

RYEDALE DISTRICT COUNCIL FINANCIAL STRATEGY 2021-25

**RYEDALE
DISTRICT
COUNCIL**



FINANCIAL STRATEGY

2021-25

FINANCIAL STRATEGY

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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 2021/22 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 2022/23.
- 1.4 This approach reflects the limited funding settlement from central government – as announced in December 2020. It makes no assumptions at this stage about local government review.
- 1.5 The Strategy covers four years, from 2021 to 2025.
- 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 devolution and local government review.
- 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 at this stage other than Finance lease arrangements. This will be kept under review to ensure optimum Financing arrangements are put in place as capital plans progress.
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 There were two emergency cuts in Bank Rate from 0.75% to 0.25% and then to 0.10% as a result of the coronavirus outbreak in March 2020. In the latest forecasts received from Link (the Council's treasury management advisors) rates are expected to remain at 0.1% through to 2023. However these assumptions are based upon significant uncertainties around a Brexit outcome and the ongoing impact from COVID-19 and will be closely watched.
- 3.2 The approved strategy already included a cap on investment income of £200k to protect the general fund from over reliance on treasury returns during uncertain times resulting from Brexit. However, the increased turmoil in the financial markets due to COVID-19 and resulting rates forecasts suggest that returns on cash balances will remain below this level for the foreseeable future and will be included as an on-going budget pressure.

| Investment Income | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--------------------------|----------------|----------------|----------------|----------------|
| Average rate % | 0.56% | 0.25% | 0.25% | 0.25% |
| Interest £000's | 140 | 50 | 75 | 100 |

- 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 for 2021/22 onwards 2% will be assumed.
- 3.5 As at August 2020 CPI inflation was running at 0.5%. However, it remains to be seen how the UK's exit from the European Union and the ongoing impact of COVID will reflect on the outlook for the economy and inflation. The Monetary Policy Committee sets policies to meet the 2% CPI target and expects rates to rise over the next two years although the effects of COVID and Brexit mean on-going uncertainty. The MTFS assumptions on inflation therefore range from 1.5% to 3.5%, although inflation will only be provided on contractual budgets, staff pay and income.

Settlement Funding

- 3.6 This element of funding has seen the most significant changes in recent years following the localisation of Business Rates and Council Tax Support.
- 3.7 In October, HM Treasury confirmed that it will conduct a one-year Spending Review in November. The current assumptions in this paper include details from the provisional settlement announced in December, which is broadly similar to that of the current year, along with some specific measures around supporting Covid-19 income and cost pressures. This of course could still change with the final settlement announcement, and assumptions will be amended in such circumstances.

Business Rates Retention

- 3.8 The Council was part of a successful bid for 2019-20, which included councils in West Yorkshire as well as our colleagues in the North Yorkshire pool and the City of York. This will not continue into 2021/22, in agreement with the other local authorities in the pool. In these times of uncertainty, the risks in this approach outweigh the small potential benefits.

New Homes Bonus

- 3.9 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).
- 3.10 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 2020/21 £835k was received.
- 3.11 New Homes Bonus funding is only currently 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, NHB did continue in 2020/21 and our previous Financial Strategy currently assumed that this would phase out over the next two years with £475k estimated for 2021/22 and £275k for 2022/23. Figures expected for future years are now £619k in 2021/22 and £157k the following year
- 3.12 The use of this funding in recent years is shown in the table below. The revised Financial Strategy assumes that all of the grant will now be used to support additional spend in the budget on areas such as economic development and housing. This was highlighted in previous versions of the Strategy.

| Year | NHB £000 | Revenue Support £000 | Capital Support £000 | Balance £000 ¹ |
|----------------------|----------|----------------------|----------------------|---------------------------|
| 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 (received) | 861 | 0 | 188 | 673 |
| 2020/21 (due) | 835 | 121 | 0 | 714 |
| 2021/22 (estimate) | 619 | 619 | 0 | 0 |
| 2022/23 (estimate) | 157 | 157 | 0 | 0 |

¹ Allocated to NHB Reserve

Special and Specific Grants

3.13 As part of the Settlement, the government has introduced some additional grants for 2021/22. These are set out below and included in the overall figures in section 7.

