access to Services strategy and electronic government initiatives. Additional revenue growth needs of **£50,000** have been identified for 2007/2008 with a further **£100,000** for 2008/2009 and a further **£100,000** for 2009/2010. An update to the Council's ICT Strategy is included as a separate item on the agenda for this meeting. It is not anticipated that this strategy will require any additional revenue funding over and above the current base budget over the period covered by this medium term financial strategy.

Concessionary Fares. A new scheme was introduced from April 2006, which increased the statutory minimum bus travel concession from half fare to free fare for the over 60s and disabled people. Although additional national funding of £350m was provided, "to meet the additional cost", current indications are that Harrogate's share of the additional grant may not be sufficient to meet the full additional cost of implementing the new scheme. At this point it is still too early since the scheme was introduced to be precise about the overall impact on the Council's budget although there could potentially be a shortfall of up to £150,000 per annum.

The Chancellor of the Exchequer has further committed to the introduction of a national concessionary travel scheme with effect from April 2008. Although an additional £250m has been pledged to fund the scheme, it is unclear at this stage whether this level of funding will be adequate or whether Harrogate's share of the additional funding will be sufficient to meet its additional costs.

Planning Delivery Grant (PDG). The final allocation of PDG will be paid in 2007/2008. The future funding of Local Planning Authorities (LPAs) will be considered by the government as part of the current Comprehensive Spending Review. The average application fee increase of 39% imposed by government since April 2005 has only generated a 14% increase in fees for the Council. There are two main reasons for this. Firstly the fee increases are heavily weighted towards large housing applications, which the Council does not receive due to its housing restraint policies. In addition there has been an overall reduction of 5% in planning applications received between 2004/2005 and 2005/2006. Notwithstanding this, applications are still running at a high level with average officer caseloads around 150. There is, therefore, no scope for reductions in staffing if current above target level performance is to be sustained and permanent removal from "Standards" status is to be achieved. Failure by the government to either implement further planning fee increases or extend PDG funding could result in additional expenditure of up to £275,000 needing to be met by the General Fund.

Utility Costs. The Council, along with other businesses and private consumers, has been affected by the recent large increases in the cost of gas and electricity and there does not appear to be any indication of stability returning to these markets in the foreseeable future. Where possible the Council has sought to negotiate fixed tariff contracts covering a number of years in order to provide a degree of certainty in the medium-term. In

respect of the electricity contracts for all public buildings, which were renewed in April 2006, a three-year fixed tariff to March 2009 has been agreed for the larger buildings (administrative buildings, Harrogate International Centre and the Hydro). These buildings account for 74% of the total budget. The contract for the smaller buildings, which account for 26% of the total budget, has been renewed at a fixed tariff for two years expiring in March 2008. The Council's gas contract is due for renewal in October 2006. Options for a fixed rate one to five-year contract will be considered in order to achieve the best package in terms of cost and medium-term stability.

Recycling and Waste Collection. At its meeting on 28 June 2006, Cabinet received a report which sought to expand kerbside recycling services by implementing a new green garden waste scheme centred on Knaresborough starting in April 2007. In addition to the capital costs of £350,000 for a vehicle and containers (to be funded from capital reserves), the new scheme would result in additional revenue costs of **£91,000** per annum.

Options for further expansion of the Council's recycling service are being considered as part of a Waste Collection Options Appraisal, which is currently in progress. This study is looking at a number of options aimed at enabling the Council to meet future recycling targets whilst at the same time containing costs. The outcome of the Options Appraisal will be reported to Cabinet in due course. For strategy purposes, provisional revenue growth of **£200,000** per annum has been included.

Vehicles. The annual vehicle replacement programme is normally charged to revenue, because of the lack of ongoing capital resources. However in order to balance the 2004/2005 budget, £300,000 of the expenditure was charged to capital. The Council agreed to restore the base revenue budget in phases over three years. The additional cost in 2007/2008 and subsequent years is **£200,000**.

