



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	3 FEBRUARY 2022
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	RYEDALE'S FINANCIAL STRATEGY
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The report sets out the budget for 2022/23, a proposed Council Tax level, the Financial Strategy, details of balances and reserves, results of the public budget consultation and the Pay Policy for 2022/22.

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 2022/23 of £10,506k, after use of Reserves which includes
 - a. Savings/additional income totalling £82k (Financial Strategy Appendix 4)
 - b. Removal of £787k one-off funding agreed to support COVID in 2021/22, replaced by a further £221k
 - c. Council Plan priorities of £313k, as set out in Appendix 3.
 - d. Other pressures of £1,268k as set out in Appendix 3, which includes £500k for Local Government Reorganisation
 - (iii) To approve a Council Tax charge of £210.53 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)
 - (iv) To approve the special expenses amounting to £57,430 (6.20 below)

- (v) To approve the revised Capital Programme (Appendix 6)
- (vi) To note the financial projection for 2022/23 – 2025/26

3.0 REASON FOR RECOMMENDATIONS

- 3.1 To agree a balanced revenue budget for submission to Council for the financial year 2022/23 and highlight the ongoing financial position which will be inherited by the new unitary council.

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 29 responses (compared with 27 last year) 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 specific workshops and other meetings.

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 This is the final year for setting the budget for Ryedale District Council given the new unitary council for North Yorkshire will come into effect from 1 April 2023. In order to assist the production of an emerging "shadow" financial strategy for the new unitary council it has been determined, across all eight councils, that a medium term financial projection will take place up to at least 2024/25. This projection is included within this report and is produced on a "going-concern" basis so that all eight council positions can be aggregated as a starting position for the new unitary North Yorkshire Council. This forms the basis of the Medium Term Financial Strategy but it should be noted that implementation of the strategy is a matter for the new council.
- 6.3 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. All eight councils within North Yorkshire have been dealing with their own financial pressures

and the last two years during the COVID-19 pandemic have severely impeded all in being able to resolve any underlying financial shortfalls.

6.4 At the time of writing the ongoing impact of the pandemic remains uncertain and this may be linked to a third year of a single year financial settlement for local government. Whilst this is unhelpful, it is almost inevitable. It does mean, however, that all councils must be prepared to be able to respond to managing their financial pressures within a further tightening of public sector funding. This becomes even more challenging with local government reorganisation (LGR) but LGR does also offer some greater opportunities for all councils in North Yorkshire in delivering financial savings.

6.5 Nevertheless the uncertainty and volatility and ongoing pressures are such that the 2022/23 budget will require a higher degree of support from reserves than would otherwise be the case or is desirable. It is, however, a necessary position at this stage given there is extremely limited opportunity to launch and deliver a significant additional savings programme. For 2022/23 the use of reserves to support the budget is £1.9m. The increase from the position one year ago of £0.7m is largely due to additional Council priorities for its final year, ongoing COVID-19 costs and other cost pressures.

6.6 Table 1 below outlines a total shortfall of £5.5m for the period to 2024/25 with a recurring shortfall thereafter of £1.9m. This is made up of:

2022/23	£1,907k
2023/24	£1,790k
2024/25	£1,827k
Total	£5,524k

Budget and Council Tax for 2022/23

6.7 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 3% pa pay award has been used.
- Fees and charges have been increased in line with the Budget Strategy, by up to 4%. However there has been no increase to the Garden Waste Licence (£38 per licence – a price freeze since 2017/18)

6.8 The referendum limit for 2022/23 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 would reduce funding – and increase the gap – by £108k and this would be a permanent feature to the budget base. As the first 10p of any increase will be taken up by the increase in special expenses (see 6.20 below), the actual increase to a Band D property will be £4.90 giving an annual rate of £210.53

6.9 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

6.10 The Provisional Local Government Finance Settlement was announced on the 17 December 2021. The figures in this report use those as per the provisional settlement.

Retained Business Rates

- 6.11 Business Rates Income is estimated at £2.318m, with Rural Services Delivery Grant of £600k expected to be paid as a grant. However at the time of writing figures are yet to be confirmed and any change will impact on the budget gap. As planned in previous years, funding set aside to assist the reduction in Business Rates is being used.

Council Tax Income

- 6.12 Council Tax income is estimated at £4.755m, including the Council Tax Support Grant. This assumes the maximum increase permitted of £4.90 per year or approximately 9p per week for a Band D Household.

Growth Items

- 6.13 The position is detailed in Section 6 and Appendix 3 of the Financial Strategy.