- Lower Tier Services Grant (£70k). This is our share of a new un-ringfenced funding of £111m to English councils with responsibility for services such as homelessness, planning, recycling and refuse collection and leisure services. The grant contains a one-off minimum funding floor, so that no council – either upper or lower tier – will have less funding available in 2021-22 than this year.
- Local Council Tax Support Grant (£75k)
- Local Tax Income Guarantee (£127k next year). This is to help compensate councils for lost council tax and business rates income and helps to offset the losses over three years.
- COVID-19 Support Grant (£260k)
- Section 31 Multiplier Cap Compensation (£84k)

3.14 The expected negative RSG (£120k) has not deducted and the draft settlement has also confirmed the continuation of Rural Services Delivery Grant.

3.15 The impact of the settlement, can therefore be summarised as below (all figures are £000s):

Change to original Grant Assumptions

| | |
|--|-----|
| Settlement Funding - Revenue Support Grant | 120 |
| Lower Tier Services Grant | 70 |
| Local Council Tax Support Grant | 75 |
| RSDG | 572 |
| NHB | 144 |
| | 981 |
| | 981 |

Additional COVID Funding

| | |
|-----------------------------|-----|
| Covid-19 Support Grant | 260 |
| Tax Income Guarantee Scheme | 127 |
| | 387 |
| | 387 |

Pensions

3.16 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.

- 3.17 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 period 2020-23. As agreed last year, the Strategy assumes that this headroom will be held in reserve to assist any negative of the next valuation in future years

Debt Charges

- 3.18 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).
- 3.19 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.
- 3.20 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, it is anticipated that MRP changes will be reviewed as the Housing Programme progresses, in line with any internal borrowing used to fund scheme costs.
- 3.21 The Council has resolved to fund the current capital programme through the use of grant funding and reserve balances, (with the exception of Finance Leases), 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 included a number of income targets over the next few years and these have been revised due to the impact of the pandemic.

5. Council Tax

- 5.1 The Council Tax Base in 2020/21 is 22,062 and the Strategy previously estimated 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. However the impact of the pandemic has resulted in a decrease in the base for 2021/22 to 21,801. Although we have resumed a 1% increase for future years, this has caused a financial impact of future years
- 5.2 In 2021/22 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.
- 5.3 In February 2020, Council agreed an increase of £5 and this is included again for future years.
- 5.4 The impact of not increasing Council Tax would add a further £109k to the gap to be funded from reserves – and this would continue for each year after that.

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 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.
- 6.5 It has been assumed in the past 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 2021/22, subject to approval, specific amounts will be set aside for the following:
- one-off COVID costs (£787k, as set out below)
 - potential costs of Brexit (£50k)
 - capital funding (section 9 below)
 - support for the revenue budget
- 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 2020 reserve balances were £15.8m revenue and £456k capital receipts.
- 6.8 A current list of reserves and balances is shown in the table below. The Council's revenue reserves increased from £12.8m in March 2018 to £14.9m in March 2019 and then to £15.8m in March 2020. These are expected to fall to £13.8m by the end of the current financial year, partially as a result of funding the 2020/21 overspend resulting from COVID costs. This reduction is expected to continue in future years, as set out in Appendix 2 of the Strategy.

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6.9 At its meeting on 10 December 2020 (adjourned from 3 December), Council asked officers prepare a report on a £500k investment into a credit union. Work has begun on this and discussions are taking place with existing unions to look at the possibilities of this and a full report, including business case showing impact on revenue budget, will be brought back to members as soon as this is done and before any final decisions are taken to proceed. In the meantime however, Appendix 2 of this Strategy notes the potential use of £500k of reserves next year to fund this.

