



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	8 FEBRUARY 2018
REPORT OF THE:	RESOURCES AND ENABLING SERVICES LEAD (s151) PETER JOHNSON
TITLE OF REPORT:	FINANCIAL STRATEGY 2018/19
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The report sets out the budget for 2018/19, a proposed Council Tax level, the Financial Strategy, details of balances and reserves, the indicators under the Prudential Code for capital finance as required by the Local Government Act 2003 and the Pay Policy for 2018/19.
- 1.2 Members should note that this report is prepared on the basis of the provisional Local Government Finance Settlement. Further updates will be provided to the meeting.

2.0 RECOMMENDATIONS

- 2.1 That Council is recommended:
- (i) To approve the Council's Financial Strategy (Annex A) which includes:
 - a. Savings/additional income totalling £436k (Financial Strategy Appendix A)
 - b. Growth Pressures totalling £151k (Financial Strategy Appendix A)
 - c. The Prudential Indicators (Financial Strategy Appendix B)
 - d. The revised capital programme (Financial Strategy Appendix D)
 - e. The Pay Policy 2018/19 (Financial Strategy Appendix E)
 - f. The Income Generation and Commercialisation Policy (Financial Strategy Appendix F)
 - (ii) a Revenue Budget for 2018/19 of £6,066,945, increasing the total charge to £190.82 for a Band D property (note that total Council Tax, Including the County Council, Fire and Police is covered within the separate Council Tax setting report to Full Council);
 - (iii) to approve the special expenses amounting to £55,350;
 - (iv) to note the financial projection for 2018/19 – 2022/23 (Annex B);

3.0 REASON FOR RECOMMENDATIONS

- 3.1 To agree a balanced revenue budget for submission to Council for the financial year 2018/19 and prepare the Council to deliver the same in future years.

4.0 SIGNIFICANT RISKS

- 4.1 Section 9 of the Financial Strategy outlines the significant risks in the Council's finances and mitigating controls.

5.0 POLICY CONTEXT CONSULTATION

- 5.1 The Financial Strategy is a key strategy document that affects all service delivery. It links to the Corporate Plan and all other strategic plans as well as providing the means for attaining the Council's objectives and priorities.
- 5.2 The Policy and Resources Committee is the Committee designated to make recommendations to the Council relating to the budget and levels of Council Tax. Consequently, recommendations from this Committee will inform the Council and subsequently the Council Tax resolution.
- 5.3 Budget consultation with the public has taken place. A questionnaire was made available for residents to complete online via the Council website. A summary of the result of the consultation is available for Members.
- 5.4 Member consultation has been through the Resources Working Party and Member Briefing.

REPORT

6.0 BACKGROUND AND INTRODUCTION

- 6.1 The Financial Strategy sets out the Council's financial position in the medium term in detail, including issues around the Local Government Finance Settlement and efficiencies as well as the principles and procedures adopted by the Council to manage its finances to a high standard.
- 6.2 Monitoring of the 2017/18 budget has taken place through the Resources Working Party and this Committee who receive Revenue Budget Monitoring reports. There are currently no material issues arising from the current year's revenue budget.

KEY ASSUMPTIONS

- 6.3 In preparing the draft budget for consideration a number of pieces of key information are not yet known and government announcements are awaited. Key assumptions therefore are:
- The final settlement will not vary significantly from the draft announcement.
 - The figures in this report are based on the draft NNDR1, the deadline for the NNDR1 is the 31 January.

Budget and Council Tax for 2018/19.

6.4 Budgets have been drafted in line with the Budget Strategy with the exception of pay inflation. The following budget assumptions have been made in preparing the budget:

- General Inflation up to 3%.
- Pay Award – The budget strategy reflected a 1% pay award, this has been amended to reflect the current employers 2 year pay offer reflecting a 2% pa pay award and higher increase for those on lower grades.
- Fees and Charges up to 4.5%, with exceptions considered by the Policy and Resources Committee.

6.5 Council resolved on the 6 July 2017 that the budget be prepared on the assumption of a £5 increase in Council Tax.

6.6 The referenda limit for 2018/19 has been proposed at the higher of 3% or £5 as part of the Provisional Local Government Finance Settlement. In Ryedale's case 3% is the higher figure, should members wish to increase Council Tax by the higher figure then this can easily be accommodated and will generate an additional £11k per annum. With a referenda costing c£70k to undertake and with £5 on Council Tax equating to c£100k it is clear that the Council should not approve a position which requires a referenda.

6.7 The Governments Core Spending assessment assumes that Local Authorities will apply an inflationary increase to Council Tax throughout the life of the current Parliament.

Grant Settlement and specific grants

6.8 The Provisional Local Government Finance Settlement was announced on the 16 December 2017, at the time of writing this report the final announcement had not been received.

