



PART B: RECOMMENDATIONS TO COUNCIL

REPORT TO: POLICY AND RESOURCES COMMITTEE

DATE: 4 FEBRUARY 2021

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

TITLE OF REPORT: RYEDALE'S FINANCIAL STRATEGY 2021-25

WARDS AFFECTED: ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The report sets out the budget for 2021/22, a proposed Council Tax level, the Financial Strategy, details of balances and reserves and the Pay Policy for 2021/22. **This report has been amended following discussions and recommendations agreed at the meeting of the Committee on 4 February 2021.**

2.0 RECOMMENDATIONS

- 2.1 That Council is recommended to agree the updated Financial Strategy and in particular:
- (i) To note the Section 25 assurance statement provided by the Chief Finance Officer (s151) regarding the robustness of the estimates and the adequacy of the reserves and the risk assessment detailed in Section 10 of the Strategy
 - (ii) To approve a revenue budget of Revenue Budget for 2021/22 of £9,600k, after use of Reserves which includes
 - a. (Savings/additional income totalling £377k (Financial Strategy Appendix 3)
 - b. Growth Pressures totalling £971k (Financial Strategy Appendix 4)
 - c. One-off contingency to support COVID costs amounting to £787k, funded from reserves
 - d. One-off maintenance costs of £55k funded from reserves
 - (iii) To approve a council tax charge of £200.73 for a Band D property (note that total Council Tax, including the County Council, Fire and Police is covered within the separate Council Tax setting report to Full Council). This would mean a further call on reserves of £109k to balance the budget.
 - (iv) to approve the special expenses amounting to £54,090
 - (v) to approve the revised Capital Programme (Appendix 6)

- (vi) to note the financial projection for 2020/21 – 2024/25
- (vii) to note that there may be a need to revisit the budget mid-year, in the light of changing circumstances such as potential continuing costs relating to COVID or other unquantifiable pressures, and that any future proposals will be brought forward on a case-by-case basis.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 To agree a balanced revenue budget for submission to Council for the financial year 2021/22 and prepare the Council to deliver the same in future years.

4.0 SIGNIFICANT RISKS

- 4.1 Section 10 of the Financial Strategy outlines the significant risks in the Council's finances and mitigating controls.

5.0 POLICY CONTEXT CONSULTATION

- 5.1 The Financial Strategy is a key strategy document that affects all service delivery. It links to the Corporate Plan and all other strategic plans as well as providing the means for attaining the Council's objectives and priorities.
- 5.2 The Policy and Resources Committee is the Committee designated to make recommendations to the Council relating to the budget and levels of Council Tax. Consequently, recommendations from this Committee will inform the Council and subsequently the Council Tax resolution.
- 5.3 Budget consultation with the public has taken place. A questionnaire was made available for residents to complete online via the Council website. There were 27 responses and a summary of the results of the consultation is attached as ANNEX B of this report.
- 5.4 Member consultation has taken place through the Member Briefings. Financial information leading up to the recommendations in this report has been shared with Members at these meetings and Members have indicated the need to ensure adequate contingency for COVID and other pressures. Further discussion will be held with members where additional funding is sought.

REPORT

6.0 BACKGROUND AND INTRODUCTION

- 6.1 The Financial Strategy sets out the Council's financial position in the medium term in detail, including issues around the Local Government Finance Settlement and efficiencies as well as the principles and procedures adopted by the Council to manage its finances to a high standard.
- 6.2 Council has previously received reports about the significant financial implications arising from the COVID-19 pandemic in 2020/21 and future years. The budget will overspend on 2020/21 as a result of this and the financial implications will continue into future years.
- 6.3 The Financial Strategy also contains the Commercial Strategy which was agreed last year 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.

- 6.4 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 are among a number of changes from last year in the proposed budget.

Budget and Council Tax for 2021/21

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

- General Inflation up to 4%.
- Pay Award – An average 2.65% pa pay award has been used (with higher increase for those on lower grades)
- Fees and charges have been increased in line with the budget strategy, by up to 4%, however there are some specific service areas to highlight the position for next years proposed pricing:
 - There has been no increase to the garden waste licence (£38 per licence – a price freeze since 2017/18)
 - Pest Control – as set out in the Strategy

- 6.6 The referendum limit for 2021/22 has been proposed at the higher of 2% or £5 as part of the Provisional Local Government Finance Settlement. In Ryedale's case £5 is the higher figure. Any freeze on Council Tax will reduce funding – and increase the gap – by £109k and this will be a permanent feature to the budget base.