6.10 Over the next financial year, including funding to cover the expected budget shortfall and additional COVID costs, as well as use of £500k as above for a credit union, and assuming approval of significant allocation of capital funds (outlined in section 9 below), revenue reserves would then reduce to approximately £8.4m, or £7.9m if approval to fund the Credit Union is given:

| £000s | 31.03.20 | | | | 31.03.21 | | | 31.03.22 |
|--------------------------------------|----------|---------|-----|--------|----------|---------|-------|----------|
| | | In-year | NHB | COVID | | In-year | COVID | |
| General Reserve | 3,981 | 0 | 0 | | 3,981 | 0 | -787 | 3,194 |
| Capital Fund | 5,547 | -1,688 | 0 | | 3,859 | -4,456 | | -597 |
| Collection Fund Equalisation Reserve | 996 | 39 | 0 | | 1,035 | -600 | | 435 |
| Election Reserve | -23 | 30 | 0 | | 7 | 30 | | 37 |
| New Homes Bonus Reserve | 2,760 | 0 | 714 | | 3,474 | 0 | | 3,474 |
| Pensions Reserve (new) | 0 | 81 | 0 | | 81 | 225 | | 306 |
| Strategic Reserve | 2,527 | -26 | 0 | -1,084 | 1,417 | -338 | | 1,079 |
| | 15,788 | -1,564 | 714 | -1,084 | 13,854 | -5,139 | -787 | 7,927 |
| Capital Reserves: | | | | | | | | |
| Capital Receipts | 456 | | | | 456 | | | 456 |
| Total Capital Reserves | 456 | 0 | 0 | 0 | 456 | 0 | 0 | 456 |
| Total Reserves | 16,244 | -1,564 | 714 | -1,084 | 14,310 | -5,139 | -787 | 8,383 |

6.11 Further details on reserves are set out in below in section 8.

7. Budget Outlook 2021/22 – 2024/25

- 7.1 The 2019/20 budget was the first in a number of years where a large underspend or contingency was not set as part of the overall revenue budget and this continued in 2020/21. This means that the Council has gone from a £2.1m underspend in 2017/18 and £1.4m underspend in 2018/19, to a small surplus of £31k 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 However, the costs on the Council of COVID have had a significant and detrimental effect on the budget.
- 7.3 The Q3 position to be reported to members in £0.834m after COVID costs and income are taken into account.
- 7.4 Central government has also made 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.
- 7.5 Work continues to identify as best as we can the ongoing impact of Covid and other significant policy changes including EU transition and potential local government reform on the revenue budget in future years. This includes:
- a) Business Rates income reduction
 - b) Council Tax income reduction
 - c) Other lost income
 - d) Additional staffing costs to enable the delivery of new services and functions legislated by Government, increased workload as a result of a growth in service demand for existing services (e.g. benefits) and /or requirements around Covid-secure compliance, which includes social distancing. At the same time we will take account of any cost increases and reductions that are arising through revised working arrangements.
- 7.6 In general, it is assumed that on average costs will increase in line with inflation.
- Employee Costs
- 7.7 The single largest cost to the Council is its employees. In 2020/21 the Council’s payroll budget is around £7.5m. The budget also includes provision to cover costs for the second year of the implementation of the new pay structure.
- 7.8 Salary budgets are set at mid-point of scale with no vacancy factor.
- 7.9 The budget includes costs to other organisations – such as NYCC – which replace direct staffing costs. Estimated costs in 2021/22 are shown below. It should be noted that in most cases these are not additional costs, however

additional funding is included for finance, Health & Safety and Human Resources.

| Service | Organisation | Budget £000s |
|----------------------|---|-----------------|
| Finance Resource | NYCC | 206 |
| Legal Resource | NYCC | 117 |
| HR Resource | NYCC | 104 |
| Employment Support | NYCC | 39 |
| Resourcing Solutions | NYCC | 31 |
| Health & Wellbeing | NYCC | 16 |
| Collection Fund | NYCC | 5 |
| Cleaning Services | NYCC | 54 |
| Procurement | NYCC | 77 |
| Safeguarding | SBC | 4 |
| Housing | The York, North Yorkshire & East Riding Strategic Housing Partnership | 12 |
| Health & Safety | NYCC | 47 |

