

RYEDALE DISTRICT COUNCIL FINANCIAL STRATEGY

RYEDALE  
DISTRICT  
COUNCIL



# FINANCIAL STRATEGY

**2022-26**

# 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 uncertainties 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 due 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 final financial settlement in January 2022.
- 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 the next four years, from 2022 to 2026.
- 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 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. As expected, rates increased to 0.25% in December 2021 and in the latest forecasts received from Link (the Council’s treasury management advisors) these are expected to rise to in June 2022 (0.50%), March 2023 (0.75%) and rising to 1.0% by March 2024.

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, the resulting rates forecasts and the reduction in reserves 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.

<b>Investment Income</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Average rate %	0.25%	0.50%	0.75%	1.0%
Interest £000’s	55	80	100	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 of an average of 3% will be assumed, although it should noted that the 2021/22 pay award has not yet been finalised and awarded.

3.5 As at December 2021 CPI inflation was running at 5.4%. However, it remains to be seen how the economic uncertainties and issues with supply chains 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 The Provisional Local Government Finance Settlement was announced on the 17 December 2021. The figures in this report use those as per that provisional settlement.

### 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 did not continue into 2021/22, in agreement with the other local authorities in the pool because of the uncertainty around business rates income during the pandemic. However, income levels are now more settled. Therefore most of the North Yorkshire councils have notified central government of the intention join a pool next year, having undertaken detailed calculations together to look at the best financial prospect for all of the Councils. This modelling showed that that the business rates pool would be viable and could generate an additional £4.6m for the region in retained rates. This optimal model would include all North Yorkshire councils excluding Selby (as has been the case in recent years due to the specific circumstances there) and Harrogate – who would rejoin the West Yorkshire Pool and bring benefits into the area that way. The financial benefit of joining will be felt by residents in 2023/24.

### 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 will continue for the time being with some uncertainty over its future. The final grant expected for 2021/22 is £567k and £488k has been estimated for 2022/23 – but this could change in the final settlement.
- 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 <sup>1</sup>
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 (final)	567	567	0	0
2022/23 (estimate)	488	488	0	0

### Special and Specific Grants

3.13 In the Provisional Financial Settlement, announced on 16 December 2021, the following grants were confirmed:

- Lower Tier Services Grant (£74k). This is our share of an un-ringfenced funding of £111m to English councils, introduced in 2021/22, 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 2022/23 than the year before.
- Local Council Tax Support Grant. The current assumption is that this will reduce to £35k in 2022/23.
- Local Tax Income Guarantee (£14k). This is to help compensate councils for lost council tax and business rates income and helps to offset the losses over three years.
- In 2021/22 there was a one-off COVID-19 Support Grant of £260k. This will not be repeated in 2022/23.
- Section 31 Multiplier Cap Compensation (£85k).
- A new 2022/23 Services Grant introduced as a one-off (£113k)
- Rural Services Delivery Grant (£600k)

### Pensions

3.14 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.

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<sup>1</sup> Allocated to NHB Reserve

- 3.15 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 in 2020, the Strategy assumes that this headroom will be held in reserve to assist any negative of the next valuation in future years.

#### Debt Charges

- 3.16 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).
- 3.17 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.
- 3.18 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.
- 3.19 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 The key drivers for the Council's original Commercial Strategy were the 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. This has now been impacted by LGR.
- 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 and further progress for this will now be picked up as part of Local Government Reorganisation.