- 6.7 The Government's Core Spending assessment assumes that Local Authorities will apply an inflationary increase to Council Tax throughout the life of the current Parliament.

Grant Settlement and specific grants

- 6.8 The Provisional Local Government Finance Settlement was announced on the 17 December 2020. The figures in this report use those as per the provisional settlement.

Retained Business Rates

- 6.9 Business Rates Income is estimated at £1.813m, with Rural Services Delivery Grant of £572k expected to be paid as a grant. As planned in previous years, funding set aside to assist the reduction in Business Rates is being used - £600k in 2020/21 and 2021/22, with the remaining £434k in the year after.

Council Tax Income

- 6.10 Council Tax income is estimated at £4.335m, plus £75k from the Council Tax Support Grant.

Growth Items

- 6.11 The position is detailed in Section 7 and Appendix 3 of the Financial Strategy.

Savings/Additional Income

- 6.12 Budget reviews show that budgets can be reduced by £377k in 2021/22 with no impact on service delivery. Details of these, including impact on future years, can be found in Appendix 4 of the Strategy.

New Homes Bonus

- 6.13 Figures for 2021/22 show a decrease in New Homes Bonus (NHB) from £835k in 2020/21 to £619k. The budget assumes that all of this grant will be used to support additional spend in the budget on areas such as economic development and housing.

Summary Revenue Budget Position

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

	2021/22	2022/23	2023/24	2024/25
Base Budget starting point	7,909	8,503	8,434	8,614
Pressures Identified - appendix 3	971	304	213	213
Savings Identified - appendix 4	-377	-372	-34	0
One-off base budget adjustments	842			
Net budget before contribution to/from reserves	9,345	8,434	8,614	8,827
Planned contributions to / (from Reserves)				
Contributions to fund future projects	30	30	30	30
Pension Fund Reserve	225	373	0	0
Drawdown from reserves to fund revenue projects	0	-120	0	0
NET Revenue Budget	9,600	8,717	8,644	8,857
Funding				
Business Rates	-1,813	-1,606	-1,641	-1,819
Rural Services Delivery Grant	-572	-572	-584	-595
Council Tax	-4,410	-4,487	-4,644	-4,846
New Homes Bonus	-619	-157	0	0
Other Grants	-457	-127	-127	0
Funding Available	-7,871	-6,950	-6,996	-7,260
Budget (Surplus) / Deficit	1,730	1,768	1,648	1,597
Transfer to / (from) BRER to support budget	-600	-434	0	0
Transfer to / (from) Reserves to fund COVID costs	-787	0	0	0
Transfer to / (from) Reserves to support budget	-342	0	0	0
Remaining budget (surplus) / Deficit	0	1,334	1,648	1,597

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

6.15 Members will note the financial projections to 2024/25 (Table 1 above and Appendix 5 in Annex A). Although the 2021/22 budget shows a break-even after use of reserves, there will be further savings requirements in future years, dependent on funding and other pressures.

Capital Programme

- 6.16 The Financial Strategy provides a detailed breakdown of the Council's Capital Programme (appendix 6) over the period 2020-25 totalling £12.6m. External funding of £4.6m is included, leaving a balance of £5.9m to be financed by the Council's funds and reserves, after the use of finance leases.
- 6.17 The Capital Programme no longer includes any further funds set aside for the Public Services Hub. These funds remain in the Capital Programme but are not earmarked for this purpose and this position could be reviewed subject to the outcome of, for example, Local Government Review.

Special Expenses

- 6.18 Having resolved the issue of ownership of the street lights it is no longer possible to transfer the management of street lighting as agreed in the budget strategy and therefore the Council will continue to undertake the management of street lighting in the areas of the former Malton and Norton Urban District Councils and Pickering Rural District Council. The special expenses are a specific charge to the residents of the Parishes concerned and are estimated as follows:-

<u>Town/Parish</u>	<u>£</u>
Malton	11,480
Norton	19,220
Pickering Rural	<u>23,390</u>
TOTAL SPECIAL EXPENSES	<u>54,090</u>

National Non-Domestic Rates (NNDR)- to check

- 6.19 For 2021/22 the NNDR multipliers are: a small business non-domestic rate multiplier of 49.9p and a non-domestic rate multiplier of 51.2p.

