

RYEDALE  
DISTRICT  
COUNCIL



# **FINANCIAL STRATEGY**

**2020-24**

# FINANCIAL STRATEGY

## CONTENTS

### **Main Report**

1. Introduction
2. Objectives of the Financial Strategy
3. Financial Assumptions
4. Commercial Strategy
5. Council Tax
6. Reserves and Balances
7. Budget Outlook 2020/21 – 2023/24
8. Revenue Summary
9. Capital Programme
10. Impact/Risk Assessment
11. Conclusion

**Appendix 1:** Proposed new Pay Structure and Revised Allowances

**Appendix 2:** Reserves and Balances

**Appendix 3:** Pressures

**Appendix 4:** Savings

**Appendix 5:** Revised Revenue Summary Forecast

**Appendix 6:** Capital Programme

## 1. Introduction

- 1.1 The Council's Financial Strategy provides the financial framework to deliver the Council Plan.
- 1.2 It aims to provide financial sustainability, resilience and capacity for the Council in pursuing its objectives and secure the resources necessary to deliver the Corporate Plan, whilst managing the funding cuts we are facing.
- 1.3 The Financial Strategy sets out the overall approach in which detailed proposals and actions will be developed and considered when agreeing the annual budgets over a four-year period. It also notes that work will be undertaken in time for 2020-21 to ensure the Council can set a balanced budget which reflects its priorities, but that a more detailed and fundamental review will take place in time for 2021-22.
- 1.4 This approach reflects the one-year funding settlement from central government – and announced in December 2019 – in place of the originally-expected Local Government Spending Review.
- 1.5 The Strategy covers four years, from 2020 to 2024.
- 1.6 Members will be kept informed of work undertaken, including detailed briefings. This will assist the development of the budget over the period of the Strategy and especially the work required for the more fundamental review.
- 1.7 Any implications (such as Equalities, Staffing, Planning, Health & Safety, Environmental, Climate Change, Crime & Disorder) will be considered as part of this work and will be reported to Members before recommendations are made and decisions taken.
- 1.8 As this strategy is being written, the impacts on public sector finances of the UK's exit from the European Union are still not clear. This is also the case with the impact of any changes arising from the Devolution Act.
- 1.9 Against this backdrop of uncertainty the key drivers for the financial strategy remain unchanged as the pressure on Local Government finance continues.
- 1.10 The Strategy has an emphasis on financial self-sufficiency - aiming to secure the resources necessary to deliver the Corporate Plan, whilst managing the funding cuts we are facing – ultimately over the long term achieving a self-sustaining financial model which sees the Council free from reliance on central government funding by raising income locally through Council Tax and Business Rates as well as through charging appropriately for services, maximising investments and commercial activity.

## 2. Objectives of the Financial Strategy

2.1 The Financial Strategy contains the following objectives:

1. Budgets are Prudent and Sustainable in the Long Term. The Council will aim to maintain a balanced budget by ensuring that in-year expenditure is matched by income from Council Tax, Business Rates, fees and charges and grants from government and other bodies. Funding from reserves will be used to cover one-off investments or temporary initiatives subject to a detailed business case being approved by Members.
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.
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.
10. The Council will seek to maximise income through a Commercial Strategy.

### 3. Financial Assumptions

#### Economic Assumptions

##### Interest Rates

- 3.1 The bank base rate was increased by 0.25% to 0.5% in November 2017 and then raised again to 0.75% in August 2018. In the latest forecasts received from Link (the Council's treasury management advisors) rates are expected to remain at 0.75% through to September 2020 when a rise to 1.00% is predicted. However these assumptions are based upon a reasonable Brexit outcome.
- 3.2 Given the on-going economic uncertainty as a result of Brexit, there is a risk that interest rates could reduce and it is therefore important that the general fund is not over reliant on Treasury returns. Until there is more certainty it is proposed that a cap of £200k be placed on budgeted income.

<b>Investment Income</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Average rate %	1.1%	1.25%	1.5%	1.75%
Interest £000's	200	200	200	200

- 3.3 Rates will be kept under review and forecasts updated as necessary.

##### Pay and Price Inflation

- 3.4 Provision for the public sector pay award and changes to the NJC pay scale has been included within the MTFS based on the 2 year offer agreed in 2018. For 2020-21 onwards 2.65% is assumed.
- 3.5 As at December 2019 CPI inflation was running at 1.4%. However, it remains to be seen how the UK's exit from the European Union will impact on the outlook for the economy and inflation. Current forecasts suggest CPI to remain at around 2% for the next two years, although a no-deal Brexit could prompt a rise to around 4%, primarily as a result of import inflation due to a weakening pound. MTFS assumptions therefore range from 2% to 4%, although a provision for inflation will only be included on contractual budgets, income and staff pay.
- 3.6 For pay, an average of 2.65% has been assumed and an additional contingency of £100k was factored in to the base in 2019/20 on an ongoing basis to cover the cost of the Council's pay review. Details of this are set out in section 7.5 and in Appendix 1.