6.9 The Council accepted the offer of a 4 year funding settlement which included Revenue Support Grant (RSG) and Rural Service Delivery Grant (RSDG). The figures announced for RSDG in 2018/19 as part of the provisional settlement are higher than our expectations from the 4 year settlement by £106k.

6.10 In addition to the above there are the following significant specific known grant movements for RDC:

Grant	£k
Reduction in Housing Benefits Administration Subsidy Grant	(20)

Retained Business Rates

6.11 The Council retains 40% of the Business Rate income it collects; it then pays a fixed tariff to the Government. If it then has income above a pre determined target the Council keeps 50% of this sum with the remainder paid as a levy to the Government.

6.12 The Government has announced that Local Authorities will keep 75% of Business Rate Income from 2020/21, in return additional responsibilities are to be devolved to Local Government.

6.13 Members are also aware that the Council has formed a business rates pool with North Yorkshire County Council (NYCC), Richmondshire District Council, Scarborough Borough Council, Hambleton District Council and Craven District

Council. The benefit of forming the pool is that the levy rate on growth above target is reduced to zero. This benefit is shared between the pool members in accordance with the agreement, the level of benefit is dependent on the performance of each member of the pool (excluding NYCC), having particular regard to the level of business rate appeals.

Council Tax Income

- 6.14 Council Tax income, including the projected surplus on the collection fund is estimated at £4.149m. A £5 increase in Council Tax equates to additional funding towards the councils net revenue budget of £103k in 2018/19 and is worth £535k to the Council over the next 5 years. The Council Tax Base has increased by 1.43% for 2018/19 and provides additional income to assist the Council's financial position.

Base Budget Adjustments

- 6.15 These are as follows:

Issue	£k
Pay and Price Inflation (net)	138

Growth Items

- 6.16 The position is detailed in appendix A to the Financial Strategy at Annex A.

Savings/Additional Income

- 6.17 The council has undertaken an organisational review to deliver the second phase of savings through its Towards 2020 efficiency programme. The review of Streetscene services is expected to deliver £175k of efficiency savings in addition to £75k of transitional savings from phase one of the T2020 programme. The full savings position is detailed in Appendix A to the financial strategy at Annex A.

New Homes Bonus

- 6.18 Provisional figures for 2018/19 show a decrease in New Homes Bonus (NHB) from £1.420m to £0.964m. In 2017/18 the Council used £32k to support the revenue budget and £188k to fund the shortfall on the capital programme, the plans approved last year identified the gradual increase in use of this revenue funding to protect services albeit at a reduced level given the changes made to the scheme in December 2016. The full effect of the revised 4 year scheme is reflected in the 2018/19 payment. The scheme also includes a 'deadweight' of 0.4% below which NHB will not be payable.
- 6.19 The budget as proposed includes a reduction of £456k in NHB receipts and uses only £188k to fund the shortfall on the capital programme. There is therefore £776k of NHB unallocated in the budget and this will be transferred into reserves.

Summary Revenue Budget Position

- 6.20 Taking all of the above into account the summary position is as follows:

Issue	£k
Base Budget Brought forward	6,157
Add:	
Base Budget Adjustments	138
Growth items	151

Total 'Cost'	6,446
Less:	
Retained Business Rates	(1,775)
Council Tax Income	(4,149)
Revenue Support Grant	(143)
Movement in Transition Grant	25
Movement in New Homes Bonus	32
Efficiencies/Savings/Additional Income	(436)
Balance	0

- 6.21 Given the significant efficiencies already within the proposed budget and Financial Strategy it will be difficult to identify additional robust deliverable efficiency savings for the 2018/19 budget. Therefore any Member proposals for ongoing additional expenditure are likely to necessitate cuts to existing services.

Medium Term Revenue Forecast (MTRF) projections to 2022/23

- 6.22 Members will note the financial projections to 2022/23 (Annex B). Although the Council has delivered a further £436k in savings within the 2018/19 budget, there is still a further forecast savings requirement through to 2022/23 of c£535k.
- 6.23 Annually when updating the capital programme a further year is added, which equates to around £800k of additional expenditure. The current programme includes ongoing funding from NHB of £188k to bridge the shortfall in delivering a basic capital scheme.

Capital Programme

- 6.24 The Financial Strategy provides a detailed breakdown of the Council's Capital Programme (appendix D) up to 2020/21 totalling £6.729m. External funding of £2.960m is included, leaving a balance of £3.769m to be financed by the Council's funds and reserves as follows:

Funding Source	£
Capital Fund	2,876k
Capital Receipts	893k
	3,769k

- 6.25 The principle of the capital plan is that only those schemes which are fully worked up, evaluated and approved by Members and as such would not require further Member approval to proceed (other than in meeting constitutional requirements) are within the Capital Programme. The plan has been amended to remove the outstanding £320k borrowing requirement and instead use usable reserves to bridge the funding gap.
- 6.26 Members should note that there are £709k unallocated capital resources available for investment in new schemes based on existing assumptions of capital receipts and investment interest receipts. The inclusion of any new schemes will be a Council decision based on evaluation of the detailed proposals.

