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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>6 FEBRUARY 2020</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 2020/21, a proposed Council Tax level, the Financial Strategy, details of balances and reserves and the proposed new Pay Structure and Revised Allowances for 2020/21.

### **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 £434k (Financial Strategy Appendix 3)
    - b. Growth Pressures totalling £1,182k (Financial Strategy Appendix 4)
    - c. The revised capital programme (Financial Strategy Appendix 6)
  - (ii) A Revenue Budget for 2019/20 of £8,734k with the total charge remaining at £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 £52,480
  - (iv) to note the financial projection for 2020/21 – 2023/24
  - (v) to agree the proposed new Pay Structure and Revised Allowances as set out in Appendix 1 of the Strategy

### **3.0 REASON FOR RECOMMENDATIONS**

- 3.1 To agree a balanced revenue budget for submission to Council for the financial year 2020/21 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 86 responses and a summary of the results of the consultation is attached as ANNEX B of this report.
- 5.4 Member consultation has taken place through the Member Briefings. Financial information leading up to the recommendations in this report has been shared with Members at these meetings.
- 5.5 As work has progressed in reviewing the Pay and Allowances, UNISON have been consulted and have balloted members on the proposals.

## **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 taken place and been reported to members. 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 at present no material issues arising from the current year's revenue budget.

#### **Budget and Council Tax for 2020/21.**

- 6.3 Budgets have been drafted in line with the Budget Strategy. The following budget assumptions have been made in preparing the budget:

- General Inflation up to 4%.
- Pay Award – An average 2.65% pa pay award has been used (with higher increase for those on lower grades) and additional funding is already in the base to cover the cost of the new pay scheme which will be implemented from April 2020
- 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)
  - A number of targets have been set for some areas in 2020-21 and future years. Achieving these targets will require appropriate plans and risk management and managers will be supported in this

6.4 The referendum limit for 2020/21 has been proposed at the higher of 2% or £5 as part of the Provisional Local Government Finance Settlement. In Ryedale's case £5 is the higher figure. This budget shows the implications of a Council Tax freeze and that it will reduce income by £110k 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 20 December 2018 but not yet confirmed. The figures in this report use those as per the provisional settlement.

#### **Retained Business Rates**

6.7 Business Rates Income is estimated at £2.325m, with Rural Services Delivery Grant of £572k expected to be paid as a grant following the end of the West and North Yorkshire 75% Pool pilot in 19/20. As planned in previous years, funding set aside to assist the reduction in Business Rates is being used - £600k in 2020/21 and 2021/22, with the remaining £434k in the year after.

#### **Council Tax Income**

6.14 Council Tax income is estimated at £4.320m, plus £33k from the Council Tax Collection Fund Surplus. A £5 increase in Council Tax would provide an additional £110k funding each year (and rising). Council Tax Base has increased by 1.1% for 2020/21 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 Budget reviews show that budgets can be reduced by £434k in 2020/21 with no impact on service delivery. Details of these, including impact on future years, can be found in Appendix 4 of the Strategy.

### **New Homes Bonus**

- 6.18 Figures for 2020/21 show a decrease in New Homes Bonus (NHB) from £861k in 2019/20 to £835k. The budget assumes that £121k of the 2020-21 grant will be used to support additional spend in the budget on areas such as economic development and housing, with the remaining £714k allocated to reserves. In future years, at this stage it is likely that all of any future NHB will be used in support of the revenue budget.