### Settlement Funding

- 3.7 This element of funding has seen the most significant changes in recent years following the localisation of Business Rates and Council Tax Support.
- 3.8 The 2017/18 Local Government Finance Settlement provided figures for Settlement funding through to 2019-20. Settlement Funding includes Revenue Support Grant (RSG), Business Rates Baseline Funding (BRBF) and in addition Rural Services Delivery Grant (RSDG) and Transitional Grant (TG) were included in the settlement.
- 3.9 The government announced the provisional settlement on the 20 December 2019. This is a one-year settlement only, pending the Spending Review.
- 3.10 The Spending Review was originally due to take place sometime after April 2019. However, delays to the Fair Funding Review and review of the Business Rates retention system means that this will be rolled on a further year.

### Business Rates Retention

- 3.11 The Council is part of a successful bid for 2019-20, which includes councils in West Yorkshire as well as our colleagues in the North Yorkshire pool and the City of York.
- 3.12 The December 2019 provisional settlement information appears to confirm that Business Rates will continue next year as per 2019-20 levels, with inflation. The current pilot will not continue in 2020-21 and the Chief Executive and s151 officer have been working with other authorities in North and West Yorkshire to come to a future pooling arrangement for next year which will maximise income for Ryedale District Council and to secure additional funds which can be used to enhance business and economic development in the district
- 3.13 This will provide funds additional to those noted in the February 2019 budget. With these and with the overall Business Rate funding, the Council seeks to see more of a link with investment in the economy and local businesses through economic development.

### New Homes Bonus

- 3.14 New Homes Bonus (NHB) is an incentive scheme which rewards housing growth. It provides funding based on the number of new properties brought into use with an added element for affordable housing. The calculation provides that 80% of the funding is paid direct to District Councils with the County Council receiving the remaining 20%. The scheme is funded partly by the Government and also by top-slicing the Local Government funding settlement. Ryedale achieved £1.676m p.a. when the scheme reached maturity for 2016/17 (year 6 of the scheme).

- 3.15 However, the Government's evaluation of NHB and consultation early in 2016 resulted in it being scaled back to a 4 year scheme with a 0.4% growth threshold – for 2019-20 £861k was received.
- 3.16 New Homes Bonus funding is only secured to 2019-20 and it was anticipated that this scheme would be replaced in its entirety from 2020-21 with the Government considering alternative ways to incentivise housing growth. However, it appears that NHB will continue at least in 2020-21 and possibly beyond, albeit it at a reduced rate, and a prudent level of growth is currently included in mid-case estimates, giving a forecast income next year of £835k. This is lower than the £861k received in 2019-20 but will be a welcome addition to our medium term forecast which anticipated that the funding would end this year. The Financial Strategy assumes this will phase out over the next two years with £475k estimated for 2021-22 and £275k for 2022-23.
- 3.17 The use of this funding in recent years is shown in the table below. The revised Financial Strategy 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.

<b>Year</b>	<b>NHB £000</b>	<b>Revenue Support £000</b>	<b>Capital Support £000</b>	<b>Balance £000<sup>1</sup></b>
2014/2015 (received)	1,127	175	0	952
2015/2016 (received)	1,387	559	288	540
2016/2017 (received)	1,676	327	188	604
2017/18 (received)	1,420	32	188	1,200
2018/19 (received)	964	0	188	776
2019-20 (due)	861	0	188	673
2020-21 (estimate)	835	121	0	714
2021-22 (estimate)	475	475	0	0
2022-23 (estimate)	275	275	0	0

#### Special and Specific Grants

- 3.18 The Strategy assumes that Council Tax Administration support grant of £49k will continue into 20/21, although this figure will be confirmed in the final settlement.
- 3.19 Negative RSG has of £120k been removed for 20/21, but it is safe to assume it may be reintroduced at a later date, and therefore is included from 21/22 onwards.