In addition to the above increase, the draft schedule of vehicle and plant replacements indicates that an increase to the base revenue budget will be required with effect from 2008/2009 onwards. This results from the need to start replacing recycling vehicles purchased in 2002/2003 as part of Phase 1 of the Council's recycling programme. The precise amount will depend on the scheduling of replacement vehicles but could be up to £300,000 per annum.

Homelessness. The increased cost of homelessness has been a major issue to the Council in recent years. The Council is currently focussing attention on reducing both the level of homelessness (through targeted prevention work) and the cost of temporary accommodation (through developing more cost effective solutions). The impact of this has been a significant reduction in the number of new homeless households in 2005/2006 but as yet this has not translated into reduced costs, as the supply of suitable permanent accommodation is still insufficient to have a significant impact on the numbers in temporary accommodation. Given the work that has been undertaken and is ongoing it is predicted that costs will stabilise in the medium-term at current levels with any savings being considered for invest-to-save initiatives aimed at further prevention.

Cultural Services. The Council is currently undertaking a fundamental review of Cultural Services spending needs over a 10-year period. This updates work initially carried out in 2003. The first stage will re-examine capital spending needs against estimated resource availability. The second stage will deal with revenue resource requirements, with the objective of providing a solution without the need for additional resources in total. It is anticipated that the first phase of the review will be completed prior to the finalisation of the 2007/2008 budget.

Memorial Safety/Cemetery Walls. 2006/2007 is the final year of a three-year growth item of **£100,000** per annum for these works. If further phases of these Health & Safety Executive directive-related works are needed, a detailed report to Cabinet will be required. For strategy purposes provisional growth of **£50,000** per annum has been included as contribution towards the ongoing cost of repairing and maintaining cemetery and parks walls.

- 10.9 Whilst the above paragraphs set out the major cost pressures that the Council will face in 2007/2008 and beyond, the list is not exhaustive. Other examples of spending pressures include the need to deal with specific areas of recruitment difficulty, to respond to demands for increasing financial assistance to the voluntary sector, to consider funding requirements resulting from Best Value reviews and to respond to a range of other local and Member priorities. Some of the smaller items can be considered for 2007/2008 as part of the normal budgeting process later in the year, but this is likely to be against the backcloth of a very difficult budgetary situation.
- 10.10 **Appendix 4** sets out revenue budget illustrations based on the target budget levels as set out in this strategy. This shows that for 2007/2008, it should be possible with good financial discipline (and another successful annual efficiency savings exercise) to deliver a balanced budget, but with little scope to respond to demands for budgetary growth in key areas such as Access to Services and Recycling.
- 10.11 For 2008/2009 the position is even more difficult with a potential budget shortfall of close to £0.15m before consideration of growth.
- 10.12 It is important and long-standing Council policy in terms of the medium term financial strategy that annual budgets should be closely in balance so the working balance is not depleted below the shire district average. **For this reason it is essential that resources and spending demands are properly reconciled.** Any year-end savings, where possible, should be used to increase the working balance progressively back towards the upper end of the Council's £2m to £2.75m target. (It should be recognised that given the current pressure to reallocate resources to current policy priorities, only limited progress here is likely.)

10.13 This section of the report has shown that financial prospects facing the Council, once again, appear to be a combination of external pressures which challenge the Council's available resources, including taking into account the Council's continued efficiency savings measures and its underfunding of inflation in service budgets. If existing services and standards are to be maintained, bearing in mind the requirements under Best Value for continuous improvement in all services, then tax rises well ahead of inflation seem the unavoidable consequence. The Council will need to continue to demonstrate this analysis to the community by way of local consultation. The aim is to enhance public knowledge on the reasons for increase and to enable a careful assessment of the extent to which there would be public support (crucial in the case of any Government review under capping powers).

11.0 STAKEHOLDER CONSULTATION

11.1 The issue of stakeholder consultation on the Medium Term Financial Strategy is set out in Recommendation 2.2. **Appendix 2** to this report contains a summary of the main requirements to be taken into account on stakeholder consultation. The Appendix is a self-contained paper, which provides the key information on the proposals to consult stakeholders.

