



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	23 SEPTEMBER 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 This report contains updates to the contents of the Financial Strategy and the proposed consultation with members of the public on next year's budget. The Strategy is shown as a medium term plan, although the Council is not expected to continue after April 2023. This approach provides the new unitary authority in North Yorkshire with an understanding of the pressures and opportunities facing Ryedale, and investments planned by members.

2.0 RECOMMENDATIONS

- 2.1 The Council is asked to note the content of Appendix 1 of this report which forms the basis of the Council's Financial Strategy
- 2.2 Members are also asked
- i. to consider and approve the proposed areas for consultation with the public as set out in Appendix 2 of this report
 - ii. to note that a full draft consultation will be presented to P&R Committee in November and to agree that P&R will determine the final consultation
 - iii. to agree the timetable as set out below, including the dates of the public consultation

3.0 REASON FOR RECOMMENDATIONS

- 3.1 To ensure proper process is in place to develop the Financial Strategy.

4.0 SIGNIFICANT RISKS

- 4.1 When presented to Council, the Financial Strategy and budget proposals for 2022-23 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 Appendix 1 sets out the content of RDC's Financial Strategy 2021-25, as agreed by Council in February 2021 and then updated again to include more recent and relevant information where available. The Strategy is effectively a live document which at certain points is agreed to ensure that budgets can be set.
- 6.2 On 21 July 2021, the government announced that the county, district and borough councils in North Yorkshire will be replaced by a new unitary council. It is expected that the new council will begin to operate on 1 April 2023. This therefore means that the 2022/23 budget for Ryedale District Council will be its last.
- 6.3 This clearly has implications for the period covered by the existing Financial Strategy and removes the need for a budget beyond next financial year. However the council is obligated to hand over its affairs to the new organisation in the best state it can and this means continuing to tackle known budgetary issues.
- 6.4 The financial implications of the LGR are not yet fully understood but there will continue updates to members as the next few months' progress. It is likely that locally agreed protocols on spending for all councils will be put in place to ensure that the new council is aware of financial issues that will impact on it. However the decision and other agreements do not affect the requirement on Ryedale District Council to set a legal budget for 2022/23 that addresses the Council's aims and objectives. It is also likely that all existing councils will be expected to contribute to the costs of the reorganisation.
- 6.5 A proposed timetable is set out below which notes additional communications with members over the next few months. That timetable is intended to be consistent with the need to continuously review and revise the Strategy as information emerges and is agreed by Members around funding, cost pressures and potential savings. The budget setting process culminates in final decisions being taken by members early in the new year.
- 6.6 The approach also contains a Commercial Strategy which was agreed last year as a key driver to deal with future financial pressures but which now also needs to reflect the changed circumstances
- 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 - October	Detailed budget requirements including savings, commitments, growth, strategic programmes.
P&R	23 September	Consideration of Financial Strategy and intended timescales
Council	7 October	Consideration of Financial Strategy and intended timescales
Members	October	Council Plan briefings
P&R	11 November	Updated Financial Strategy including any initial proposals and prioritisation, Q2 monitoring and agree Public Consultation.
Public Consultation	15 November – 13 December	
Council	2 December	Updated Financial Strategy including any initial proposals and

		prioritisation, Q2 monitoring and agree Public Consultation.
Members Briefing	December/January	Public Consultation results and other LGR finance issues – may be part of a general LGR briefing
Policy & Resources	3 February	Budget and Council Tax proposals agreed for submission to Council
Council	17 February	Formal budget and council tax setting

Public Consultation

- 6.10 Appendix 2 sets out a suggested list of areas for public consultation on the budget which will inform the decisions members will take in setting the budget. Members are asked to comment on this.
- 6.11 This feedback will be considered when drawing up the final consultation document. It is suggested that the consultation runs from Monday 15th November 2021 until Monday 13th December 2021, subject to agreement from P&R committee on 11 November.

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.