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<sup>1</sup> Allocated to NHB Reserve

### Pensions

- 3.20 The Council's employers' contribution rate for the North Yorkshire Pension Fund is set every 3 years based upon actuarial assumptions and investment expectations. Like many other Councils Ryedale's pension fund now has an estimated surplus of £8.7m at 31 March 2019 when the last valuation was undertaken. The employers' rate is designed to cover future service costs and a contribution towards the historic deficit, which aims to balance the fund over the long term. Changes to the scheme benefits have also been introduced in order to reduce the costs of future pension payments.
- 3.21 The triennial valuation took place last year and has set employer contribution rates for the next three years. These show a reduced expectation to the tune of £81k, £144k and £148k over the next three years. The Strategy assumes that this headroom will be held in reserve to assist any negative of the next valuation in future years

### Debt Charges

- 3.22 Management of the Council's debt is governed by the Treasury Management Strategy and Prudential Indicators which aim to ensure the Council's capital expenditure plans are prudent, affordable and sustainable, with decisions on borrowing taken in light of spending plans and available funding, cash flow needs and interest rates (current and future forecasts).
- 3.23 Borrowing enables the Council to spread the cost of capital expenditure over time. Generally speaking it gives rise to 2 charges against the revenue budget: Minimum Revenue Provision (MRP) and interest payable on debt.
- 3.24 MRP is an amount set aside to repay debt in accordance with the approved policy within the Treasury Management Strategy. The current policy is to charge MRP for assets included within the debt liability over the useful life of the asset or finance lease term. The current annual charge to General Fund balances is £35k. At this stage, and until the Council has agreed it's Council Plan and also potential use of reserves on any major schemes and other priorities, no change is proposed in the MRP level.
- 3.25 The Council has resolved to fund the current capital programme through the use of grant funding and reserve balances, thus removing the need to borrow. However, should this position change, the current environment of low returns on cash investments means that it is more favourable to borrow internally (i.e. use available cash earmarked for future spend) than take out new external borrowing. This will be kept under review as part of monitoring the Council's Treasury activities.

## 4. Commercial Strategy

- 4.1 A key driver for the Council's Commercial Strategy is future financial pressures and a need to plug a likely funding gap in the years to come or to fund investment in services, and to look at how the Council can become self-sufficient other than where specific grants are allocated by central government.
- 4.2 The Strategy considers where certain discretionary services can be funded by those who use them rather than the general taxpayer.
- 4.3 Alongside this is a requirement to ensure that the Council provides the best value for money to the people of Ryedale.
- 4.4 Commercial opportunities can have a positive impact on the Council and the area by:
- Developing the portfolio of services provided by the Council and making it a more attractive place to work
  - Generating additional income which, in addition to plugging any financial gap, can be used to invest in services
  - Working more closely with business and ensuring the Council is a key player in ensuring that we maximise the economic potential of our area and achieve our strategic outcomes across our communities
- 4.5 Although income generation is very important, our Commercial Strategy will also look at how we can ensure that every spending decision is taken with a view to ensuring the best value for money for taxpayers. We will also ensure that we become infuse our procurement and commissioning decisions with an "intelligent client" ethos.
- 4.6 All of these require us to look at culture across the Council and ensure that staff and members feel confident and knowledgeable enough to deliver the strategy.
- 4.7 In summary therefore this Strategy notes that we will
- Look at all non-statutory services and investigate potential for full cost recovery or increasing user contribution to their cost
  - Shape potential markets for delivering traded services and look at how generated surplus can be used
  - Review our procurement strategy to ensure that a commercial approach is taken
  - Ensure that all purchasing decisions are guided by a value for money approach
- 4.8 To do this successfully we need to ensure that we have the proper support functions in place in designing and delivering the services (e.g. financial and legal advice and marketing support) and that any costs of this are fully recovered in what we charge for the services.

- 4.9 Ensuring we have the right culture across the organisation is also important. We will takes steps to provide staff and members with the relevant skills and expertise in this regard to embed a more commercial mindset across the Council.
- 4.10 An important part of becoming more commercial involves managing risk and attitudes towards this from officers and members. Our approach will encourage an appetite for calculated risk-taking and being willing to learn lessons from approaches which do not always lead to the success hoped for. This will of course be balanced by a risk management process which ensures we safeguard the council at all times.
- 4.11 The Financial Strategy includes a number of income targets over the next few years and further detail is set out in section xx below.