### **Summary Revenue Budget Position**

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

Table 1

	2020/2 1	2021/2 2	2022/2 3	2023/2 4
Base Budget starting point	7,415	7,909	7,760	7,601
Pressures Identified - appendix 3	1,182	197	213	213
Savings Identified - appendix 4	-434	-346	-372	-34
One-off base budget adjustments	-254			
Net budget before contribution to/from reserves	7,909	7,760	7,601	7,780
<b>Planned contributions to / (from Reserves)</b>				
NHB to reserves	714	0	0	0
Contributions to fund future projects	30	30	30	30
Pension Fund Reserve	81	225	273	0
Drawdown from reserves to fund revenue projects	0	0	-120	0
<b>NET Revenue Budget</b>	<b>8,734</b>	<b>8,015</b>	<b>7,784</b>	<b>7,810</b>
<b>Funding</b>				
Business Rates	-2,325	-1,985	-1,985	-1,985
Rural Services Delivery Grant	-572	0	0	0
Council Tax	-4,353	-4,475	-4,632	-4,792
New Homes Bonus	-835	-475	-275	0
Negative RSG	0	120	120	120
Other Grants	-49	0	0	0
Funding Available	-8,134	-6,815	-6,772	-6,657
<b>Budget (Surplus) / Deficit</b>	<b>600</b>	<b>1,200</b>	<b>1,012</b>	<b>1,153</b>
Transfer to / (from) BRER to support budget	-600	-600	-434	0
<b>Remaining budget (surplus) / Deficit</b>	<b>0</b>	<b>600</b>	<b>578</b>	<b>1,153</b>

### Medium Term Revenue Forecast (MTRF) projections to 2023/24

6.21 Members will note the financial projections to 2023/24 (Table 1 above and Appendix 5 in Annex A). Although the 2020/21 budget shows a break-even, there will be further savings requirements in future years, dependent on funding and other pressures. Should members decide not to freeze Council Tax in 2020/21, each of the projected deficits in future years would be reduced by this amount.

#### Capital Programme

- 6.22 The Financial Strategy provides a detailed breakdown of the Council's Capital Programme (appendix 6) over the period 2019-24 totalling £9.117m. External funding of £2.769m is included, leaving a balance of £6.348m 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:-

<b><u>Town/Parish</u></b>	<b>£</b>
Malton	11,200
Norton	18,660
Pickering Rural	<u>22,620</u>
<b>TOTAL SPECIAL EXPENSES</b>	<b><u>52,480</u></b>

### **National Non-Domestic Rates (NNDR)**

- 6.24 For 2020/21 the NNDR multipliers are: a small business non-domestic rate multiplier of 49.99p and a non-domestic rate multiplier of 51.2p. The 2019/20 comparatives are small business non-domestic 49.1p and non-domestic 50.4p.

### **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.

## **7.0 Local Government Act 2003 – Section 25 Report**

- 7.1 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.
- 7.2 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.

- 7.3 In each Local Authority the Chief Finance Officer alone must prepare the Section 25 report.
- 7.4 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.
- 7.5 Central Government 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).*” Therefore this report is set out below.

### **Section 25 Report (Report of the Chief Finance Officer (s151))**

The total saving proposals set out in this budget are £434k. 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 budget reviews referred to in the Strategy with no impact on service delivery and targets for increasing income, which will be closely managed and monitored.

Council tax increases ought not normally be set below the level of inflation. This is to preserve the revenue raising potential of the council tax in future years. By freezing the council tax in 2020/21, the financial pressures that the council will face over the medium term will be increased, particularly regarding the lack of long-term visibility of future funding. However I accept that the decision on council tax is a matter of political judgement, again having due regard to the professional advice of officers, and in particular to the advice of the s151 officer as regards the robustness of the whole budget and on reserves and balances. Were Council Tax not to be frozen, the budget balance would be achieved by using less of the New Homes Bonus or the Business Rates Equalisation Reserve.

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

In setting the Revenue budget for 2020/21 I consider that the proposed budget is robust, and reflects a realistic and prudent view of all anticipated expenditure and income.

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.

## **8.0 IMPLICATIONS**

8.1 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.

As set in section 1.7 of Annex A 1.7, any implications (such as Equalities, Staffing, Planning, Health & Safety, Environmental, Climate Change, Crime & Disorder) will be considered as part of any proposals and will be reported to Members before recommendations are made and decisions taken.

**Anton Hodge**  
**Chief Finance Officer (s151)**

**Author:** Anton Hodge, Chief Finance Officer (s151)  
**Telephone No:** 01653 600666 ext:385  
**E-Mail Address:** [anton.hodge@ryedale.gov.uk](mailto:anton.hodge@ryedale.gov.uk)

### **Background Papers:**

Previous Reports to  
Policy and Resources Committee: 26 September 2019  
Policy and Resources Committee: 14 November 2019  
Full Council: 10 October 2019  
Full Council 5 December 2019

**Background Papers are available for inspection by contacting the s151 Officer as above**