Budget Gap

- 7.10 The Financial Strategy agreed by Council in February 2020 noted that while the 2020/21 budget balanced, there remained future funding gaps as below:

| | |
|----------|---------|
| 2020/21: | £0 |
| 2021/22: | £488k |
| 2022/23: | £465k |
| 2023/24: | £1,040k |

- 7.11 The following paragraphs set out the changes required to the budget from that position.

Continuity Budget Adjustments

- 7.12 These are adjustments required to ensure that staffing and budgets already agreed match requirements and to ensure that managers are able to monitor their budgets properly. This includes inflation, as highlighted above, other grading issues related to the new pay structure, structure changes and other budget corrections where necessary. These are shown below (all figures are £000s) and are in addition to the £197k identified last year:

| | |
|---|-----|
| Inflation and increments | 153 |
| Other Budget adjustments (including pay policy) | 194 |
| HR and organisational development | 73 |
| Streetscene Mechanic | 28 |

| | |
|--|------------|
| Additional Waste & Recycling Officer 0.4 FTE | 13 |
| Waste Transfer Station | 76 |
| | <u>537</u> |

Investment in Capacity

- 7.13 In addition to increased costs arising from the ongoing impact of the pandemic which are set out below, the budget also includes proposals to increase capacity.
- 7.14 Additional Health and Safety costs to meet legislative requirements at the depot (£10k) are required. Following the implementation of the Council's new health and safety policy and increased monitoring of compliance, there is a need to invest in additional measures at the depot, one of our highest risk functions.
- 7.15 Transformation of Waste and Recycling Services. This area of the Council overspent its budgeted provision in 2020/21, resulting in a full-scale review of current operations and the actions and investment required to ensure that it operates to its optimum. This funding will enable identified actions to be progressed, enabling use of resources to be maximised in the future.
- 7.16 Car Park Action Plan (£20k) - If the Council decides to endorse a new approach to car parking provision, this budget is required. Without it, it will not be possible to progress implementation of the key measures that will aide economic recovery of town centres post-Covid and support the Council to achieve an increased income stream in the longer term.
- 7.17 The Head of Paid Service commissioned senior managers to work with their teams to identify areas where it is considered that further investment is required given the current pressures on capacity due to increased service demands and the need to deliver against the Council Plan as well as COVID-related responsibilities. Those identified in relation to business as usual/Council Plan delivery capacity included supporting performance management, data intelligence and potential for further work as a result of LGR. Initial estimates suggest this would be a further £200k but at this stage, such costs have not been allocated in the budget. Any further allocations will be subject to business cases coming forward at a future date to members.
- 7.18 A summary of the proposals in the budget is shown below

| | |
|------------------------------------|------------|
| Additional Health and Safety costs | 10 |
| Transformation of Streetscene | 114 |
| Planning | 64 |
| Enforcement | 6 |
| External Audit Fees | 5 |
| Insurance Premiums | 19 |
| Car Park Action Plan | 20 |
| | <u>237</u> |

Savings

- 7.19 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.

| | |
|--|--------------------|
| Efficiencies identified 2020/21 Budget Round | -346 |
| Housing Benefit Subsidy – Admin | -2 |
| Licensing Income | -6 |
| Travellers Site – Malton | -1 |
| Railway Tavern Accommodation | -3 |
| Ryedale House Income | -9 |
| Streetscene Vehicle Leases | -9 |
| Total Savings | <u><u>-377</u></u> |