## 5. Council Tax

- 5.1 The Council Tax Base in 2020-21 is 22,062 and the Strategy currently estimates a 1% rise forecast thereafter. Every 0.5% increase above this level would add approximately 110 Band D equivalents to our Tax Base which equates to around £21.5k p.a. at the current Band D charge.
- 5.2 In 2020-21 central Government will allow district councils to increase their Band D charge by 2% or £5 whichever is the highest, without triggering a referendum. Our assumptions are that this will be 2% or £5 per annum in future years. The Financial Strategy agreed by Council in December 2019 stated that “any Council Tax increase will be between £0 and £5.”
- 5.3 A £5 increase would equate to an increase of approx. £110k additional income for the Council in 2020-21. However the budget presented here assumes a freeze in 2020-21 before returning to a £5 increase in future years. This will reduce the Council’s income by £110k (rising gradually) for all future years and will therefore mean that an amount of this will have to be found from efficiencies or increased income, unless government funding changes. The Strategy does assume that the previously announced negative Revenue Support Grant will continue – to a cost of £120k. Should this risk not materialise, this will assist with the cost of Council Tax freeze.
- 5.4 Were Council Tax not to be frozen, the budget balance could be achieved by using less of the New Homes Bonus or the Business Rates Equalisation Reserve.

## 6. Reserves and Balances

- 6.1 The Local Government Act 2003 places a specific duty on the Chief Finance Officer (s151), to make a report to the authority when it is considering its budget and the level of the Council Tax. This report must deal with the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals. The Council must have regard to this report in making their decisions.
- 6.2 The Council also has a fiduciary duty to local taxpayers and the Chief Finance Officer must be satisfied that the decisions taken on the level of balances and reserves represent the proper stewardship of funds.
- 6.3 In assessing the adequacy of the contingencies, balances and reserves, the Chief Finance Officer takes account of the key financial assumptions underpinning the budget, together with an assessment of the Council's financial management arrangements. This assessment will include a review of past performance and external influences on the financial plan, and full consideration of the risks and uncertainties associated with the plan, their likelihood and potential impact.
- 6.4 The Council's policy is to maintain its contingencies, balances and reserves at levels that are prudent but not excessive. With the outlook for the years after 2019/20 and beyond currently uncertain, and the scale and risk of achieving cost reduction being high, any reserves identified as being surplus should be prioritised to invest to save schemes and, if required, to smooth the curve of cost reduction in the light of timescales needed to drive costs out.
- 6.5 It is assumed that General Balances are **not** used to support the revenue budget but may be used for temporary or on-off costs – although such costs will be clearly managed and agreed through the use of the Strategic Reserve. In 2020-21, specific amounts have been set aside for potential costs of Brexit (£50k), contributions to matched funding from external bids (£10k) and any necessary furniture costs, pending decisions on the Public Services Hub.
- 6.6 General Balances are funding of last resort. Taking account of the size of the Council's revenue budget and risks being managed, a minimum working balance of £1m would seem appropriate.
- 6.7 At 1 April 2019 reserve balances were £14.9m revenue and £453k capital receipts.
- 6.8 A current list of reserves and balances is shown in the table below. Appendix 2 sets contains more detail including for future years. The Council's revenue reserves increased from £12.8m in March 2018 to £14.9m in March 2019 and are expected to be £13.9m by March 2020 before falling over the next few years.

<b>£000s</b>	<b>31.03.19</b>	Transfers In	Transfers Out	<b>31.03.20</b>
General Reserve	<b>3,981</b>			<b>3,981</b>
Capital Fund	<b>5,524</b>	288	-2,708	<b>3,778</b>
Collection Fund Equalisation Reserve	<b>963</b>	671		<b>1,634</b>
Election Reserve	<b>55</b>	30	-120	<b>-35</b>
New Homes Bonus Reserve	<b>2,087</b>	0		<b>2,275</b>
Strategic Reserve	<b>2,325</b>	74	-163	<b>2,236</b>
	<b>14,935</b>	<b>1,063</b>	<b>-2,991</b>	<b>13,868</b>
<b>Capital Reserves:</b>				
Capital Receipts	<b>453</b>			<b>453</b>
<b>Total Capital Reserves</b>	<b>453</b>	<b>0</b>	<b>0</b>	<b>453</b>
<b>Total Reserves</b>	<b>15,388</b>	<b>1,063</b>	<b>-2,991</b>	<b>14,321</b>

## 7. Budget Outlook 2020/21 – 2023/24

- 7.1 The 2019-20 budget is the first in a number of years where a large underspend or contingency has not been set as part of the overall revenue budget. This means that the Council has gone from a £2.1m underspend in 2017-18 and £1.4m underspend in 2018-19, to an expected break-even position in 2019-20. This is an ongoing process and work continues across the Council to ensure that budgets are allocated at appropriate levels.
- 7.2 Work has also been undertaken to identify new costs and savings arising in various areas and these have been fed into the Financial Strategy. These are highlighted in the sections below.
- 7.3 In general, it is assumed that on average costs will increase in line with inflation. Any additional pressures above the level included in the MTFS will be managed within the overall base budget and therefore any proposed cost increases not set out below must be covered by equivalent savings elsewhere.