## 5. Council Tax

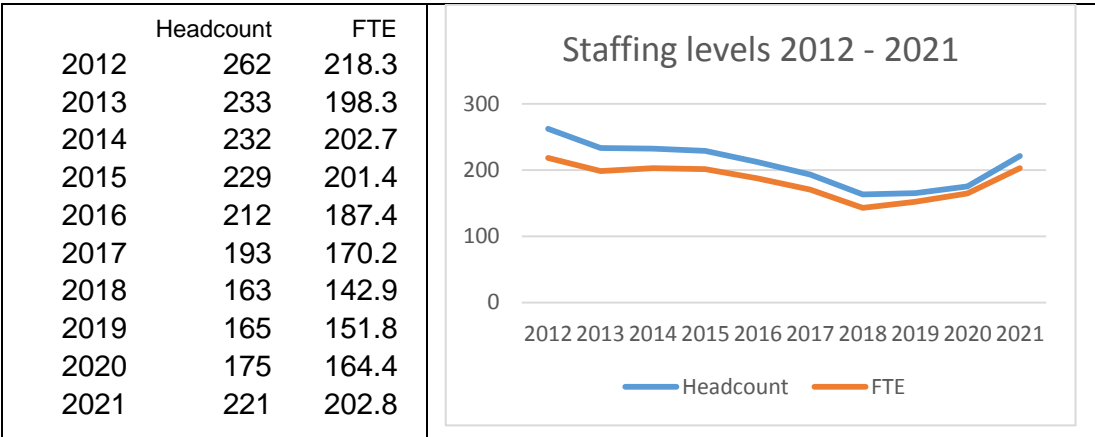
- 5.1 The Council Tax Base in 2022/23 is 22,227 (an increase from 21,801 the previous year and back above the 2020/21 figure of 22,062) and the Strategy estimates a 1% rise forecast thereafter. Every 0.5% increase above this level will add approximately 109 Band D equivalents to our Tax Base which equates to just over £22k p.a. at the current Band D charge. The full 1% increase would provide £45k.
- 5.2 The Provisional Settlement confirmed that for 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. As the Council needs to take account of an adjustment due to arrangements with three specific parishes, the actual increase would be around £4.90 per annum
- 5.3 The impact of such an increase will be to provide a further £108k of funding.
- 5.4 Should members choose to freeze council tax at 2021/22 amounts, the savings per household would equate to around 9p per week but this would increase the budget gap by around £108k.

## 6. Budget Outlook 2022/23 – 2025/26

- 6.1 After bringing the budget into balance in 2019/20, 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 in both 2020/21 and 2021/22. Members agreed to earmark £787k in 2021/22 from reserves to cover the costs arising from the pandemic and the latest budget monitoring figures suggest this to be on track. However the reintroduction of some restrictions and other effects of the Omicron variant mean that we will continue to monitor this position through to the end of the financial year. Any financial impact is likely to be felt in that final quarter of the year.
- 6.2 The proposed budget is based therefore on a number of assumptions which include any ongoing impact of COVID and other significant policy changes including EU transition and local government reform (LGR).
- 6.3 In general, it is assumed that on average costs will increase in line with inflation.

Employee Costs

- 6.4 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 increased to ensure that the Council had the capacity to function effectively and efficiently, as shown below.



- 6.5 However twenty of the posts at April 2021 were 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 if all planned projects proceed. This issue will be picked up further below.
- 6.6 Salary budgets are set at mid-point of scale with no vacancy factor.
- 6.7 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	195
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
Housing	The York, North Yorkshire & East Riding Strategic Housing Partnership	12
Health & Safety	NYCC	47
White Rose Improvement Agency	SBC	119

### Budget Gap

- 6.8 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

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

### Pressures

- 6.10 During the autumn of 2021, discussion and engagement took place with elected members on priorities for the remaining lifetime of the Council. Two workshops were held in October and a follow-up prioritisation exercise was also carried out.
- 6.11 The budget proposed includes a number of the pressures and priorities that have been identified. These areas of work cover:
- Council priorities, including staffing capacity to ensure that these are delivered
  - Continuing Impact of COVID on costs and income
  - General and pay inflation plus other budget adjustments, as set out in Economic Assumptions (section 3) above
  - LGR transition costs