Fees, Charges and Income Generation

- 7.20 Fees and charges have generally been increased in line with inflation, up to 4%, however there are some specific service areas that are exceptions to this:
- Pest Control: it is anticipated that charges will be increased at a higher level to ensure the service is not subsidised
 - Green Waste, which will remain frozen at the 2017/18 level of £38 per licence
 - Catering at Ryedale House. Additional targets were included in last year's budget for the service to break even and these remain in the proposals

One-off Maintenance Costs

- 7.21 The budget also includes provision for one-off maintenance costs (£55k, to be funded from reserves) for the following:
- Milton Rooms flat roof works : £25k
 - Churchyard wall in Slingsby: £30k

Potential Additional Costs arising from COVID

- 7.22 As stated above, the impact of COVID is causing immense pressures on the budget.

- 7.23 The budget includes a proposal to set aside £787k from reserves as a one-off amount to cover these costs between April and October 2021 should they arise, but also to note that a review of this will be required before the mid-point of the financial year and that further funds may be necessary should the financial impact of the epidemic continue beyond October 2021.
- 7.24 The list below sets out expected areas of spend and also estimates should some of these pressures last into the next financial year. The headings below do not constitute a “target” for spending but are in many cases a contingency to cover these costs. In some cases, e.g. Customer Service advisors, contingency is set aside, subject to review and final decision. for continuation of support for 6 months as service demands have increased as a result of COVID and job losses in the community, This in turn has had an impact of more demand in the Council. However these contingencies will be reviewed during the year and may need to be increased. This list currently shows what we are aware of and of course may change further in future months.
- 7.25 This 6 month contingency is therefore the case for most of the headings below. Should all of these resources be required for the full financial year, a request to draw down at least a further £300k may be required.
- 7.26 It is of course possible that should the impact of the pandemic last well into 2021/22, that central government will provide more funding. The council will also be able to claim against some costs for which the county council is funded and discussions are ongoing in respect of these. However at this stage, any income above the £260k notified by the government has not been included. Should this increase, the call on reserves will reduce. For comparison purposes, the amount of funding provided by central government in the current financial year is approximately £1m (at time of writing).
- 7.27 The Chief Executive and senior management team has also requested funding to support staff and the community following the impact on the mental health and wellbeing of these groups. The funding would be used for additional support measures in response to the findings of the staff survey and other measures identified by Community connects, including significant concern about people who need help to cope with the impact the past year has had on them. This includes the severe impact on young people as well as supporting families in distress as highlighted in discussions with members and also potential sustainability issues for voluntary and community groups. Once further proposals on these are developed, additional funds would be requested from members to support this in the new financial year. Initial estimates suggest this could be at least another £250k, but this is not included in the budget proposed at this stage.
- 7.28 Further contingency is also required to implement and co-ordinate arrangements such as the severe increase in bureaucratic burdens on the council with respect to government returns and also putting in place new support schemes, and this is included in the budget.
- 7.29 The budget also includes a 50% increase in grants for the voluntary and community sector (by £25k).

All figures below are £000s

| | |
|--------------------------------|-----|
| Stand-by payments | 25 |
| Reduction in investment income | 150 |

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|--|-------------------|
| Additional Vehicle Hire (Streetscene) | 23 |
| Loss of car park income | 155 |
| loss of catering income | 10 |
| Additional finance resources | 50 |
| Loss of Ryecare Income | 8 |
| Procurement savings not achieved | 50 |
| Streetscene (reduction of income, offset by reduction in diesel, etc) | 73 |
| Customer Services Staff | 90 |
| COVID Grant Revenue Officers | 25 |
| COVID Marshall | 12 |
| Online meetings | 25 |
| Covid-secure workplace adjustments including PPE | 45 |
| Support for Vol and Community sector including additional community grant allocation | 25 |
| COVID implementation and coordination arrangements | <u>22</u> |
| | <u><u>787</u></u> |

7.30 Changes to funding have also caused some budget pressures as below (£316k – all COVID related)

- £144k – reduced council tax
- £172k – reduced business rates

7.31 Finally, as reported above at 3.15 , there have been some new grants (total of £981k) and COVID support (387k) which will help to offset these pressures.