### Employee Costs

- 7.4 The single largest cost to the Council is its employees. In 2019/20 the Council's payroll budget is approximately £6.1m. A 2.65% pay award is included in our budget forecasts - an increase of around £160k p.a.
- 7.5 In 2019/20 an increase to the base budget of £100k was agreed to cover the costs of the new pay scheme. Further details of this scheme are included in Appendix 1 (Proposed new Pay Structure and Revised Allowances.) and no further adjustment is needed to this figure.
- 7.6 Salary budgets are set at mid-point of scale with no vacancy factor.
- 7.7 Further details on staffing costs can be seen in 7.9 below.
- 7.8 The budget includes costs to other organisations – such as NYCC – which replace direct staffing costs. Estimated costs in 2020/21 are shown below. It should be noted that in most cases these are not additional costs. The only area which has been included as a budget pressure is Facilities Management.

<b>Service</b>	<b>Organisation</b>	<b>Budget</b> £000s
Finance Resource	NYCC	152
Legal Resource	NYCC	56
HR Resource	NYCC	102
Payroll	NYCC	18
Revenues Resource	SBC	59
Collection Fund	SBC	5
Cleaning Services	NYCC	50
Facilities Management	NYCC	72
Procurement	SBC/NYCC	75
Legal Support	NYCC	115
Safeguarding	SBC	4
Housing	The York, North Yorkshire & East Riding Strategic Housing Partnership	11
Health & Safety	NYCC	36

### Investment

- 7.9 Members have considered the issue of capacity building on a number of occasions, including P&R Committee in July and November 2019 and noted to P&R and Council in September, October and December. Building this capacity is essential for the transformation of the council and achieving the objectives of the financial strategy, including tackling future budget savings.
- 7.10 Over the past 18 months, a number of health checks and audits have highlighted the impact of under-capacity on performance and therefore the Strategy includes a number of costs which will be used to ensure that the Council is investing in areas which are under pressure.
- 7.11 The main areas included in this investment are:
- Finance and Governance
  - IT, Comms and Transformation
  - Economic Development
  - Graduates and Apprentices
  - Housing
  - Planning (the Local Plan)
- 7.12 Some of this investment is necessary to ensure that savings set out below and further income generation is managed effectively, with proper planning, assessment of impact and cost tracking.
- 7.13 In addition to these further budget pressures are set out in the table below. This shows the pressures for 2020-21 and further estimates for future years are included in Appendix 3.

7.14 A summary of these investments and budget pressures is shown below:

	2020-21 Estimate £000's
<b>New Pressures identified 2020/21 Budget Round</b>	
General Inflation	43
Pay Inflation	160
<b><u>Additional Capacity</u></b>	
<i>Finance &amp; Governance</i>	100
<i>StreetScene</i>	47
<i>IT &amp; Comms</i>	137
<i>Climate Change</i>	50
<i>Economic Development</i>	173
<i>Graduates</i>	179
<i>Reduction on last year's budget</i>	-150
<i>People and Culture</i>	25
<i>Housing - current costs</i>	26
<i>Enforcement</i>	100
<b>Total Capacity</b>	<b>687</b>
<b><u>Other Pressures</u></b>	
Trade Waste Collection	33
Ryedale Employment Initiative	10
Rent Allowance Overpayments	32
Quarry Bank Accommodation	10
External Audit Fee	4
Insurance - Additional cover	9
Property & Facilities Management	70
Local Plan	125
<b>Total</b>	<b>1,182</b>

### Savings

7.15 A number of savings have been identified and built into the budget. These are set out below. In some cases, these are reductions which can be applied without any further action as they reflect an updated spend pattern or have been planned for some time. In other cases,

efficiencies have been linked to income generation through better marketing and increasing take-up targets.

### Fees, Charges and Income Generation

7.16 Fees and charges have generally been increased in line with inflation, by up to 4%, however there are some specific service areas to highlight the position for next year's 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.