Anton Hodge Chief Finance Officer (s151)

Author: Anton Hodge
 Telephone No: 01653 600666 ext: 43385
 E-Mail Address: anton.hodge@ryedale.gov.uk

Background Papers:

Report to Full Council 10 September 2019
 Report to Full Council 18 February 2021

RYEDALE
DISTRICT
COUNCIL



FINANCIAL STRATEGY

2021-25

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 2021/22 – 2024/25
8. Revenue Summary
9. Capital Programme
10. Impact/Risk Assessment – to be completed in January 2022
11. Pay Policy – to be added as part of final Strategy
12. Conclusion – to be completed in January 2022

Appendices (will be added at relevant stages of process):

- 1: Pay Policy 2022/23
- 2: Reserves
- 3: Pressures
- 4: Savings
- 5: Summary
- 6: Capital
- 7: General Fund Summary – for council report
- 8: Details of Net Expenditure – for council report

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. This is normally over a four-year period and although the Council is likely to cease to exist after April 2023, this timescale continues to be reflected in the Strategy to provide information to the planning of the successor council.
- 1.4 This Strategy is a live document and as such will be updated as when further information becomes available – such as the expected financial settlement in December 2021.
- 1.5 Any costs arising from LGR are not yet known. Against this backdrop of uncertainty the key drivers for the financial strategy remain unchanged as the pressure on Local Government finance continues.
- 1.6 The Strategy currently covers four years, from 2021 to 2025.
- 1.7 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 to agree a budget for 2022/23.
- 1.8 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.
- 1.9 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.
11. Ensure that the successor authority in North Yorkshire is made aware of the overall financial picture of RDC including future financial risks and to work with other councils in line with any local protocols agreed on financial issues.

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	2021/22	2022/23	2023/24	2024/25
Average rate %	0.25%	0.25%	0.25%	
Interest £000's	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 2022/23 onwards 2% will be assumed.
- 3.5 As at July 2021 CPI inflation was running at 2.0%. However, it remains to be seen how the economic uncertainties and issues with supply chains caused by 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 As at September 2021, the figures in this paper use the assumptions as per the budget agreed by Council in February 2021. These will be updated as and when further information is made available.

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 has not continued into 2021/22, in agreement with the other local authorities in the pool.
- 3.9 As at September 2021, the figures in this paper use the assumptions as per the budget agreed by Council in February 2021. These will be updated as and when further information is made available.

New Homes Bonus

- 3.10 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).
- 3.11 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.
- 3.12 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
- 3.13 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 £000¹
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

3.14 As part of the Settlement, the government 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)

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

3.16 These grants are not at this stage expected to continue into 2022/23 and the figures in the Strategy reflect that assumption.

Pensions

3.17 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.

3.18 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

3.19 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).

- 3.20 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.
- 3.21 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.
- 3.22 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 Alongside this is a requirement to ensure that the Council provides the best value for money to the people of Ryedale.
- 4.3 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
- 4.4 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 2021/22 is 21,801 (a reduction from 22,062 the previous year) 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 just over £22k p.a. at the current Band D charge. The full 1% increase will provide £45k.
- 5.2 The Strategy assumes that in 2022/23 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 The impact of such an increase would be to provide a further £109k of funding.

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, specific amounts were set aside for the following:
- one-off COVID costs (£787k, as set out below)
 - potential costs of Brexit (£50k)
 - original capital budget (£4,456k; see section 9 below)
 - carried forward capital funding (£1,577k; section 9 below)
 - support for the revenue budget (£180k)
 - Livestock Market (£1,500k)
 - Credit Union (£500k)
 - Additional support for Milton rooms (£307k)
 - Community facilities in Pickering (£200k)
- 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 2021 reserve balances were £16.2m revenue and £456k capital receipts.

6.8 A current list of reserves and balances is shown in the table below. Excluding capital receipts, these would be expected to fall to £5.4m by the end of the current financial year, should planned use happens. This is a significant reduction and details are included below.