12.0 RESOURCE REALLOCATION

12.1 Coming out of the Comprehensive Performance Assessment (CPA) in January 2004 was the need for a policy-led approach to financial planning and budgeting. The assessment highlighted the following weaknesses:

- ◆ Priorities do not drive resource decisions
- ◆ No strategic re-alignment of budget on priorities
- ◆ Major projects limit the future availability of revenue and capital resources for development of several Council services
- ◆ Dependence upon external funding for growth in some priority areas

12.2 The Council has addressed these weaknesses and is moving towards a policy-led financial planning and budgeting process.

12.3 The establishment of the Department of Corporate Policy & Improvement in April 2005 has led to a greater involvement of Policy staff in the financial process, but there are still further changes to be made to the process.

12.4 The Council has reviewed its corporate planning process and agreed that a Corporate Resource Strategy will be produced in 2006/2007 which will be the document that will explain how the resources of the Council (ie, people, assets and finance) will be allocated to achieve the corporate priorities and actions set out in the Strategic Plan and the Corporate Improvement Plan.

12.5 This will be a key corporate document, which will forward plan the resources, risk assessment and the potential need for resource re-allocation.

- 12.6 The Council has begun to develop a more policy-led approach to financial planning, with its use of 2005/2006 underspends to establish an Environment Initiatives Fund which will be utilised to help deliver the corporate priorities, with a clear emphasis on the environment and sustainability which are key parts of the Council's vision for the Harrogate District.
- 12.7 The Council has also established a Corporate Improvement Fund to help directly deliver the improvements in the organisation itself as set out in the Corporate Improvement Plan.
- 12.8 The Council's approach on resource re-allocation was informed by both the result of the SIMALTO exercise undertaken in 2004 (which remains valid) and detailed consultation with residents, partner agencies, businesses and the voluntary and community sector in 2005.
- 12.9 The outcome of that work was that there was broad support for the existing pattern of the allocation of resources and a continuing preference for an increase in Council Tax of 5% to 6% to achieve the Council's priorities.
- 12.10 The Council has, as part of its Strategic Plan, indicated that it will aim to protect existing services at current levels, but will link future investment into its agreed corporate priorities and strategic actions.
- 12.11 The re-alignment of resources will be a phased process linked to the agreed three-year Strategic and Service Review Programme, Annual Efficiency Programme and Budget planning exercise.
- 12.12 The production of the Corporate Resource Strategy will enable the Council to articulate how its resource allocation helps deliver its agreed corporate priorities and strategic actions.

13.0 ANNUAL BUDGET 2007/2008

- 13.1 This review of financial strategy needs to produce the guidance and parameters for officers on preparing the Budget for 2007/2008. The following is proposed:
- (a) A target budget of £23.122m for 2007/2008 (an increase of 4.95% on the 2006/2007 approved budget of £22.031m);
 - (b) Target budgets for the two subsequent years 2008/2009 and 2009/2010 increasing by £0.8m (3.5%);
 - (c) Increases in fees and charges – guideline of 4% subject to service considerations and market forces (an increase of 1% on the current year). This is higher than the current forecast for general RPI next year, but is recommended to take account of the fact that Council's own costs are rising much faster than this index, particularly in relation to pension costs and single status;
 - (d) Provision for pay increases of 2.5%;

- (e) Presumption of no increase in other non demand-led budgets;
- (f) Efficiency savings targets of 2% for Departments, of which 0.75% to be cash-based;
- (g) Working balance target remaining at £2m to £2.75m, as for previous years.

13.2 The budget parameters as suggested above should be seen as a coherent and inter-related package. This means that if, for example, a lower increase in fees and charges was to be recommended, this would imply a corresponding increase in the net target budget and Council Tax level.