Pay Policy 2018/19

- 6.27 The Pay Policy for RDC for 2018/19, as required under the Localism Act is attached at appendix E to the Financial Strategy (Annex A).

Special Expenses

- 6.28 Having resolved the issue of ownership of the street lights it is no longer possible to transfer the management of street lighting as agreed in the budget strategy and therefore the Council will continue to undertake the management of street lighting in the areas of the former Malton and Norton Urban District Councils and Pickering Rural District Council. The special expenses are a specific charge to the residents of the Parishes concerned and are estimated as follows:-

<u>Town/Parish</u>	<u>£</u>
Malton	10,040
Norton	16,700
Pickering Rural	28,610
TOTAL SPECIAL EXPENSES	55,350

National Non-Domestic Rates (NNDR)

- 6.29 For 2017/18 the NNDR multipliers are: a small business non-domestic rate multiplier of 46.6 p and a non-domestic rate multiplier of 47.9p. For 2018/19 the draft multipliers are 48.0p and 49.3p respectively.

Prudential Code

- 6.30 Under the Local Government Act 2003 it is necessary for the Council to agree a series of prudential indicators mainly related to capital but taking account of affordability of the revenue consequences. Appendix B of the Financial Strategy lists the various indicators.

- 6.31 These indicators can be amended during the year if they are found to be inadequate.

Funds & Reserves

- 6.32 As part of the budget setting process, it is necessary to give Members an indication of the levels of reserves and balances and comment thereon. Appendix C in the Financial Strategy sets out the projected major Funds and Reserve balances.

- 6.33 The Council's revenue budget for 2018/19 assumes no draw on the General Reserve to support the revenue budget over and above those previously agreed by Members. With the outlook for 2018/19 and beyond being very tough, and the scale and risk of achieving cost reduction being high, the council's policy on surplus reserves remains the same: to invest to save and, if required, to smooth the curve of cost reduction in the light of timescales needed to drive costs out.

Local Government Act 2003 – Section 25 Report

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer) to report to the Authority when it is making the statutory calculations required to determine its Council tax or precept. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

What is required is the professional advice of the Chief Finance Officer on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together. In particular, decisions on the appropriate level of reserves should be guided by advice based on an assessment of all the circumstances considered likely to affect the Authority.

In each Local Authority the Chief Finance Officer alone must prepare the Section 25 report.

Section 25 requires the report to be made to the Authority when the decisions on the calculations are formally being made (i.e. Council). However, those decisions are the conclusion of a process involving consideration of the draft budget by various parts of the organisation. During this process appropriate information and advice has been given at the earlier stages on what would be required to enable a positive opinion to be given in the formal report.

DCLG guidance states that *“it should be possible to identify the sections of a composite report that are made under section 25, so that the Authority is able to discharge its duty to take account of the statutory report under section 25 (2).”*

Section 25 Report (Report of the Chief Finance Officer – Resources & Enabling services Lead (s151))

In setting the Revenue budget for 2018/2019 **I consider that the proposed budget is robust, and reflects a realistic and prudent view of all anticipated expenditure and income.**

The total saving proposals are £436k. This level is significant in relation to the Authority’s overall budget and therefore inherently carries a risk. The achievement of these savings will be crucial in managing within the budget. The risk of this has been mitigated in part by thoroughly reviewing all savings proposals for their robustness and effective budget monitoring procedures are in place. There inevitably remains a risk in delivering on this level of savings and there is always potential for delay in achieving savings or failure to achieve income targets. Where this occurs, compensating savings will need to be identified.

The overall level of reserves is considered in detail within the Financial Strategy. I consider that the overall level of reserves is adequate.

The Capital Plan and Capital Programme have been regularly reviewed during the year. The unapplied capital resources will need to be considered in knowledge of the ongoing expectations of low interest rates and limited capital receipts generated by the Authority. It is important that proper project management disciplines are followed for schemes within the programme together with regular monitoring to minimise the potential for unexpected overspends.

Within the current economic climate it will be important that close budget monitoring of services which generate income and partnerships takes place. In particular Land Charges, Building Control, Recycling, Trade Waste, Green Waste, Car Parking, Planning and Ryecare to enable action to be taken in year where necessary.

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
Significant financial implications on the Council are detailed in the report and the Financial Strategy.
- b) Legal
There are no additional legal issues on the Council from the recommendations.

c) Other

The proposals within the Financial Strategy do impact on the staffing resources of the Authority. Appropriate procedures and plans are in place to manage these issues.

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Background Papers:

[Local Government Finance Settlement 2018 to 2019 - Search - GOV.UK](#)

Background Papers are available for inspection at:

N/A