Original planned use of reserves 2021/22

£000s	31.03.21								31.03.22
		original use	capital c/fwd	credit union	original COVID	livestock market	Pickering	Milton Rooms	
General Reserve	3,981			-500	-787				2,694
Capital Fund	5,405	-4,456	-1,577			-1,500	-200	-307	-2,635
Election Reserve	7	30							37
New Homes Bonus Reserve	3,582	0							3,582
Collection Fund Equalisation Reserve	837	-600							237
Pensions Reserve	81	225							306
Council Tax Hardship	77	-77							0
COVID grants Reserve	99	-99							0
Strategic Reserve	2,133	-965							1,169
	16,204	-5,942	-1,577	-500	-787	-1,500	-200	-307	5,390
Capital Reserves:									
Capital Receipts	421								421
Total Capital Reserves	421	0							421
Total Reserves	16,625	-5,942	-1,577	-500	-787	-1,500	-200	-307	5,811

Planned use of reserves 2022-25

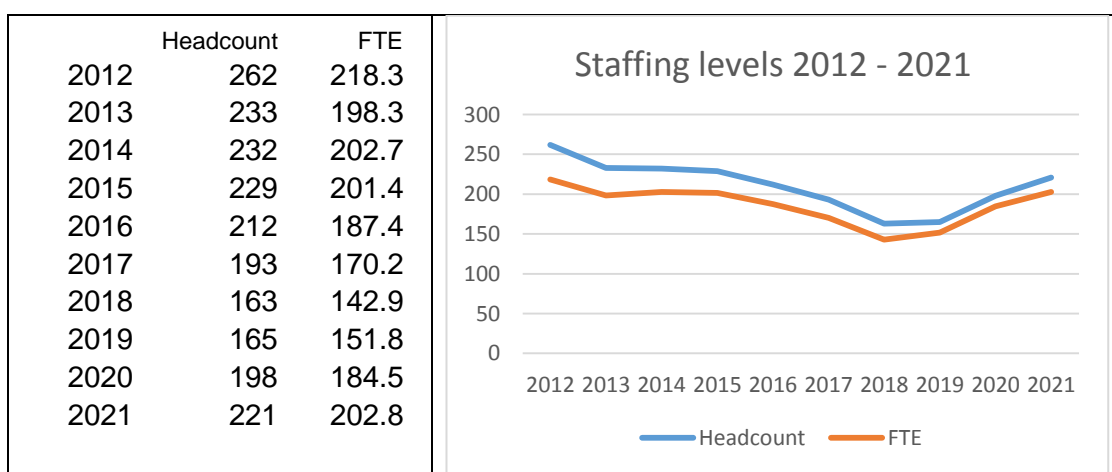
£000s	31.03.22	31.03.23		31.03.24		31.03.25	
		In-year		In-year		In-year	
General Reserve	2,694	0	2,694	0	2,694	1	2,695
Capital Fund	-2,635	-1,166	-3,800	-125	-3,925	-110	-4,035
Election Reserve	37	-90	-53	30	-23	30	7
New Homes Bonus Reserve	3,582	0	3,582	0	3,582	0	3,582
Collection Fund Equalisation	237	-237	0	0	0	0	0
Pensions Reserve	306	273	579	-579	0		0
Council Tax Hardship	0		0				
COVID grants Reserve	0		0				
Strategic Reserve	1,169	-1,226	-57	-1,539	-1,596	-1,487	-3,083
	5,390	-2,446	2,945	-2,213	732	-1,566	-834

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 in 2020/21 (and continuing into 2021/22), the costs on the Council of COVID have had a significant and detrimental effect on the revenue budget. The outturn position for 2020/21 was a deficit of £345k and this was largely due to COVID-related costs of £1.6m partially offset by government grants of £1.2m.
- 7.3 In 2021/22, the Council allocated £787k from reserves and at Q1 we reported that spending was on track for a balanced budget.
- 7.4 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:
- Business Rates income reduction
 - Council Tax income reduction
 - Other lost income
 - 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.
- 7.5 In general, it is assumed that on average costs will increase in line with inflation.