13.3 Financial Management for Harrogate International Centre is conducted somewhat differently from other services because of the predominantly trading nature of the business. HIC is given a bottom-line budget target to meet. This arrangement is well established and effective. In the case of efficiency savings, HIC is required to identify savings equal to 2% of controllable expenditure on a memorandum basis. Under current arrangements, HIC (which has an existing baseline contribution to the General Fund via capital charges) is required to contribute 30% of efficiency savings to the General Fund with the balance kept within HIC for reinvestment. It is proposed that the above arrangements should continue.

13.4 For a number of years the former Department of Leisure & Amenity Services has also operated within a bottom-line budget. In this case the cash limit was increased each year in line with the overall budget strategy (ie the agreed pay and prices uplift less the efficiency savings target). The operation of a bottom-line budget has always been more relevant to Leisure Services than to Parks & Open Spaces for the reasons set out above, but because the whole Department previously operated as a single business unit the bottom-line budget was applied to all services. Following the Council restructure in April 2005, the DLAS became part of the larger Department of Community Services. This raised the question about whether Parks & Open Spaces should continue to be part of the bottom-line budget. It was agreed that in view of the other changes that were ongoing in bringing together the new Department, that a bottom-line budget for Cultural Services would continue for the 2006/2007 budget process but that this would be reviewed prior to the start of the 2007/2008 budget process. In any event, the recent Cabinet re-shuffle has resulted in one element of Parks & Open Spaces, Bereavement Services, transferring from the Cultural Services portfolio to the Public Protection and Rural Affairs portfolio. This will make it difficult to sustain this area of Parks & Open Spaces remaining within the bottom-line budget. Since Bereavement Services is the main trading service within Parks & Open Spaces, there is a strong argument that Parks & Open Spaces should be excluded in its entirety from the bottom-line budget. The Director of Resources supports this view. Despite this, the Director of Community Services has requested that the existing arrangements on the bottom-line budget should remain for a further year and the Corporate Management Team support this view. This will enable the Director of Community Services to undertake a detailed assessment in conjunction with the resource

reallocation review.

14.0 RISK MANAGEMENT

14.1 Generally the Council's approach to risk management satisfied the CPA Inspectors in January 2005, although the need for further development especially to embed processes was recognised and this is being progressed.

14.2 Harrogate has a sound track record on overall financial management stretching back over 15 years, but the financial position remains vulnerable due to the tightly constrained resource position and increasing spending demands. The key issue is to continue the alignment of resources and spending in the medium term. For the first time the Council was notified 12 months in advance of its revenue support grant for 2007/2008 but uncertainty remains over the level for future years.

14.3 The key risks to the financial strategy are as follows:

Job Evaluation/Single Status	Due to the difficulty in reconciling fair pay, commercial recruitment and funds available using present methodology/formulae
The Royal Hall	Due to the scale and complexity of the project
Project failure	Access to Services, new systems, Gershon agenda

14.4 The Council needs to remain vigilant against failure on core services due to lack of funds, and to avoid resources being pre-empted to meet Government targets or local aspirations.

15.0 CONCLUSION

13.1 The elements of the recommended strategy are shown in Exempt Appendix 4, and the Cabinet is asked to determine its preferred approach.

Background Papers: None.

OFFICER CONTACT: Please contact Val Hunter (Head of Financial Management) if you require any further information on the contents of this report. The officer can be contacted at the Department of Resources, Crescent Gardens Harrogate; by telephone on (01423) 556124 or by email val.hunter@harrogate.gov.uk

SUSTAINABILITY ASSESSMENT/POLICY CONSIDERATIONS

		Implications are		
		Positive	Neutral	Negative
A	Economy		✓	
B	Environment		✓	
C	Social Equity			
(i)	General		✓	
(ii)	Customer Care/People with Disabilities		✓	
(iii)	Health Implications		✓	
D	Crime and Disorder Implications		✓	

If all comments lie within the shaded areas, the proposal is sustainable.

The Strategic Plan 2005-2008

Introduction

In October 2005 the Council completed a review of its long-term vision and priorities.