7.32 In summary, the final budget position as set out in section 8 shows a movement from an expected £490k gap to one of £178k, plus a further one-off funding from reserves to cover COVID £787k (7.29) and £55k for one-off maintenance costs (7.21).

| | | |
|------------------------------------|------|------|
| Original Gap | 488 | |
| Plus COVID-related loss of funding | 316 | 7.30 |
| less COVID funding | -387 | 3.15 |
| Budget adjustments new | 537 | 7.12 |
| Capacity and Transformation | 237 | 7.18 |
| less other funding | -981 | 3.15 |
| New savings | -31 | 7.19 |
| Revised Gap | 178 | |

8. Revenue Summary

- 8.1 Appendix 5 sets out the proposed revised budget forecast.
- 8.2 This shows that in 2021/22, the budget will balance with use of reserves, but – based on the assumptions in this paper – there are still shortfalls in future years which will have to be found with further savings.
- 8.3 It should be highlighted that if all of the proposals in this paper are accepted, including the use of reserves for revenue and capital, and if no further action is taken, then there remain budget gaps in future years which will push reserves towards the minimum recommended level of £1m by March 2025.
- 8.4 The use of reserves in this paper includes:
- Contribution to revenue budget: £178k
 - One-off COVID contingency (£787k)
 - Capital Programmes (£4.5m in 2021/22 plus a further £1.7m in 2022/23)
- 8.5 The statement on reserves also notes the potential impact of funding a credit union.
- 8.6 The 2021/22 budget assumes a Council Tax increase of £5. Any decision to implement a rate below this will be an additional call on reserves which will be recurring in future years.

9. Capital Programme

- 9.1 The Capital Programme is set out in Appendix 6 and includes the following proposals, some of which are subject to separate reports being presented to Policy and Resources Committee on 4 February 2021. For the purposes of this strategy, it is assumed that these reports will be approved and that funding will be required in the capital programme.
- 9.2 The following additions have therefore been made:
- Car Park Action Plan: £50k per annum for three years, subject to approval
 - Industrial Units: up to £2.3m, subject to approval
 - Milton Rooms: £193k Grant towards building works, subject to approval
 - Ryedale House: £55k - Covid-safe Adjustments, subject to approvals for capital works
 - Malton and Norton Infrastructure: £350k agreed by Council December 2020
- 9.3 A proposal to extend the programme delivery of affordable housing was approved by Council in December. The Capital Programme includes revised

costs for this – showing overall costs expected of £4.4m, with funding of £2.8m. This leave a balance to be found from council resources of £1.6m.

- 9.4 Given the prospect of Local Government Review and the operational challenges associated with the on-going response to Covid-19, the prospect of investment the Public Services Hub has become less likely and therefore the funding previously set aside for this is no longer included for this purpose.
- 9.5 All new schemes are reviewed against the Council priorities and a detailed assessment of deliverability is undertaken prior to consideration by Council. This methodology is 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.
- 9.6 The Council is committed to seeking out innovative partnership and funding opportunities in order to deliver the capital strategy and achieve best value.
- 9.7 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.
- 9.8 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.
- 9.9 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.
- 9.10 The revenue implications of funding the capital programme will be built into the medium-term financial forecasts.

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 specific risk arising from COVID has been added and is both in respect of:
- additional costs incurred by the Council
 - lack of concentration on other strategic financial issues as a result of dealing with the pandemic
- 10.4 Brexit remains a risk as it still unclear what medium-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
- 10.5 The key risks identified for 2021/22 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