Employee Costs

- 7.6 The single largest cost to the Council is its employees. In 2021/22 the Council's budget for all employee costs is around £9.8m. Over the past few years staffing levels have returned to the levels of previous years, as shown below.



- 7.7 However some of the staffing is temporary and additional demands such as COVID, preparation for LGR and implementation of the Council Plan and other member priorities have added pressure to workloads and there is a risk that performance will dip unless some projects are discontinued. This issue will be picked up further below
- 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 2021 noted that while the 2021/22 budget balanced through use of reserves, there remained future funding gaps as below:

2021/22:	£0k
2022/23:	£1,226k
2023/24:	£1,539k
2024/25:	£1,487k

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

Pressures

- 7.12 Work will be undertaken over the next few weeks and months to determine the budget pressures which members are willing to recognise and agree as part of the budget. These will include

- Continuing Impact of COVID on costs and income

- Staffing capacity to ensure that the council plan and other priorities are delivered
- LGR transition costs

7.13 A number of one-off capacity issues were agreed in 2021/22 to support the council's management of COVID and these are currently not factored into the budget beyond September 2021. Some of these areas include staffing costs as highlighted in bold below.

	Budget £000
Stand-by payments	25
Reduction in investment income	150
Additional Vehicle Hire (Streetscene)	23
Loss of car park income	155
Loss of catering income	10
Additional finance resources	50
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 incl additional grant allocation	25
COVID implementation and coordination arrangements	22
	<u>787</u>

Savings

7.14 A number of savings were identified and built into the budget. The most significant is an expectation of savings on contracts delivered through improved procurement and management of contracts. In the current year, the target was £100k although £50k of this was offset due to COVID. The current target for 2022/23 is a further £200k, increasing the total to £300k, Work is currently being undertaken to ascertain whether this will be achieved in the current circumstances.

7.15 Other savings (excluding the transfer of pension charges as set out above in 3.18) are:

	£000s
Recycling - Green Waste	-13
Car Park Income	-15
Pest Control	<u>-5.73</u>
Total	<u><u>-33.73</u></u>

7.16 Similarly work will be undertaken to reassess these and reported back to members in November.

Fees, Charges and Income Generation

7.17 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, these have been frozen since 2017/18 at £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

8. Revenue Summary

8.1 This section of the Strategy sets out the revised budget forecast. This will continue to be revised over the following months.

8.2 At this stage (September 2021), the latest figures are, as below, those agreed by Council in February 2021.

	2021/22	2022/23	2023/24	2024/25
Base Budget - starting point	7,909	8,503	8,434	8,614
Pressures identified	971	304	213	213
Savings	-377	-372	-34	0
One off revenue budgets from reserves	842	0	0	0
	<u>9,345</u>	<u>8,434</u>	<u>8,614</u>	<u>8,827</u>

Planned Contributions to Reserves

Contributions from revenue account

Capital Fund

BR Collection Fund Equalisation Reserve

District Election	30	30	30	30
Strategic Reserve	0	0	0	0
Pensions Reserve	225	373	0	0
Transfer additional Council Tax to Strategic Reserve	0	0	0	0

Allocation of New Homes Bonus

To NHB reserve	0	0	0	0
Capital Fund	0	0	0	0

Planned Use of Reserves

BR Collection Fund Equalisation Reserve	-600	-434	0	0
One-off COVID Contingency	-787			
District Election		-120	0	0
Strategic Reserve	-55	0	0	0
Support to Revenue Budget	-180	0	0	0
	<u>7,978</u>	<u>8,283</u>	<u>8,644</u>	<u>8,857</u>

Funded By:

REVENUE FINANCING

Local Income

Council Tax	-4,483	-4,638	-4,795	-4,956
Council Tax Collection Fund (Surplus) / Deficit	42	43	43	0
Business rates retained growth	-200	0	0	0
Business rates pool dividend	0	0	0	0
Business rates renewable energy	-32	0	0	0
Business Rates Collection Fund (Surplus) / Deficit	142	142	142	0