In doing this the Council also sought to concentrate its priorities, plans and actions in a single document, to be known as the Council's Strategic Plan.

The aim of this was to make it clear to residents, partners and visitors what the Council was focusing on and what it was aiming to achieve.

The Strategic Plan sets out clearly the vision, goal, priorities and strategic actions, which have emerged from the consultation with all sections of the community.

Vision

The Council's 10-year vision is:

"To make the Harrogate District a better place to live, work and visit" by:

- ◇ Preserving its heritage.
- ◇ Enhancing its unique environment.
- ◇ Delivering first-class public services.
- ◇ Encouraging everyone to share in its success.

The vision recognises that the Council has a key role in ensuring that the Harrogate District continues to be recognised as a prestigious place, with a quality environment, excellent facilities and a unique heritage.

Goal

The Council's organisational goal is:

"To be a GOOD Council by 2007 and EXCELLENT by 2010".

The Council has defined a "Good" Council as one that:

- ◇ Has strong services overall and knows where they need to improve.
- ◇ Provides effective leadership and management.
- ◇ Is ambitious and focused on what matters to the community.

This goal underpins the Council's determination to improve and increase its capacity to meet the needs of the community.

Corporate Priorities

In looking to deliver its vision, the Council has identified seven Corporate Priorities. These will be the framework for everything the Council does over the next three years. These priorities are:

- ◇ **Affordable Housing** - ensuring people have access to housing opportunities throughout the District.
- ◇ **Traffic and Transport** - ensuring the provision of a transport network that will provide access to public transport in all areas and provide integrated facilities including car parks.
- ◇ **Keeping the District Safe** - ensuring communities across the District are safe and secure and that they feel safer.
- ◇ **Caring for the Environment** - ensuring the enhancement and protection of the natural and built environment District-wide.
- ◇ **Supporting our Local Economy** - ensuring a robust and varied economy that benefits local people and creates employment opportunities in rural areas and the market towns across the District.
- ◇ **First Class Public Services** - ensuring that the services delivered throughout the District meet the needs of customers, are accessible and of a high quality.
- ◇ **Organisational Improvement** - a commitment to invest in improving the organisation by being a good employer and building its organisational capacity to deliver first-class services and increase its service performance.

(See “One Improvement Agenda” schedule of linked actions)

Strategic Actions

To help deliver the Corporate Priorities, the Council has identified 12 Strategic Actions that will be delivered over the next three years to achieve its vision and goal. These are:

Community Planning - shaping the future of the Harrogate District up to 2021 on transport, housing, the environment and public services.

Resources and Priorities - ensuring that the Council uses its resources to provide value for money services across the District.

Long-term investment in the Harrogate International Centre - assessing the feasibility of refurbishing the existing exhibition space and other HIC facilities to support the local economy.

Royal Hall - completing this agreed heritage restoration project within budget and bringing the Hall back into use.

Cont'd ...

City Region/Northern Way - securing the Harrogate District local economy's place within the wider economic region centred on Leeds.

Holiday Tourism - supporting an effective holiday tourism strategy in the District's market towns and rural areas.

Cultural Services - sustaining a viable District-wide provision of the Council's sports, parks, art and museum services.

Customer Services - providing local people with a point of contact and access to Council information and services.

IT Investment - enabling the Council to deliver more services electronically to local people.

People Management - focusing on Council employees to support them in the delivery of high quality services to the public.

Leadership - ensuring Councillors and senior managers have the right skills and support to meet the changing needs of the modern public sector.

Rural Community Investment - investment in rural areas and market towns to improve transport, housing, quality of life and address rural diversity issues.

These Strategic Actions will provide a significant benefit to the District, impact upon the services delivered to the local community and secure the long-term future for the District. These Strategic Actions are supported by a number of corporate service actions – see the attached schedule for details.