RDC FINANCIAL STRATEGY ANNEX 1

| Issue/Risk | Consequences if allowed to happen | Likelihood | Impact | Mitigation | Mitigated Likelihood | Mitigated Impact |
|--|---|-------------|--------|---|----------------------|------------------|
| Financial Impact of COVID and inability to manage finances, including lack of work on key strategic issues while we deal with the pandemic | Additional cost to budget | Very Likely | Major | Additional finance staff Monthly monitoring of COVID costs and continuous lobbying of central government. Transparency of costs reported to members. Funding from reserves used to offset the additional cost. | Very Likely | Major-Medium |
| 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 – <u>where not as a result of COVID</u> | 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 |

RDC FINANCIAL STRATEGY ANNEX 1

| | | | | | | |
|---|---|-------------|-------|---|------------|--------|
| 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 |
| Budget does not reflect corporate priorities | Council fails to achieve Corporate 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 |

RDC FINANCIAL STRATEGY ANNEX 1

| | | | | | | |
|---|---|--------|-------|--|------------|--------|
| proper consideration/consultation | impact on Corporate and Community Plan. Adverse external inspection | | | timetable. Regular updates to Members. Effective ongoing consultation processes. Ensure financial capacity in the council | | |
| 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. Pay Policy

- 11.1 The Localism Act 2011 requires that the authority produce a policy statement that covers a number of matters concerning the pay of the authority's staff, principally Chief Officers. The Pay Policy for 2021/22 is incorporated within this Financial Strategy at Appendix A.

12. Conclusion

- 12.1 This Financial Strategy sets out a range of proposals regarding the future management of resources and delivery of priorities.
- 12.2 The Strategy is underpinned by ten key Objectives, which are set out within section 2.
- 12.3 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.
- 12.4 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.
- 12.5 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

**RYEDALE
DISTRICT
COUNCIL**



Pay Policy Statement 2020-2021

Document Control Sheet

| | |
|-----------------------------------|-----------------------------|
| Reference Number | HRPPS2021 |
| Version Number | 01 |
| Document Author | Senior HR Business Partner |
| Lead SMB Member | Head of HR |
| Ratifying Committee | Policy & Resources, Council |
| Date Ratified | March 2021 |
| Date Policy Effective From | March 2021 |
| Next Review Date | March 2022 |

1. Introduction and Purpose

Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011 and should be read in conjunction with the Ryedale District Council Pay Policy. The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees by identifying:

- the methods by which salaries of all employees are determined
- the detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation
- the Committees responsible for ensuring the provisions set out in this statement are applied consistently throughout the council and recommending any amendments to the full council.

This policy statement has been approved by the Council and is effective from 1 April 2020. It will be subject to review annually and in accordance with new or proposed legislation to ensure that it remains relevant and effective.

2. Accountability and Decision Making

In accordance with the constitution of the Council, Full Council is responsible for the confirmation of the appointment of Head of Paid Service, a committee or sub-committee of the Council will appoint Chief Officers and appointment of officers below Chief Officers is the responsibility of the Head of Paid Service.

The Policy and Resources Committee is responsible for ratifying/making recommendations to Council on all Council policies, this includes recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

3. Other Employment-Related Arrangements

The Council’s policy and procedures with regard to recruitment of chief officers is set out within the Officer Employment Procedure Rules as set out in Section 8 of the Constitution.

4. Approval of Salary Packages in Excess of £100k.

The Council will ensure that, prior to an offer being made, any salary package for any post that is in excess of £100k will be considered by Full Council. The salary package will be defined as base salary, fees, routinely payable allowances and benefits in kind that are due under the contract.

5. Definition of Chief Officers

For the purposes of the Localism Act 2011 and this statement, the term “chief officers” is defined by Section 2 of the Local Government and Housing Act 1989. A ‘non-statutory chief officer’ is defined as:

- a person for whom the head of the authority’s paid service is directly responsible
- a person who, as respects all or most of the duties of their post, is required to report directly or is directly accountable to the head of the authority’s paid service; and

- any person who, as respects all or most of the duties of their post, is required to report directly or is directly accountable to the local authority themselves or any committee or sub-committee of the authority; but excludes any person whose duties are solely secretarial or clerical or are otherwise in the nature of support services.
- A 'deputy chief officer' is defined as a person who, as respects all or most of the duties of their post, is required to report directly or is directly accountable to one or more of the statutory or non-statutory chief officers. This definition is subject to the same exclusion concerning administrative and support staff.

