



REPORT TO: FULL COUNCIL

DATE: 10 SEPTEMBER 2020

REPORT OF THE: CHIEF FINANCE OFFICER (s151)
ANTON HODGE

TITLE OF REPORT: RYEDALE'S FINANCIAL STRATEGY 2020-24

WARDS AFFECTED: ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 This report provides an update on the Council's Financial Strategy and sets out the some of the key issues which we will look at in coming months as we finalise the budget for next year. It also notes the impact of COVID on the Council's finances and the timescales for reviewing and agreeing revisions to the Strategy.

2.0 RECOMMENDATIONS

2.1 The Council is asked

- to note the content of this report, and
- to agree the proposed approach in pulling together the financial plan, and
- to agree the timescales as set out in the report

3.0 REASON FOR RECOMMENDATIONS

3.1 To ensure proper process is in place to develop the Financial Strategy for the period 2020-24

4.0 SIGNIFICANT RISKS

4.1 When presented to Council, the Financial Strategy and budget proposals for 2021-22 will contain a full risk and impact assessment highlighting all relevant mitigating controls.

5.0 POLICY CONTEXT AND 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.

6.0 REPORT DETAILS

Introduction

6.1 Council approved the RDC Financial Strategy 2020-24 on 10 October 2019. On 20 February 2020, Council then approved the detail required to set the current year's budget.

6.2 As part of this, a new Commercial Strategy was agreed as a key driver to deal with 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.

6.3 The Strategy considers where certain discretionary services can be funded by those who use them rather than the general taxpayer, alongside a requirement to ensure that the Council provides the best value for money to the people of Ryedale.

6.4 Although income generation is very important, the Council's Commercial Strategy also looks 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.

6.5 In summary therefore this Strategy noted that we would

- 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

6.6 Progress on this has unfortunately been impacted by the effects on the Council of COVID-19. The Financial Strategy and 2020-21 approved budget include a number of income targets over the next few years and these remain in place. However as we work through the revision to the Financial Strategy and take account of Quarterly Budget Monitoring, we will consider and immediate financial impact, as well as review the timescales for review of the areas outlined above

Timescales

6.7 The budget process begins in earnest in August although preparatory work within the Finance Team began in July. The need for public consultation (consultation with ratepayers is a statutory requirement) and the lead in time for Policy & Resources mean that to enable full engagement with Policy & Resources members, Senior Management Board, Service and Budget Managers, the process needs to begin as soon as final accounts work is complete. That said, budget managers will consider their future budget requirements as part of service planning and in reality budgeting should be an ongoing process informed by in-year budget management and horizon scanning.

- 6.8 The annual process is the opportunity for Budget Managers to refine and collate detailed proposals for consideration by senior management and members and ultimately for inclusion in the Council's budget for the coming year.
- 6.9 The table below sets out the timetable that will ensure we meet targets and undergo due process in setting a budget

Annual Budget proposed timetable

Who?	When?	What?
Finance	By end of August	Preparatory work – key messages re approach and process ; pay budgets rolled forward based on approved establishment and budgets updated for inflation where appropriate (pay/contracts/utilities) Ongoing assessment of impact of COVID-19
Management Teams/Budget Managers (with support from Finance in high risk areas)	August - September	Detailed budget requirements including savings, commitments, growth, strategic programmes.
Council	10 September	Consideration of Financial Strategy and intended timescales
Members Briefing	TBC	Present key issues to members and seek steer on proposals which are supported, those which require more detail and those which are rejected.
P&R	12 November	Consider draft budget data and any proposals (including regarding public consultation) at this stage and follow up of issues from Members' Briefing.
Council	3 December	Consider draft budget data and any proposals (including regarding public consultation) at this stage and follow up of issues from Members' Briefing.
Public Consultation	7 December – 12 January	
Policy & Resources	4 February	Budget and Council Tax proposals agreed for submission to Council

Council	18 February	Formal budget and council tax setting
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Impact of COVID-19