	2020-21 Projection £000's
<b>Savings included in 19/20 Budget</b>	
Investment Income	-2
Public Conveniences Rate Relief	-20
<b>New Efficiencies identified 2020/21 Budget Round</b>	
Emergency Relief Work	-23
Council Tax Collection - Court Fees	-13
Indoor Sports & Recreation	-145
Draingage Board Levies	-4
Recycling - Kerbside Collection	-18
Recycling - Green Waste	-13
Car Park Income	-15
Ryedale House Telephone Rental and calls	-3
Treasury Management Consultant Contract	-2
Review approach to allocation of grants	-30
Pension Fund Triennial Valuation	-81
Agency Staff	-4
Furniture	-23
<b><u>Income Generation and reduction of subsidy</u></b>	
Pest Control	-6
Catering	-6

Postage	-7
Printing	-6
Local Land Charges	-7
Bulky Waste	-1
Street-cleansing	-1
Community House	-3
Facilities Management (Conference Facilities)	-1
<b>TOTAL Savings</b>	<b>-434</b>

## 8. Revenue Summary

- 8.1 Appendix 5 sets out the proposed revised budget forecast.
- 8.2 This shows that in 2020/21, the budget will balance, but – based on the assumptions in this paper – there are still shortfalls in future years which will have to be funded with further savings. The final position for those years will not be known until the outcome of the spending review.
- 8.3 The 2020-21 assumes a Council Tax freeze and also the use of £121k of New Homes Bonus to fund growth.
- 8.4 The freezing of Council Tax will have a long-term impact on the budget as it reduces the base funding available by £110k each year from now on.

## 9. Capital Programme

- 9.1 The Council continues to work on a new capital programme which will take account of the Council's priorities and objectives, including any investment in large scale projects such as the Public Services Hub or Livestock Market.
- 9.2 In putting this together, new schemes will be reviewed against the Council priorities plus a detailed assessment of deliverability prior to consideration by Council. This methodology will be applied to all proposals, regardless of the source of funding, prior to any decision being made to accept external capital support such as grant funding, so that the Council can ensure that they form part of an overall capital investment strategy.
- 9.3 The Council is committed to seeking out innovative partnership and funding opportunities in order to deliver the capital strategy and achieve best value.
- 9.4 The Council will continue to work closely with funding partners. Future projects will continue to be developed through partnership working more likely with the Local Enterprise Partnership (LEP). The Council also recognises the importance of increased community engagement and participation as fundamental to the quality of public services and the health of community life. The Council will therefore seek to develop major projects with the full involvement of local communities and ensure appropriate consultation prior to scheme approval.
- 9.5 Resources to fund capital spending are provided from central government grants, with other external grants and contributions sought. Council funding in the form of capital receipts, use of reserves,

borrowing and from revenue sources make up the balance of resources. However, grants provided by central government and resources from other external agencies are often specific to an individual scheme and cannot be used for any other purpose by the Council. The Council has limited scope to generate significant capital receipts other than through the sale of major underutilised assets.

- 9.6 Under the Prudential Regime, which has operated since April 2004, the Council has the responsibility to demonstrate that its capital investment programme is affordable, prudent and sustainable. The Prudential Code requires that this is done by calculating specific indicators for capital expenditure and financing and by setting borrowing limits.
- 9.7 The revenue implications of funding the capital programme are built into the medium term financial forecasts.
- 9.8 In 2017, the Council agreed to allocate £321k of the Capital Programme to the Milton Rooms Redevelopment Project subject to match funding in place, connected with a Heritage Lottery Fund bid. This bid was unsuccessful and therefore this funding will remain in reserves, subject to any future proposals from the Milton Room Working Party and subsequent Council approval. A separate allocation of £155k, already in the Programme, will be combined with other funds set earmarked for property condition work at the Milton Rooms.

## 10. Impact/Risk Assessment

- 10.1 This section recognises the challenges and risks that have implications for the Council's financial position in the medium term. This assessment of risk is an essential element of the budget process; it is used to inform decisions about the appropriate levels of contingencies and reserves that may be required and to indicate priorities for financial monitoring.
- 10.2 Managing Risk is an important part of the Financial Strategy. In addition to the Corporate Risk Register each service maintains its own risk register. The Corporate Risk Register will be reported to the Overview and Scrutiny Committee during the forthcoming year.
- 10.3 A key risk is Brexit as it remains unclear what short term impact there will be on the Council in a post EU environment. There are, however, risks that suppliers of services with significant exposure to workers from the EU and / or currency fluctuations will seek to recover additional costs from customers including the Council. This has been accounted for in the Strategy
- 10.4 The key risks identified for 2020/21 and in the medium term are listed below, together with comments on how they will be managed. These compliment the Council's Corporate Risk Register

