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<b>PART B:</b>	<b>RECOMMENDATIONS TO COUNCIL</b>
<b>REPORT TO:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>
<b>DATE:</b>	<b>29 NOVEMBER 2018</b>
<b>REPORT OF THE:</b>	<b>CHIEF FINANCE OFFICER (s151) ANTON HODGE</b>
<b>TITLE OF REPORT:</b>	<b>RYEDALE'S FINANCIAL STRATEGY 2018-23</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 This report provides an update to members on progress towards refreshing the Council's Financial Strategy.

### **2.0 RECOMMENDATIONS**

- 2.1 The Committee is asked to note the contents of this report, and in particular to note that it will continue to develop over the next few weeks as part of the timescales set out in Appendix 1. The committee is also asked specifically to note or comment on:
- Proposed change to the Objectives of the Financial Strategy (6.2)
  - Proposal to redefine the Council's reserves (7.5)
  - Content of the Council's Budget Consultation (section 8)

### **3.0 REASON FOR RECOMMENDATIONS**

- 3.1 This report sets out some of the detail relating to work already undertaken in relation to issues that will impact on the Council's financial strategy. It also reminds members of the proposed timescale and plans for formal approvals and other proposals regarding ongoing budget monitoring (Appendix 1). The full Financial Strategy and proposed 2019-2020 budget will come to members for approval in February 2019, but in the meantime, to assist with preparing the final draft. Members are asked to comment in this paper on three specific areas: Objectives, Reserves and Consultation.

### **4.0 POLICY CONTEXT AND CONSULTATION**

- 4.1 The 2018-19 budget strategy was approved at Council in July 2017 and is a key document affecting all service delivery, linking to the Council Plan and all of the strategic plans as well as providing the means for attaining the Council's objectives and priorities.

## **REPORT**

### **5.0 REPORT DETAILS**

5.1 The remainder of this report is split into the following sections:

- Section 6 – Objectives
- Section 7 – Reserves and Balances
- Section 8 – Budget Consultation

### **6.0 OBJECTIVES**

6.1 The Council's current Financial Strategy contains the following objectives:

1. Budgets are Prudent and Sustainable in the Long Term;
2. Financial plans recognise corporate Priorities and Objectives;
3. Significant risks are identified, and mitigation factors identified;
4. The Capital Programme is planned over a 4 year period with no further borrowing planned beyond the £1.75m already undertaken for the Brambling Fields project;
5. Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account;
6. Council Tax increases will be kept within the Government's expected upper level of increase, and the broad anticipated increase for future years will be set out within the Financial Plans, recognising that these increases may be subject to change;
7. Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council;
8. Value for Money and achievement of improved efficiency and service delivery underpin the Financial Strategy;
9. The Financial Strategy supports the achievement of Excellence in Financial Management and use of resources.

6.2 Members are asked to comment on continuing to use these for the refreshed strategy from 2019. At this stage, one small amendment is proposed to number 4, to remove the words "beyond the £1.75m already undertaken for the Brambling Fields project."

### **7.0 Reserves and Balances**

7.1 A current list of reserves and balances is shown below. Appendix 2 sets out the movement in reserves between March 2017 and March 2018, and also – at this stage, the expected movement during 2018-19. This shows that reserves will have increased from £8.7m in March 2017 to at least £14.2m by March 2019 – this last figure is likely to be higher if the expected use of capital does not happen at this point.

7.2 The current list is broken down into two main areas:

- General balance
- Earmarked balances

- 7.3 There are 12 earmarked balances (including one for capital). These are currently specified to for particular areas of service or are particular holding funds.
- 7.4 In future, it is proposed that these balances are streamlined. Some will continue to be required for specific purposes, but the remainder can be held as one fund and then can be used – with appropriate agreements – for particular purposes as and when these are identified. This will ensure a business case approach to draw on reserves and mean stronger governance is still in place for Members to take decisions around their use. It is also recommended that the members consider – in line with any regulatory requirements – the decision-making responsibilities of Members regarding use of reserves and that these are clearly agreed.
- 7.5 It is proposed therefore to redefine the reserves as:

**General Working Balance** – the Council’s funding of “last resort”, this is a contingency to manage risk across the budget

**Capital Reserve** – to support capital projects

**Strategic Reserve** – to support the corporate objectives and priorities set out in the Council Plan, including any operational decisions around these. Decision-making on this reserve would need to reflect any regulatory requirements.