Funds & Reserves

- 6.20 As part of the budget setting process, it is necessary to give Members an indication of the levels of reserves and balances and comment thereon. Appendix 2 in the Financial Strategy sets out the projected major Funds and Reserve balances.
- 6.21 The Council's revenue budget for 2021/22 assumes a significant draw on reserves (£6m, subject to approval of various proposals) to support the revenue budget and capital programme. The Strategy also notes that further funding may be required to be drawn down from reserves should the financial impact of COVID go on beyond September 2021.

Local Government Review

- 6.22 The budget is prepared on the basis of continuity of the Council at this stage.

7.0 Local Government Act 2003 – Section 25 Report

- 7.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer) to report to the Authority when it is making the statutory calculations required to determine its Council tax or precept. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.
- 7.2 What is required is the professional advice of the Chief Finance Officer on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together. In particular, decisions on the

appropriate level of reserves should be guided by advice based on an assessment of all the circumstances considered likely to affect the Authority.

- 7.3 In each Local Authority the Chief Finance Officer alone must prepare the Section 25 report.
- 7.4 Section 25 requires the report to be made to the Authority when the decisions on the calculations are formally being made (i.e. Council). However, those decisions are the conclusion of a process involving consideration of the draft budget by various parts of the organisation. During this process appropriate information and advice has been given at the earlier stages on what would be required to enable a positive opinion to be given in the formal report.
- 7.5 Central Government guidance states that “*it should be possible to identify the sections of a composite report that are made under section 25, so that the Authority is able to discharge its duty to take account of the statutory report under section 25 (2).*” Therefore this report is set out below.

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

In setting the Revenue budget for 2021/22 I consider that the proposed budget is as realistic and robust as possible given the current challenging circumstances and that it takes into account all anticipated expenditure and income as currently known. After a highly unusual year, the report highlights that further costs could emerge due to the COVID pandemic and an indicative figure is highlighted should, for example, the costs currently anticipated for 6 months last throughout the financial year or should additional support be made by the council to staff and the wider community. Any such costs will have to come from reserves and will require further member approval.

The overall level of reserves is considered in detail within the Financial Strategy. I consider that the overall level of reserves is adequate for the 201/22 budget and for the early stages of the MTFs beyond. However this position will need to be constantly reviewed, especially if there are further requests to use reserves during next year and also noting the current expected gaps for the years after. Should corrective action not happen before then, and should funding expectations happen as expected, then Reserves and Balances could be exhausted by 2025.

Council tax increases ought not normally be set below the level of inflation and the proposed budget assumes a Council Tax freeze, following an approved amendment from the Policy and Resources Committee. Although the cost of this (£109k) is relatively small in the overall budget it does mean that this decision will produce a permanent pressure of this amount in all future years, effectively reducing the Council’s revenue raising potential permanently. By freezing the council tax in the coming year, the financial pressures that the council will face over the medium term will be increased, particularly regarding the lack of long-term visibility of future funding. However I accept that the decision on council tax is a matter of political judgement, having due regard to the professional advice of officers, and in particular to the advice of the s151 officer as regards the robustness of the whole budget and on reserves and balances.

It is noted that should local government reorganisation proceed then that is likely that the Council will want to reconsider the financial strategy and this may even necessitate a further Intermediate Budget later in 2021 for the Council to consider.

8.0 IMPLICATIONS

- 8.1 The following implications have been identified:

- a) Financial
Significant financial implications on the Council are detailed in the report and the Financial Strategy.
- b) Legal
There are no additional legal issues on the Council from the recommendations.
- c) Other
The proposals within the Financial Strategy do impact on the staffing resources of the Authority. Appropriate procedures and plans are in place to manage these issues including a process to bring forward further resource requests as appropriate on a case-by-case basis.

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

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Background Papers:

Report to Full Council 10 September 2020
Report to Policy and Resources 12 November 2020
Report to Full Council 3 December 2020