<b>Issue/Risk</b>	<b>Consequences if allowed to happen</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>	<b>Mitigated Likelihood</b>	<b>Mitigated Impact</b>
Fluctuations in inflation, Government grants, business rate receipts and changes in Government legislation	Council unable to set a balanced budget without significant cuts to services and service quality, adverse external inspection, excessive call on Council reserves	Very Likely	Major	Keep under review through the financial strategy. Consider fully any changes in legislation. Ensure adequate reserves are maintained to mitigate the risk. Ensure authorities interests are represented through the LGA/other groups. Memberships of business rate pool to retain increased business rates. Ensure Longer Term plans for significant variations are in place.	Likely	Medium
Budgets are over – or under – spent	Unplanned use of reserves which may impact on future year Council Tax, adverse external inspection	Not Likely	Major	Robust budget setting, challenging budget provision. Regular monitoring with corrective actions. Develop a culture of financial awareness. Effective project planning and management. Ensure sufficient contingency sums. Review of any material overspends.	Not Likely	Minor
Savings are not achieved	If compensating savings not identified unplanned use of reserves, potential for cuts to services or service levels	Likely	Major	Regular budget monitoring to identify issues at an early stage. Detailed scrutiny and review of all savings proposals prior to approval.	Not Likely	Minor

Changes in demand/usage levels affecting income from fees and charges	Unplanned use of reserves with potential to impact on future Council Tax levels or requiring cuts to services or service levels	Very Likely	Major	Ensure regular monitoring Review trends Take appropriate action Ensure base income budgets are realistic.	Likely	Medium
Business Rate Pool does not generate savings through significant appeals success across the pool area	NNDR deficit to be carried forward to future years, possibly leading to service reductions elsewhere being required/use of NHB.	Likely	Medium	Significant risk management work undertaken before pool formed reviewing pool membership and rates risk. Prudent assumptions on business rates income taken into revenue forecasts.	Not Likely	Medium
Budget does not reflect corporate priorities	Council fails to achieve Council plan objectives. Adverse external inspection.	Not Likely	Major	Ensure corporate involvement in the process. Early consideration of budget pressures and legislation changes. Regular reporting to members. Up to date Service Delivery plans need to be developed and put in place linked to corporate plan.	Not Likely	Minor
The capital programme is not affordable	Council may need to remove existing planned schemes from the programme or use reserves earmarked for other purposes. Adverse external inspection.	Likely	Major	Schemes are monitored and reported on a regular basis. Financing profile based on realistic assumptions. Ensure only fully evaluated schemes are included within the programme with sufficient contingency sums.	Not Likely	Medium
Poor budget planning with decisions being made without	Council fails to meet community needs, adverse	Likely	Major	Develop a long-term financial strategy. Set out a clear budget	Not Likely	Minor

proper consideration/consultation	impact on Council Plan. Adverse external inspection			timetable. Regular updates to Members. Effective ongoing consultation processes.		
Council Tax Support scheme –above expected demand or collection rates not achieved	Collection fund into deficit which may require savings/cuts in future years. Impact on other major preceptors	Likely	Major	Proper assessment of likely take up based on historic trends, comparison with other authorities, in year monitoring of spend and collection. Regular reporting to members and s(151). Annual approval of the scheme.	Not Likely	Major
Decision on Pension fund contribution rates create future significant cost pressure	Additional savings/cuts to services required in future years	Likely	Major	Market interest rates and investment returns are expected to improve. Monitor interim valuations and make provision in financial forecasts.	Likely	Medium

## 11. Conclusion

- 11.1 This Financial Strategy sets out a range of proposals regarding the future management of resources and delivery of priorities.
- 11.2 The Strategy is underpinned by ten key Objectives, which are set out within section 2.
- 11.3 The process of developing the Financial Strategy is ongoing. Although there is a considerable amount of work to be done, and further improvements to be made, the Council has put in place the framework for ensuring a strong financial base that delivers priorities. This strong financial base has been previously commented upon within External Audit reports.
- 11.4 As far as possible, the plan anticipates future needs and recognises the financial uncertainties, risks and challenges faced by the Council. The Council has in place rigorous financial monitoring and aims to ensure it holds balances and reserves that are considered adequate without being excessive.
- 11.5 Consequently, Ryedale has in place a sound Financial Strategy and a robust financial plan that is designed to support the delivery of the targets in the Corporate Plan and meet the Council's Objectives.