**Council Plan Priorities (£313k revenue)**

- 6.12 This section covers the revenue costs for these priorities. Some also have capital costs and these are shown where relevant and all capital is covered in more detail in section 8.
- 6.13 Tackling Inequalities (£60k revenue): In October 2021 Council agreed the Equality Policy Statements and Objectives, in order for the Council to meet its obligations under the Public Sector Equality Duty, which is part of the Equality Act 2010. An operational action plan has been drafted and requires additional resources to ensure we deliver on our statutory duty. This would be supported by the appointment of an officer to deliver the action plan and ensure place-based working to respond to local need and concerns and tackle inequalities.
- 6.14 Financial Inclusion (£50k revenue, one-off): To offer additional advice, support and budgeting assistance to those who need it as a result of Covid, helping them to manage their finances, ensuring they can access Citizens' Advice services and working with the credit union to promote access to small loans. The funding will include a Hardship Grant fund and two market pitch sites for promoting access to advice in local communities.
- 6.15 Waste Services Programme (£50k revenue, one-off): implement recommendations for waste and recycling services to ensure it delivers on Council expectations, meets the service budget allocation and delivers an effective and efficient service in line with national changes.
- 6.16 Cleaner Streets (£30k revenue, one-off; £60k capital): Improved audit and inspection programme is a statutory requirement regarding the implementation of the code of practice on litter and refuse. The costs will fund additional staffing costs to undertake the audit and implement an improvement action plan.
- 6.17 Animal Welfare and enforcement (£30k revenue, one-off; £45k capital): This will fund work to uphold the highest standards of animal welfare, provide accredited training to staff to deal with complex issues, ensure public space protection order are in place, meet increased service costs for kennels/vets and hold public information events. The capital cost is for new vans.
- 6.18 Community Safeguarding (£55k revenue): The aim is to create a district where everyone feels welcome and can thrive, safeguarding vulnerable people. The Council has a statutory duty to ensure the protection of children and adults. The budget will cover the delivery of workforce training on safeguarding, domestic abuse, autism, dementia and community-based initiatives as recommended in the equalities action plan. The council also has a new statutory duty as a result of the new Domestic Abuse Act which received Royal Assent In April 2021, to raise awareness of domestic abuse, deliver accommodation based advice and support.
- 6.19 Flooding and Emergency Planning Staffing (£38k revenue). This will help to reduce flooding risk by investing in flood alleviation measures and working with partners to provide an emergency response. Regarding emergency planning and civil contingency, new national standards are to be implemented in line with sub-regional partners. The staff cost will be partially met by an existing budget for an officer one day a week (Emergency Planning SLA); additional costs will be required for new out of hour arrangements across services and release of staff to take part in emergency planning training/response.

6.20 The total revenue cost for all of these would be £313k as shown below:

<b>Council Plan Priorities - Revenue</b>	<b>£000</b>
Tackling Inequalities	60
Financial Inclusion	50
Waste Services Programme	50
Cleaner Streets	30
Animal Welfare	30
Community Safeguarding	55
Flooding and Emergency Planning	38
	<u>313</u>

### **Continuing Impact of COVID on costs and income (£221k)**

6.21 The one-off funding of £787k agreed by Council for 2021/22 has been removed from the budget. However in recognition of the continuing effect caused by the pandemic, a new amount of £221k has been identified as below. £125k of this relates to a forecast reduction in investment income, although part of the cause of this is due to expected reduction in reserves.

Additional Vehicle Hire (Streetscene)	46
Bureau staff for Streetscene	50
Impact on investment income	125
	<u>221</u>

### **Other Costs (£658k)**

6.22 Economic Development Project Support (£53k revenue). This is required to ensure that some of the projects listed above, such as the Livestock Market, are managed effectively.

6.23 Local Government Reorganisation (£500k revenue – or could be “in kind”). The financial implications of the LGR are not yet fully understood but all existing councils will be expected to contribute to the costs of the reorganisation. Based on the estimates set out in the NYCC Business Case, on which the new council will be formed, implementation and transformation costs could cost up to £38m. NYCC has set aside £34m from its reserves towards this but all districts will be expected to contribute to the remaining gap.

6.24 Facilities Management (£40k): to increase resilience in this area.

6.25 Meeting Costs (£25k). This is provision for any ongoing costs of the public broadcasting of democratic meetings

6.26 Information Governance (£40k). This is to ensure that the council complies with information security and governance requirements.

6.27 The total revenue cost for all of these would be £658k as shown below:

Eco Dev Project Support	53
Local Government Reorganisation	500
Facilities Management	40
Meeting Costs	25
Information Governance	40
	<u>658</u>

### **Inflation and Other Costs increases (£610k)**

- 6.28 General inflation for pay and other costs have been included, as set out in 3.4 and 3.5 and this equates to £240k next year. Increased call on Legal advice has meant an overspending on this budget and a further £170k has been allocated to ensure the budget reflects this. A further £200k contingency has been added for other unavoidable and unforeseen increased costs.

### **Savings**

- 6.29 A number of savings were identified and previously built into the budget. The most significant was 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, however with the short remaining lifespan of the council, no major new procurement will take place and therefore this target will not be met. Therefore this target has been removed.
- 6.30 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>-6</u>
Total	<u><u>-34</u></u>

- 6.31 The net impact of savings, including the allocation to the pension fund (see 3.15 above) is £82k, as per Appendix 4.