Corporate Improvement Plan

The Council needs to ensure it can deliver the Council's long-term vision and priorities set out in the Strategic Plan. To do this, the Council has developed the Corporate Improvement Plan which seeks to ensure that it increases its organisational capacity, develops its strategic leadership, improves performance and improves the way the Council works. This is a companion document to the Strategic Plan, which looks at the organisation itself and the improvements required in the organisation to deliver the Council's ambitions.

The Strategic Plan sets out what the Council wants to achieve over the next three years and the improvements needed to deliver its long-term vision. These priorities will not be delivered without the support of partners, residents, businesses and visitors and with significant investment by a whole host of agencies, not least the local taxpayers themselves. The Strategic Plan will provide the focus for all the Council does over the next three years with the aim of benefiting the whole community and REALISING THE POTENTIAL of the District.



ONE IMPROVEMENT AGENDA

Corporate Priority	Strategic Actions (Delivery: CMT)	Corporate Service Action Areas (Delivery: Relevant Head of Service)	Corporate Improvement Plan (CIP) (Delivery: Relevant Head of Service)
Affordable Housing	(SA01) Community Planning/LSP/LDF (SA12) Rural Community Investment	<ul style="list-style-type: none"> • Affordable housing agenda • Housing opportunities for all • Homeless duty 	No actions
Traffic and Transport	(SA01) Community Planning/LSP/LDF (SA12) Rural Community Investment	<ul style="list-style-type: none"> • Traffic flows in our towns • Rural transport • Market Town car parking • Concessionary fares 	No actions
Keeping our District Safe	(SA12) Rural Community Investment	<ul style="list-style-type: none"> • Reduce anti-social behaviour • Young people diversionary activities • CCTV service • Information sharing • Reduce the fear of crime 	No actions
Caring for the Environment	(SA01) Community Planning/LSP/LDF (SA04) Royal Hall Restoration (SA12) Rural Community Investment	<ul style="list-style-type: none"> • Recycling waste • Impact of new housing • Energy efficiency and renewable energy • Nidderdale AONB • Re-use empty property • Litter, graffiti and dog fouling • Public Spaces – parks, buildings, etc 	No actions
Local Economy	(SA01) Community Planning/LSP/LDF (SA03) HIC Investment (SA05) City Region/Northern Way (SA06) Holiday Tourism (SA12) Rural Community Investment	<ul style="list-style-type: none"> • Market Town renaissance • Employment opportunities in rural areas/ Market Towns • HIC visitor spend 	No actions
First-Class Public Services*	(SA07) Cultural Services (SA08) Customer Services (SA12) Rural Community Investment	<ul style="list-style-type: none"> • Retain floral excellence • Civil contingencies duty • Planning standard • Sport and leisure customers • Core service performance/VFM • Benefits service customers 	No actions
Organisational Improvement	(SA02) Resources/Priorities (SA08) Customer Services (SA09) IT Investment (SA10) People Management (SA11) Leadership	No actions	CIP actions on: - provide clear direction - improving performance - delivering customer services - building organisational capacity

* **Core Public Services:** Highways and traffic, Revenue and benefits, Cultural services, HIC, Economic Development, Parks and Open Spaces, Planning services, Waste management (including recycling), Housing, Environmental Health, Car parking, Street cleansing, Public conveniences, Street lighting, CCTV, Bereavement Services, Licensing, Civil contingencies.

**Summary of Requirements for Stakeholder
Consultation on
Medium Term Financial Strategy**

1.0 Introduction

1.1 This Appendix aims to summarise the main reasons why it is appropriate for the Council to consult stakeholders on the Medium Term Financial Strategy. It contains background information on the requirements of the Council's constitution and current Central Government advice on best practice.

2.0 Requirements of the Council's Constitution

2.1 The general rules are in the section of the Council's Constitution entitled 'Budget and Policy Framework Procedure Rules', which can be found on pages 192 to 197 of the Members' Handbook.

2.2 The Constitution rules provide a requirement for the Executive to publish initial proposals on the Financial Strategy at least three months before the strategy needs to be adopted. Effectively, the three month period starts with publication of the Financial Strategy immediately following the Cabinet meeting on 26 July 2006.