## **APPENDIX 1:**

### **PROPOSED NEW PAY STRUCTURE AND REVISED ALLOWANCES**

#### **1. Introduction**

- 1.1 The introduction of a new national NJC pay spine in April 2019, together with significant risks and limitations of the existing pay, terms and conditions required a fundamental review of pay and allowances at the Council. Officers have worked with Unison and a local government pay expert to develop proposals which are affordable, modern, competitive and attractive to staff.
- 1.2 Ryedale Council has been understaffed and basic pay rates have been relatively low, with earnings made up of local allowances and high rates of overtime. This is a false economy in the long run with overtime being used to cover regular shifts at a 40% premium. The proposal sees basic pay increase for all grades, which will aid attraction and retention, but minimal use of additional allowances, and overtime premiums reduced in 2020-2021 and then eliminated from April 2021. Effectively higher rates of basic pay have 'bought out' old fashioned and uncompetitive allowances and overtime rates.
- 1.3 The proposals offer standardised benefits, terms and conditions, addressing the significant equal pay risk in the existing inconsistent allowances, supports safe working hours, and supports employees' work life balance with the option to purchase additional unpaid leave.
- 1.4 The proposed new pay structure is set out in section 2 below. The changes to the allowances, terms and conditions are summarised in section 3

## 2. Proposed New Pay Structure

New scp	April 19 Salary		Current Grades	Proposal
1	£17,364	£9.00	Grade 1	
2	£17,711	£9.18		
3	£18,065	£9.36		Grade 2
4	£18,426	£9.55		
5	£18,795	£9.74	Grade 3	Grade 1
6	£19,171	£9.94		
7	£19,554	£10.14		Grade 3
8	£19,945	£10.34	Grade 4	
9	£20,344	£10.55		
10	£20,751	£10.76		Grade 4
11	£21,166	£10.97		
12	£21,589	£11.19	Grade 5	
13	£22,021	£11.41		
14	£22,462	£11.64		
15	£22,911	£11.88		
16	£23,369	£12.11		Grade 5
17	£23,836	£12.36		
18	£24,313	£12.60		Grade 5
19	£24,799	£12.85		
20	£25,295	£13.11		
21	£25,801	£13.37	Grade 6	
22	£26,317	£13.64		
23	£26,999	£14.00		Grade 6
24	£27,905	£14.46		
25	£28,785	£14.92		
26	£29,636	£15.36	Grade 7	
27	£30,507	£15.81		
28	£31,371	£16.26		
29	£32,029	£16.60		Grade 7
30	£32,878	£17.04		
31	£33,799	£17.52	Grade 8	
32	£34,788	£18.03		
33	£35,934	£18.63		
34	£36,876	£19.11		Grade 8
35	£37,849	£19.62		
36	£38,813	£20.12	Grade 9	
37	£39,782	£20.62		
38	£40,760	£21.13		Grade 9
39	£41,675	£21.60	Grade 10	
40	£42,683	£22.12		

41	£43,662	£22.63	
42	£44,632	£23.14	
43	£45,591	£23.63	
44	£46,542	£24.13	
45	£47,614	£24.68	
46	£48,707	£25.25	
47	£49,828	£25.83	

Grade	Old Max	New Max	Increase	% Increase
1	£17,711	£18,795	£1,084	6.1%
2	£18,426	£19,554	£1,128	6.1%
3	£19,171	£20,751	£1,580	8.2%
4	£21,166	£22,911	£1,745	8.2%
5	£23,836	£25,801	£1,965	8.2%
6	£28,785	£30,507	£1,722	6.0%
7	£32,878	£34,788	£1,910	5.8%
8	£37,849	£39,782	£1,933	5.1%
9	£41,675	£44,632	£2,957	7.1%
10	£46,542	£49,828	£3,286	7.1%

Grade	1 extra day	2 extra days leave
1	£72	£145
2	£75	£150
3	£80	£160
4	£88	£176
5	£99	£198
6	£117	£235
7	£134	£268
8	£153	£306
9&10		

### **3. Changes to allowances, terms and conditions**

- 3.1 The new pay structure set out above will be implemented from 1 April 2020
- 3.2 Essential car user allowance will be removed from 1 April 2020.
- 3.3 Overtime arrangements will be standardised at x1.3 from 1 April 2020 to 31 March 2021 for grades 1 to 5 only, flexitime or plain time for all other grades, and plain time for all grades from 1 April 2021.
- 3.4 All other multipliers, unsocial working and shift allowances will be replaced with an additional 5% on contracted hours for regular weekend working, and an additional 10% on contracted hours for regular night working.
- 3.5 All staff in grades 1 to 10 are entitled to 25 days' annual leave on commencement, rising to 30 days after 5 years' service (incorporating the additional Ryedale House closedown day) with the option to purchase an additional 10 days' unpaid leave.
- 3.6 Current bank holiday working enhancements are replaced with 'Thank you' payments of £100 for working on Christmas, Boxing or New Year's Day and £50 for working on any other Public Holidays.