Gov't Grants

Settlement Funding - Business Rates	-1,639	-1,663	-1,696	-1,730
S31 Grant - Multiplier Cap compensation	-84	-85	-87	-89
Revenue Support Grant	0	0	0	0
Lower Tier Services Grant	-70	0	0	0
Local Council Tax Support Grant	-75	0	0	0

	2021/22	2022/23	2023/24	2024/25
Covid -19 Support Grant	-260	0	0	0
Tax Income Guarantee Scheme	-127	-127	-127	
Rural Services Delivery Grant	-572	-572	-584	-595
New Homes Bonus	-619	-157	0	0
Other grants	0	0	0	0
TOTAL EXTERNAL RESOURCES - Option 2	-7,977	-7,058	-7,105	-7,370
Budget (Surplus) / Deficit	0	1,226	1,539	1,487

Council tax estimates				
Base	218.01	220.19	222.39	224.62
Band D	205.63	210.63	215.63	220.63

9. Capital Programme

9.1 The Capital Programme as agreed by Council and updated for carry-forwards is set below. This will be revised over the next few weeks and months and include a final year's capital programme for Council to agree at the Annual Budget meeting.

9.2

All figures are £000s	2021-22	future years	total
Vehicle Replacement	1,788	821	2,609
IT Infrastructure	477		477
Affordable Housing	2,455	2,784	5,239
Disabled Facilities Grants	496	1,488	1,984
Community Housing Fund	289		289
Car Park Action Plan	50	100	150
Industrial Units - new development	2,290		2,290
Milton Rooms: grant towards building works	193		193
Milton Rooms: ringfenced for business case	307		307
Livestock Market	1,500		1,500
Ryedale House - Covid-safe Adjustments	55		55
Malton and Norton Infrastructure	350		350
Community Facilities in Pickering	200		200
Flooding Contingency	100		100
Milton Rooms - Property Condition	216		216
Former Waste Transfer Site	65		65
Car Parks	30		30
Street Lights	201	120	321
Other projects	272	210	482
	11,333	5,523	16,856
<u>Funded by</u>			
External Funding	1,747	3,266	5,014
Leases/Internal borrowing	1,508	856	2,364
Capital Receipts/Debtors	37		37
Reserves	8,040	1,401	9,441
	11,333	5,523	16,856

9.3 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.

9.4 The Council is committed to seeking out innovative partnership and funding opportunities in order to deliver the capital strategy and achieve best value.

- 9.5 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.
- 9.6 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.
- 9.7 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.
- 9.8 The revenue implications of funding the capital programme will be built into the medium-term financial forecasts.

APPENDIX 2

Suggested Headings in Public Budget Consultation pack

Summary of financial Position, noting:

- Like others, the Council has had to take action to ensure that we stay within budget and it is likely that our funding will reduce further in future years. As we are limited in how much we can increase Council Tax, we are constantly looking at ways we can work more efficiently.
- Although we are the authority who send you the annual Council Tax bill, we only keep 11% of the money we collect. The other 89% is split between:
 - North Yorkshire County Council 71%
 - North Yorkshire Police 14%
 - North Yorkshire Fire and Rescue Service 4%
- A comparison² of the different responsibilities of the County, District and Parish Councils, as below:

County Councils	District, borough and city councils	Parish, community and town councils
education	rubbish collection	allotments
transport	recycling	public clocks
planning	Council Tax collections	bus shelters
social care	housing	community centres
libraries	trading standards	play areas and play equipment
waste management		consultation on neighbourhood planning
		They also have the power to issue fixed penalty fines for things like: <ul style="list-style-type: none"> • litter • graffiti • fly posting • dog offences

² <https://www.gov.uk/understand-how-your-council-works>

- Where does our money come from?
- What is the money spent on?

Suggested topics for consultation

- Council Tax level: does it provide value for money? Do you agree that the proposed limits are reasonable?
- Opinion on various services provided by RDC
- Charging for Discretionary Services provided by Ryedale
- What can the Council do to help you more – especially as we cope with and recover from the effects of Coronavirus?
- What should the Council's priorities be in its last financial year of operation?