2.3 The Constitution rules also include a provision that the initial Financial Strategy proposals should be published "having first canvassed the views of local stakeholders as appropriate and in a manner suitable to the matter under consideration". Specific consultation has not taken place in advance of the production of the Medium Term Financial Strategy report, largely because sufficient relevant information was not previously available to permit meaningful consultation to take place. However, the Council in 2004 arranged for consultation to take place with Council taxpayers to obtain their views on a wide range of spending options, using the SIMALTO system and via the services of a research company Research for Today Limited. The results of this survey were reported to Cabinet in July 2004 and are valid for a period of three years.

2.4 The Executive's "initial proposals" as contained in the Medium Term Financial Strategy report are referred to the Governance Panel of the Corporate Overview and Scrutiny Commission for consideration as part of its role in scrutinising corporate financial issues. The Commission may canvass the views of local stakeholders if it considers it appropriate. Alternatively it could comment on the consultation proposed by the Executive. The Governance Panel of the Corporate Overview and Scrutiny Commission will consider the Medium Term Financial Strategy report at its first meeting following the Cabinet on 26 July 2006.

- 2.5 The Governance Panel of the Corporate Overview and Scrutiny Commission will report to the Executive on the outcome of their deliberations, which may be by minute or by memorandum of report. Normally they have six weeks to respond to the “initial proposals” unless there are special factors, which make the timescale inappropriate.
- 2.6 In view of the possible complexity of this issue, it is suggested that the Governance Panel of the Corporate Overview and Scrutiny Commission should plan to provide any response to the Medium Term Financial Strategy report by 31 October 2006.

The Cabinet will consider responses in November and recommend formal adoption of the strategy to the December Council.

- 2.7 The Constitution also provides that Councillor Andrew Jones, as the relevant Cabinet Member, is entitled to attend all or any meeting of the Commission, to contribute to the debate on the Medium Term Financial Strategy, or to answer questions. He may take relevant officers with him if he wishes to do so. His attendance there is as of right not on summons for these issues.
- 2.8 The methods to be adopted in consulting local stakeholders are not specified in the Constitution, but they must be “in a manner suitable to the matter under consideration”.
- 2.9 The Constitution also provides that any representations made to the Executive as a result of consultation shall be taken into account in formulating proposals and shall be reflected in any report dealing with them.

3.0 Current Central Government Advice on Best Practice

- 3.1 Reference is made to consultation with taxpayers on budget and Council Tax issues in the DTLR White Paper ‘Strong Local Leadership – Quality Public Services’.
- 3.2 Key points made in the White Paper are:
- ◆ It is in authorities’ own interests to establish their taxpayers’ views on Council Tax increases before they take Budget decisions
 - ◆ Evidence of how an authority has engaged local taxpayers will be an important part of the authority’s performance assessment
 - ◆ Communication of financial information should not be over-complex. It should answer questions of consultees
 - ◆ Local authorities and residents often have different views about the strengths and weaknesses of different methods of consultation, and these should be taken into account when deciding a package of consultation techniques

3.3 The Audit Commission's Comprehensive Performance Assessment report issued in May 2004 contained some criticism of the Council because stakeholder involvement in developing some of the Council's plans was regarded as a relative weakness. It is clearly good practice to develop and continue to improve arrangements for stakeholder consultation appropriate to the issue under consideration. The results of the 2004 SIMALTO survey do clearly represent an improvement on consultation delivered in previous years.

4.0 Proposed arrangements for stakeholder consultation in 2006 on Medium Term spending priorities and on the Medium Term Financial Strategy 2007/2008 to 2009/2010

4.1 In recommending the Medium Term Financial 2006/2007 to 2008/2009 to Council, Cabinet recognised the success of the 2004 SIMALTO consultation and agreed that a similar exercise should be planned at the end of its three-year validity period.