- 6.10 In 2020-21, the Council has received £716k as a contribution to the costs arising directly from the impact of the Coronavirus pandemic. As at 31 July 2002, costs of £667k had already been incurred and it is therefore likely that the income provided will not be enough, unless it is increased. There will therefore be a net cost to the Council. The Council has already set aside £270k to contribute to these costs: £20k from the grants budget and £250k from reserves.
- 6.11 At this stage we do not know for certain what that cost will be. Our July return to MHCLG shows this could be £2.9m in total and therefore – after using the £270k already agreed and the £716k of government funding – a £1.9m net cost to RDC, as reflected in the Q1 Monitoring Report. This includes Council Tax and NNDR costs of £1.1m.
- 6.12 The costs we are incurring are described below, and include lost income.

Housing - including Homelessness	160,000
Leisure	50,000
Environmental Services	194,945
Finance and Corporate Costs	60,257
Lost investment income	100,000
Capital costs	163,050
Other staffing	256,356
PPE	28,000
Support to Businesses	80,000
Savings not achieved	25,327
Community work/shielding	20,000
Reopening High Streets safely	49,266
Council Tax Court Costs	43,323
Other costs	22,730
Council Tax income lost	443,279
NNDR income lost	656,468
Car Park income	359,015
Planning Application Fees	58,156
Rental income	30,000
Pest Control income	8,922
Waste Collection income	35,526
Market income	22,498
Other income	16,385

2,883,503

6.13 Central government will also make available a scheme to “compensate councils for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services, in the financial year 2020-21”. This means that where the Council has budgeted for something as income (sales, fees and charges), and has suffered losses to that income, then compensation will be payable. Authorities will have to absorb the initial 5% of losses (the 5% deductible), with central government compensating 75% of losses above this threshold. Any recovered income would therefore contribute to the gap above.

6.14 **It is stressed that this is a moving position and based on a number of assumptions of what might happen between now and the end of the financial year,** but the excess amount can be covered by reserves in the current financial year. The Q1 report notes that the Council should consider setting aside an appropriate amount from reserves to cover this.

6.15 A summary of available reserves is shown below.

	31.03.20
	£000s
General Reserve	3,981
Capital Fund	5,547
Collection Fund Equalisation Reserve	996
New Homes Bonus Reserve	2,760
Strategic Reserve	2,527
Election Reserve	-23
	<u>15,788</u>

6.15 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.

6.16 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.

6.17 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.

6.18 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 2020/21 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.

- 6.19 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. Added to this will be the requirement to fund COVID-19 costs not reimbursed by central government.
- 6.20 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.
- 6.21 Whilst the impact in 2020-21 of COVID-19 will be covered by reserves, the Financial Strategy needs to take account of the ongoing revenue impact in future years. Even without any further increase in cases and potential lock-down of at least some areas of the economy, it is likely that there will be a financial hangover from the pandemic's impact so far.

Areas requiring further work

- 6.22 The following areas have been highlighted where further work is required and this will be undertaken and feed into the process and timescales outlined in this paper. This is of course in addition to the normal budget preparation work required
- Impact of COVID on costs and income
 - Commercial Strategy and assumptions already in budget
 - Staffing Capacity. Additional funding was made in 2019-20 and 2020-21 to build capacity in key performance areas and this will be reviewed
 - Potential impact of any post-Brexit deal with the EU, including impact on workforce
 - Capital Strategy and Plan

Local Government Review and Devolution

- 6.23 At this stage, work will continue assuming that Ryedale District Council will continue in its current form. This may change in due course

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
Financial implications are explained throughout this report
 - b) Legal
There are no legal implications regarding this report.

c) Other

None to report, although in any report to Committee and Council, it will be noted that any proposals which may impact on Equalities, Staffing, Planning, Health & Safety, Climate Change, Environmental, Crime & Disorder will be assessed as part of the budget process.

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Background Papers: