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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>7 FEBRUARY 2019</b>
<b>REPORT OF THE:</b>	<b>CHIEF FINANCE OFFICER (s151) ANTON HODGE</b>
<b>TITLE OF REPORT:</b>	<b>FINANCIAL STRATEGY</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 The report sets out the budget for 2019/20, a proposed Council Tax level, the Financial Strategy, details of balances and reserves and the Pay Policy for 2019/20.

### **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 £528k (Financial Strategy Appendix 3)
  - b. Growth Pressures totalling £1,275k (Financial Strategy Appendix 4)
  - c. The revised capital programme (Financial Strategy Appendix 6)
- (ii) A Revenue Budget for 2019/20 of £8,197k increasing the total charge by £5 to £195.82 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 £49,870
- (iv) to note the financial projection for 2019/20 – 2021/22
- (v) to agree that the Council's reserves will be redefined as set out in the report (paragraph 6.9) for 31.03.18

### **3.0 REASON FOR RECOMMENDATIONS**

- 3.1 To agree a balanced revenue budget for submission to Council for the financial year 2019/20 and prepare the Council to deliver the same in future years.

### **4.0 SIGNIFICANT RISKS**

- 4.1 Section 10 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. There were 43 responses and a summary of the results of the consultation is attached as an **exempt paper** at ANNEX 2 of this report.
- 5.4 Member consultation has taken place through the Resources Working Party and Member Briefings. Financial information leading up to the recommendations in this report has been shared with Members at these meetings.

## **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 2019/20 budget has been reviewed in recent months. In the Financial Years 2017/18 and 2018/19, the Council's budget had an in-year surplus. Whilst that currently also looks likely to be the case for 2018/19, financial pressures arising from rebuilding capacity (following a number of cross-cutting and service reviews and health checks) and reducing funding after next year mean that there will continue to be a need to achieve Value for Money and efficient ways of working. There are currently no material issues arising from the current year's revenue budget.

#### **Budget and Council Tax for 2019/20.**

- 6.3 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 – An average 2% pa pay award has been used (with higher increase for those on lower grades) and additional funding has been included to cover the cost of the new pay scheme which will be implemented from April 2019
- Fees and charges have been increased in line with the budget strategy, by up to 4%, however there are some specific service areas to highlight the position for next years proposed pricing:
  - There has been no increase to the garden waste licence (£38 per licence – a price freeze since 2017/18)
  - There has been no increase to the car park pay and display ticket prices or market rents (to ensure comparable pricing)
  - Inflationary increases have been applied to the pest control service price list, an advisory/call-out fee of £45 has been introduced and a freeze has been applied to the concessionary rate so there is no impact to our vulnerable customers
  - The charges for the commercial waste collection service have been realigned to reflect market-led competitive pricing (affecting only the smaller sized containers)

6.4 The referendum limit for 2019/20 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 £17k per annum. A Council Tax freeze would reduce income by £108k and reduce the council's base budget for that amount for each year thereafter

6.5 The Government's 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**

6.6 The Provisional Local Government Finance Settlement was announced on the 13 December 2018 and confirmed on 29 January 2019. The figures in this report use those as per the final settlement.

#### **Retained Business Rates**

6.7 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.

6.8 As mentioned above, the Council has been part of a successful bid in what may be the final year of pilots for Business Rates Retention (75% rather than 100%) prior to the system reset due from 2020/21. This pilot includes councils in West Yorkshire as well as our colleagues in the North Yorkshire pool and the City of York and the impact of this has been included in the MTFs for one year only.

### **Council Tax Income**

- 6.14 Council Tax income is estimated at £4.270m. A £5 increase in Council Tax equates to additional funding towards the council's net revenue budget of £108k in 2019/20. Council Tax Base has increased by 1.3% for 2019/20 and provides additional income to assist the Council's financial position.

### **Growth Items**

- 6.16 The position is detailed in Appendix 3 to the Financial Strategy at Annex A.