4.2 This consultation will need to take place during the Spring of 2007 and discussions are currently taking place between the Executive Director (Corporate Policy & Improvement) and the Cabinet Member Resources on the best way to achieve this. An allocation has been set aside from 2005/2006 underspends to fund this work

4.3 In the meantime, subject to any further views from Cabinet, it is planned that formal consultation on the draft Medium Term Financial Strategy 2007/2008 to 2009/2010 should be limited to the District Panel. This consultation will take place during the autumn of 2006 and relevant issues will be reported back to Cabinet as part of the 2007/2008 budget process in February 2007.

4.4 In addition to the formal consultation with the District Panel, the Council will continue to continue to consult informally on both the Medium Term Financial Strategy and budget issues through briefing meetings with the Chambers of Trade, major employers, the Voluntary and Community sector and parish consultation meetings.

4.5 A copy of the District Panel consultation will also be placed on the Council's intranet to all Council employees and Members to comment on the draft strategy

Single Status Summary Statement
Prepared by the Director of Resources in the absence of the Head of Human Resources

- 1 Part of the 2004 national pay award required employers to have implemented a pay and grading review by March 2007. A joint approach has been agreed with the Trade Unions on this issue, which is being progressed through an independent consultant and joint officer/staff side validation panels.
- 2 The process so far has worked extremely well though a number of issues are arising which may have difficult financial implementations given the need to reconcile fairness, recruitment in a competitive market place and funds available.
- 3 As a first step the Council is earmarking the ongoing savings from last year's corporate restructure (£300,000 per annum) which will need to be supplemented by additional funds made available from General Fund (*"Exempt Information"*). Further funds from HIC, Housing Revenue Account and some minor self-funding accounts may be required if salary increases result in those areas. Whether the project can be brought to a satisfactory conclusion on this basis is not yet clear. It is possible for example that compensating increases in income through higher fees and charges will be needed and some service provision may be at risk if costs escalate.
- 4 The current position is that most jobs have been evaluated and a points score allocated. There remains the highly complex task of relating points scores to salary grades which will be completed over the next two or three months. Following this staff have the right to appeal, which might lead to an increase in costs.
- 5 Finally it is possible that some retrospective compensation payments may be required but this is unlikely to be on the scale of some other northern councils.

Appendix 4
(Paragraph 10.8 refers)

Revenue Budget Illustrations

	2007/2008	2008/2009	2009/2010
	£k	£k	£k
Base Budget	22,031	23,122	23,922
add Unavoidable Cost Increases			
Pay Awards & Inflation net of			
Fees & Charges increases	500	500	500
Single Status (General Fund cost) (1)		<i>“Exempt Information”</i>	
Increased pension contributions (2)	250	0	0
Restoration of vehicle funding to revenue	200	0	0
Shortfall on vehicle revenue account	0	200	100
Loss of LABGI income	0	165	45
add Potential Growth			
Access to Services	50	100	100
Recycling - Green Waste extension	91	0	0
Recycling - Other (3)	200	200	200
Cemetery/Parks Walls	50	0	0
Loss of Planning Delivery Grant	0	275	0
less Budget Reductions			
Efficiency Savings	-183	-183	-183
Memorial Safety/Cemetery Walls	-100	0	0
- end of 3 year agreed growth			
Estimated Spending Requirement	XX,XXX	XX,XXX	XX,XXX
Target Budget	23,122	23,922	24,722
Budget Shortfall	XXX	XXX	XXX

Notes:

- (1)** Costs are over and above £0.3m already included in 2007/2008 base budget. Total cost of Single Status is estimated at *“Exempt Information”*.
- (2)** Assumes no further increase to the employers' contribution rate from 2008 onwards. Depending on outcome of tri-ennial valuation in 2007, this may be required
- (3)** Does not include any provision for capital costs of recycling growth. Potential costs could be as much as £5m, of which £1-2m could be met from capital resources.
- (4)** The above illustrations (with the exception of recycling) include those items where increased costs can be predicted with a degree of certainty. The figures exclude a number of areas of cost pressure eg concessionary travel and homelessness where the potential impact is less certain.