The following roles are identified as Chief Officers (statutory and non-statutory) and Deputy Chief Officers (collectively referred to as Chief Officers) for the purpose of this policy:

- Head of the Paid Service (Chief Executive Officer)
- Deputy Chief Executive Officer

6. Remuneration of Chief Officers and other Senior Officers

The Chief Executive is paid a spot salary as is the Deputy Chief Executive (vacant):

| | | |
|--------------------------------|-------------|----------|
| Chief Executive Officer | Spot salary | £109,943 |
| Deputy Chief Executive Officer | Spot salary | Vacant |

The Programme Director is paid a spot salary. Other Senior Officers are paid on the NJC pay scale at Grades 11- 12 (locally agreed):

| Role | Grade | Salary Band |
|--|-------------|---|
| Head of Communications, Technology and Business Transformation | 12 | £53,597 - £61,413 Honoraria (£10,512) |
| Head of Customer and Community Services | 12 | £53,597 - £61,413 Honoraria (£10,512) |
| Head of Planning & Regulatory Services | 12 | £53,597 - £61,413 |
| Head of Waste & Environmental Services | 12 | £53,597 - £61,413 |
| Head of Corporate Governance (Monitoring Officer) | 11 | £51,198 - £53,597 Additional fees paid for Deputy Returning Officer activities |
| Programme Director for Economic Development, Business & Partnerships | Spot salary | £71,925 |

The following roles are fulfilled through a shared service agreement with North Yorkshire County Council (NYCC) on the NYCC grading structure, paid through NYCC payroll:

- Chief Finance Officer (S151)
- Head of HR

Chief Officers do not receive any performance-related pay or bonuses.

Additional Payments

Monitoring Officer: The Head of Corporate Governance has been designated as the Council's Monitoring Officer. No additional remuneration is payable for that designation.

Returning Officer: The Chief Executive has been appointed as the Council's Returning Officer. The role is a separate responsibility and is remunerated separately after each election in accordance with the appropriate election fees.

Deputy Returning Officer: The Head of Corporate Governance has been appointed as the Council's Deputy Returning Officer. The role is a separate responsibility and is remunerated separately after each election in accordance with the appropriate election fees.

Additional Payments: Chief Officers and other Senior Managers do not receive overtime, on-call or stand-by payments, and do not receive additional payment for attendance at evening meetings.

Honoraria: The Chief Executive, at their discretion, may make additional responsibility payments as required. Two Senior Officers are in receipt of honorarium payments in 2020-21 for acting up as stated above. This is due to the vacancy of the Deputy Chief Executive.

7. Lowest-Paid Employees, Minimum Wage and National Living Wage

Lowest-paid employees are employed on full time (37 hours) equivalent salaries in accordance with the minimum spinal column point currently in use with the Council's grading structure. As at 1 April 2020, this is £18,562 (£9.62 per hour). This is £1.42 more than the statutory minimum wage and £0.90 more than the National Minimum Wage

The statutory Minimum Wage for employees over 21 is £8.20 per hour; the statutory National Living Wage (NLW) for employees aged 25 is £8.72 per hour from 1 April 2020.

8. Pay Multiple

As described above the Council uses an established process of defining roles, determining job size and salary levels. This process determines the relationship between the rate of pay for the lowest paid and senior manager post, including chief officers, described as the pay multiple.

- The average median salary in the Council is £24,012.
- The current pay multiple between the lowest paid (full time equivalent) employee and the Chief Executive as 1:5.92 and;
- The multiple between the median (average) full time equivalent earnings and the Chief Executive is 1:4.58

This is currently within the limits recommended by The Hutton Review of Fair Pay in the Public Sector (2010) and will be monitored and recorded annually.