**Earmarked Reserves** – a limited number for Elections and Business Rates (Collection Fund Equalisation Reserve).

This proposal would mean:

	<b>31.03.18</b>	
	<b>current</b>	<b>proposed</b>
<b><i>expected in-year changes</i></b>		
General Fund	3,331	General Working Balance
Capital Fund	2,929	Capital Fund
<u>Earmarked Reserves</u>		
Collection Fund Equalisation	506	Collection Fund Equalisation
Ryedale Development Fund	94	Strategic Reserve
Election Reserve	61	Election Reserve
Council Tax Hardship Fund	24	Strategic Reserve
New Homes Bonus Reserve	3,698	Strategic Reserve
Grants Reserve	163	Strategic Reserve
IT Fund	95	Strategic Reserve
ICE Fund	807	Strategic Reserve
Local Development Framework	50	Strategic Reserve
Operational Reserve	648	Strategic Reserve
Restructure Reserve	402	Strategic Reserve
	<u>6,548</u>	
TOTAL ALL	<u><u>12,808</u></u>	

7.6 The current Financial Strategy assumes that in 2019-20 (and future years), in addition to funding from New Homes Bonus and Business Rates, these reserves will receive contributions from revenue amounting to £194k, as below:

- £100k to Capital
- £30k to Elections
- £50k ICE (Improvement, Contingency and Emergency)
- £2k IT
- £6k Operational
- £6k Council Tax Hardship

7.7 These will be reviewed as part of the work to finalise the Strategy.

## 8.0 Budget Consultation

8.1 Each year the Council undertakes a budget consultation exercise, and the results of this will inform the Council ahead of its annual budget meeting.

8.2 In recent years, the consultation has asked the public its view on its priorities – including how these should be funded. The 2018-19 budget consultation contained the following questions:

- After pointing out that it costs on average £186.05 a year (£3.58 per week) per household to provide our services in Ryedale, it asked residents “To what extent do you agree or disagree that Ryedale District Council provides value for money?”
- Noting the three overarching priorities of Ryedale District Council as Sustainable Growth, Customers and Communities and One Ryedale, it also asked people to rank the importance of the agreed aims within each priority. There are a number of aims that we are working towards (these aims are set out in Appendix 3).
- Two questions were around services and asked for people’s view on
  - a) their performance over the last 12 months, and
  - b) whether any of these should have changes to their funding from the Ryedale District Council budget in future?

The services listed were:

- Household waste collection (green bin)
- Garden waste (brown bin)
- Kerbside recycling (plastics, tins and glass)
- Street cleanliness (litter collection, graffiti removal and fly tipping)
- Planning (planning applications and planning policy)
- Community facilities (support for village halls, play equipment, arts & culture)
- Economic development (support to businesses and tourists)
- Environmental health (including licensing, food hygiene inspections, nuisance complaints, animal welfare, private water supplies, pest control)
- Benefits (housing benefits, council tax support)
- Housing service (housing options advice, homelessness, affordable housing)
- Car parks

- Leisure facilities (swimming pools, leisure centres)
  - Community safety (including anti-social behaviour, domestic abuse, alcohol awareness)
  - Public toilets
  - Artistic and cultural promotion (support to artistic and cultural organisations)
  - Tourism (support to the tourism industry)
- Residents were also asked that, in balancing the budgets, which of the following would they rank first, second and third?
- Increasing council tax levels
  - Increasing fees and charges
  - Providing fewer services
- Finally residents were asked how satisfied or dissatisfied they were with the way Ryedale District Council runs its services and also how satisfied or dissatisfied they were with their local area as a place to live?

8.2 In January 2018, there were three responses to the consultation.

8.3 Members are asked their views regarding the content of the consultation exercise for 2019-20. In particular, should this continue to reflect the content used in previous years and whether it should contain any specific proposals around other areas, such as Council Tax.

8.4 As set out in the report to Policy and Resources Committee on November 15<sup>th</sup>, the increase in the Council Tax Base will increase income by approx. £21k.

8.5 The latest indications from central Government are that they are minded to allow district councils to increase their Band D charge by 3% or £5 whichever is the highest, without triggering a referendum.

8.6 A £5 increase would equate to an increase of 2.62% (or 10p per week) for 2019-20 and would bring in an additional £108k.

8.7 A 3% increase would take the Band D charge to £196.55 (an increase of £5.73 – 11p per week) and raise an additional £125k in 2019-20.

8.8 Any Council Tax freeze would also have a knock-on impact in future years as we would start from a lower base.

8.9 Any Consultation will take place in time to ensure that comments are fed back to Members before decisions are taken on the final Strategy in the New Year.