Savings/Additional Income

- 6.14 Budget reviews show that budgets can be reduced by £82k in 2022/23 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

- 6.15 Figures for 2022/23 show an estimated New Homes Bonus (NHB) of £488k in 2021/22. 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

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

Table 1

	2022/23	2023/24	2024/25	2025/26
Base Budget starting point	8,503	10,223	9,429	9,669
Pressures Identified - Appendix 3	1,802	-741	240	240
Savings Identified - Appendix 4	-82	-54	0	0
One-off base budget adjustments	0			
Net budget before contribution to/from reserves	10,223	9,429	9,669	9,909
Planned contributions to / (from Reserves)				
Contributions to fund future projects	30	30	30	30
Pension Fund Reserve	373	0	0	0
Drawdown from reserves to fund revenue projects	-120	0	0	0
NET Revenue Budget	10,506	9,459	9,699	9,939
Funding				
Business Rates	-2,318	-1,771	-1,819	-1,819
Rural Services Delivery Grant	-600	-600	-600	-600
Council Tax	-4,755	-4,868	-5,035	-5,200
New Homes Bonus	-488	-230	-230	-230
Other Grants	-200	-198	-186	-186
Funding Available	-8,362	-7,668	-7,871	-8,036
Budget (Surplus) / Deficit	2,144	1,790	1,827	1,903
Transfer to / (from) BRER to support budget	-237	0	0	0
Transfer to / (from) Reserves to fund COVID costs	0	0	0	0
Transfer to / (from) Reserves to support budget	-1,907	0	0	0
Remaining budget (surplus) / Deficit	0	1,790	1,827	1,903

Medium Term Revenue Forecast (MTRF) projections to 2024/25

- 6.17 Members will note the financial projections to 2024/25 (Table 1 above and Appendix 5 in Annex A). Although the 2022/23 budget shows a break-even position after use of reserves, there remains an ongoing gap that will pass on to the new unitary council.

Capital Programme

- 6.18 The Financial Strategy provides a detailed breakdown of the Council's Capital Programme (Appendix 6) over the period 2021-25 totalling £18.8m. External funding of £7.1m is included, leaving a balance of £9.2m to be financed by the Council's funds and reserves, after the use of finance leases.
- 6.19 Further details are shown in section 8 of the Strategy.

Special Expenses

- 6.20 As in previous years, 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	11,780
Norton	20,420
Pickering Rural	<u>25,230</u>
TOTAL SPECIAL EXPENSES	<u>57,430</u>

National Non-Domestic Rates (NNDR)

- 6.21 For 2022/23 the NNDR multipliers have been frozen at current levels: a small business non-domestic rate multiplier of 49.9p and a non-domestic rate multiplier of 51.2p.

Funds & Reserves

- 6.22 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.
- 6.23 The Council's revenue budget for 2022/23 assumes a significant draw on reserves (£6.4m, subject to approval of various proposals) to support the revenue budget and capital programme. This will leave £5.4m of which £679k is earmarked for the pension fund and a further £2.7m for capital projects. It is noted that 38% of the remaining capital programme is not due to be spent until after 31 March 2023 when responsibility will have transferred to the new council.

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))

The Section 25 opinion expressed in this report is based upon a medium term assessment rather than a single year as effective financial planning requires a longer-term approach. This view is therefore based upon the Council as a “going concern” which is clearly not going to be the case given local government reorganisation takes effect from 1 April 2023. However, this approach best provides a guideline for the new North Yorkshire Council and thereby provides line of sight to the new Council arrangements.

In setting the Revenue budget for 2022/23 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 two years, the report highlights that further costs could emerge due to the COVID-19 pandemic and these have been built into the budget as best as they can be at this stage.

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 2022/23 however I note that there is limited visibility beyond 2022/23 at this stage for the new unitary North Yorkshire Council and the estimated shortfall over next few years will deplete the level of available reserves. The new Council will inherit a need to develop further savings options to address the estimated residual savings gap.

Council Tax increases ought not normally be set below the level of inflation and the proposed budget assumes a Council Tax increase of £5 (£4.90) per Band D property. This is to preserve the revenue raising potential of the Council Tax in future years. Should Members agree a lower figure this will mean a further call on reserves.

An assessment has been made of the ability of the Council to offset the costs of the potential risks highlighted in section 10 of the Strategy. The Strategy therefore reflects:

- The provision of a contingency of £200k
- Specific funding for LGR (£500k)
- Provision of a budget to cover ongoing Covid-related costs (£221k)

- A commitment to retain a minimum level of reserve in the general fund of £1m

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, 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:

Reports to Full Council October and December 2021
Reports to Policy and Resources September and November 2021