### **Savings/Additional Income**

- 6.17 The root and branch reviews show that budgets can be reduced by £528k in 2019/20 with no impact on service. Details of these, including impact on future years, can be found in Appendix 4 of the Strategy. A reduction of £30k to base budget has been assumed from 2021/22 regarding Malton Sports Centre. Further savings may be available once the 2018/19 year-end position is known and members will wish to consider the impact of underspends reported at Q3 which have not been factored into the MTFS at this stage, including grants made to other organisations, with a particular focus on ensuring a strategic approach to economic growth is achieved for the long term benefit of residents.

### **New Homes Bonus**

- 6.18 Figures for 2019/18 show a decrease in New Homes Bonus (NHB) from £964k in 2018/19 to £861k. In 2017/18 the Council used £32k to support the revenue budget and £188k to fund the capital programme, but no revenue support has been used from this source in 2018/19.
- 6.19 The budget as proposed includes a reduction of £103k in NHB receipts and allocates £188k to the capital programme. There is therefore £673k 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:

Table 1

	2019/20	2020/21	2021/22
Base Budget starting point	6,668	7,415	7,308
Pressures Identified - appendix 3	1,275	220	300
Savings Identified - appendix 4	-528	-73	-57
One-off base budget adjustments		-254	
Net budget before contribution to/from reserves	7,415	7,308	7,551
<b>Planned contributions to / (from Reserves)</b>			
NHB to reserves	861	0	0
Contributions to fund future projects	204	204	204
Drawdown from reserves to fund revenue projects	-283	-4	-4
<b>NET Revenue Budget</b>	<b>8,197</b>	<b>7,508</b>	<b>7,751</b>
<b>Funding</b>			
Business Rates	-3,702	-1,802	-1,985
Council Tax	-4,256	-4,423	-4,580
New Homes Bonus	-861	0	0
Other Grants	-49	120	120
Funding Available	-8,868	-6,105	-6,445
<b>Budget (Surplus) / Deficit</b>	<b>-671</b>	<b>1,403</b>	<b>1,306</b>
Transfer to / (from) BRER to support budget	671	-600	-600
<b>Remaining budget (surplus) / Deficit</b>	<b>0</b>	<b>803</b>	<b>706</b>

#### Medium Term Revenue Forecast (MTRF) projections to 2021/22

- 6.21 Members will note the financial projections to 2021/22 (Table 1 above and Appendix 5 in Annex A). Although the 2019/20 budget shows a break-even, there may be further savings requirements in future years, dependent on funding and other pressures.

#### Capital Programme

- 6.22 The Financial Strategy provides a detailed breakdown of the Council's Capital Programme (appendix 6) up to 2021/22 totalling £8.509m. External funding of

£2.960m is included, leaving a balance of £5.674m to be financed by the Council's funds and reserves.

### Special Expenses

- 6.23 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	10,510
Norton	17,760
Pickering Rural	21,600
<b>TOTAL SPECIAL EXPENSES</b>	<b><u>49,870</u></b>

### National Non-Domestic Rates (NNDR)

- 6.24 For 2019/20 the NNDR multipliers are: a small business non-domestic rate multiplier of 49.1p and a non-domestic rate multiplier of 50.4p. The 2019/20 figures have yet to be published.

### Funds & Reserves

- 6.25 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 2 in the Financial Strategy sets out the projected major Funds and Reserve balances.
- 6.26 The Council's revenue budget for 2019/20 assumes no draw on the General Reserve to support the revenue budget over and above those items previously agreed by Members.

### 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 2019/2020 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 £528k. This level is significant in relation to the Authority’s overall budget and therefore inherently carries a risk, however this has largely been found through the root and branch reviews referred to in the Strategy with no impact on service delivery.

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 reviewed during the year and this will continue as an ongoing process. 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.

## **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:**  
[Final local government finance settlement England 2019 to 2020](#)

**Background Papers are available for inspection at:**  
N/A