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**Background Papers:**

Report to Resources Working Party 12 July 2018

Report to Resources Working Party 27 September 2018  
Presentation to Resources Working Party 8 November 2018  
Report to Policy and Resources 15 November 2018

## APPENDIX 1

The following table sets out some key dates for the budget process:

<b>Date</b>	<b>Meeting</b>	<b>Details</b>
<b>3 Oct</b>	Members' Development	Budget Planning Process
<b>22 Oct</b>	Group Leaders' Briefing	Update on Budget Strategy
<b>1 Nov (rescheduled to 8 Nov)</b>	Resources Working Party	Update on Strategy <ul style="list-style-type: none"> <li>- Budget Monitoring 2018-19</li> <li>- Key budget issues/initial proposals for 2019-20 and beyond</li> </ul>
<b>15 Nov</b>	Policy and Resources Cttee	Update on Strategy <ul style="list-style-type: none"> <li>- Budget Monitoring 2018-19</li> <li>- Key budget issues/initial proposals for 2019-20 and beyond</li> </ul>
<b>22 Nov</b>	Policy and Resources Cttee	Update on Strategy
<b>6 Dec</b>	Council	Update on Strategy <ul style="list-style-type: none"> <li>- Budget Monitoring 2018-19</li> <li>- Key budget issues/initial proposals for 2019-20 and beyond</li> <li>- Budget Consultation</li> </ul>
<b>7 Jan</b>	Group Leaders' Briefing	Preparing for final stages of budget process
<b>9 Jan</b>	Members' Development	Review of budget issues and any proposals
<b>17 Jan</b>	Resources Working Party	Draft Budget Strategy 2019-23
<b>27 Jan</b>	Overview and Scrutiny Cttee	Treasury management statement and Investment Strategy 2019-20
<b>7 Feb</b>	Policy and Resources Cttee	Budget Strategy 2019-23
<b>21 Feb</b>	Council	Budget Strategy 2019-23, including <ul style="list-style-type: none"> <li>- approving 2019-20 revenue and capital budgets</li> <li>- setting Council Tax 2019-20</li> <li>- Treasury management statement and Investment Strategy 2019-20</li> </ul>

## APPENDIX 2 – GENERAL AND EARMARKED RESERVES

### Reserves - all figures £000s

	31.03.17	31.03.18		<i>expected</i>	<i>expected</i>	<i>NHB</i>	<i>Hub</i>	31.03.19
<i>expected in-year changes</i>			<i>underspends</i>	<i>allocations</i>	<i>use</i>		<i>transfer</i>	
General Fund	1,328	3,331	618					3,949
Capital Fund	2,199	2,929		100	-1,231	188	2,500	4,486
<u>Earmarked Reserves</u>								
Collection Fund Equalisation	236	506	522					1,028
Ryedale Development Fund	95	94						94
Election Reserve	41	61		20	-81			0
Council Tax Hardship Fund	18	24		6				30
New Homes Bonus Reserve	2,389	3,698		399		776	-2,500	2,373
Grants Reserve	164	163						163
IT Fund	97	95		2				97
ICE Fund	766	807		50				857
Local Development Framework	50	50						50
Operational Reserve	870	648		6	-4			650
Restructure Reserve	439	402						402
	<b>5,165</b>	<b>6,548</b>	522	483	-85	776	-2,500	<b>5,744</b>
<b>TOTAL ALL</b>	<b>8,692</b>	<b>12,808</b>	1,140	583	-1,316	964	0	<b>14,179</b>



## APPENDIX 3

### The overarching priorities of Ryedale District Council and the aims of each (see 8.2 above)

#### Sustainable Growth

- Capitalising on our culture, leisure and tourism opportunities
- A strong economy with our thriving businesses and supporting infrastructure
- Managing the environment of Ryedale with partners
- Enabling the provision of housing that meets existing and anticipates future need
- Minimising homelessness, improving the standard and availability of rented accommodation and supporting people to live independently

#### Customers and Communities

- Designing all of our services with the customer at the heart of everything we do
- Making the best use of resources to ensure maximum benefit for all customers and communities across the district, particularly the most vulnerable
- Helping our partners to keep our communities safe and healthy
- Support our communities to identify their needs, plan and develop local solutions and resilience

#### One Ryedale

- Utilising assets in supporting the delivery of priorities
- Developing business opportunities for the Council and optimise income
- Building capacity and influencing policy in partnership
- Enabling services through the innovative use of IT
- Delivering the anticipated further savings required by 2022