### **Fees, Charges and Income Generation**

- 6.32 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

**Overall Impact of the above**

6.33 In summary, the impact of all of the above would add just over £2m to the net revenue budget in 2022/23:

	<b>£000</b>
Council Plan priorities	313
Continuing Impact of COVID on costs and income	221
Other costs	658
Inflation and other cost increases	610
Savings	-82
	<u>1,720</u>

6.34 This is £1,788k higher than as shown in February 2021 (which showed net savings of £68k). Funding changes and additional grants have yet to be confirmed but based on the provisional settlement, an increase of £1,107k is currently expected (and may be updated).

6.35 Therefore there has been a net increase of £681k and this means that the initial £1,226k gap, as set out in 6.10 above has now become £1,907k, which would have to be funded from reserves.

6.36 The Capital implications arising from the inclusion of these costs is shown in section 8 (Capital) and section 9 (reserves and balances).



## 7. Revenue Summary

7.1 This section of the Strategy sets out the revised budget forecast based on including all of the pressures set out above. This clearly shows as per the table below that a further £1.9m would be required to balance the budget. This equates to 23% of funding. The impact on reserves is covered in section 9 below.

	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
<b>Planned contributions to / (from Reserves)</b>				
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
<b>NET Revenue Budget</b>	<b>10,506</b>	<b>9,459</b>	<b>9,699</b>	<b>9,939</b>
<b>Funding</b>				
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
<b>Budget (Surplus) / Deficit</b>	<b>2,144</b>	<b>1,790</b>	<b>1,827</b>	<b>1,903</b>
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
<b>Remaining budget (surplus) / Deficit</b>	<b>0</b>	<b>1,790</b>	<b>1,827</b>	<b>1,903</b>

## 8. Capital Programme

- 8.1 As part of the Council Plan Prioritisation work, the following additional projects and costs have been included in the Programme.
- 8.2 Public Conveniences refurbishment (£26k – but already spent this year and funded from the unallocated budget, so no additional cost).
- 8.3 Livestock Market (£150k). Latest estimates suggest that a further £650k is required on top of the £1.5m earmarked by Council in February 2021. £500k of this would be funded by developers' contributions, with the remaining £150k from reserves. It is envisaged that the bulk of expenditure on this project would not take place until after April 2023 and this therefore would become the responsibility of the new council.
- 8.4 Animal Welfare (£45k) – as per 6.17 above.
- 8.5 Cleaner Streets (£60k) – as per £6.16 above.
- 8.6 Energy Efficiency Grants (£10k), topping up grants from the Warm Homes Fund.
- 8.7 Milton Rooms (£160k) – provision for an additional bid from the Milton Rooms Committee which is expected to come to Policy and Resources Committee in March 2022.
- 8.8 IT Infrastructure (£30k)
- 8.9 Flooding defences Norton (£152k)
- 8.10 The additional cost to the current programme therefore is as set out below.

Public Conveniences	
Livestock market - net from reserves	150
Animal Welfare	45
Cleaner Streets	60
Private Sector Energy Efficiency Grants	10
Milton Rooms - additional capital bid	160
IT Infrastructure Strategy	30
Flooding Defences Norton	152
	<u>607</u>

- 8.11 A number of projects are already covered to some extent in the programme, such as the Car Park Action Plan. Not included are any additional capital costs arising from this and any other detailed plans not yet developed.
- 8.12 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.

- 8.13 The Council is committed to seeking out innovative partnership and funding opportunities in order to deliver the capital strategy and achieve best value.
- 8.14 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.
- 8.15 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.
- 8.16 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.
- 8.17 The revenue implications of funding and managing the capital programme will be built into the medium-term financial forecasts.
- 8.18 At Q3, slippage in the current year’s capital programme of over £6m (more than half of the programme) was noted and therefore there remains some uncertainty regarding the achievement of the new programme proposed for the final year of the programme. Nevertheless, the table below illustrates the impact of including the new costs.

Category / Scheme	2021/22	2021/22	2021/22	2022/23
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## ANNEX A

	Revised Budget £'000	Outturn Estimate £'000	carry- fwd £'000	Estimate £'000	Later Years as planned £'000	Total £'000
Vehicle Replacement Programme	1,788	1,433	355	736	85	2,609
Trade Waste Equipment	33	4	29	0	0	33
Replacement of Garage Inspection pit	50	160	-110	110	0	160
Property Condition Survey:						
Investment/Operational Assets	32	0	32	0	0	32
Property Condition Survey: Leisure Facilities	-4	0	-4	4	0	0
Property Condition Survey: Milton Rooms	216	200	16	0	0	216
Property Condition Survey: Depot	0	0	0	0	0	0
Property Condition Survey: Public Conveniences	0	26	-26	26	0	26
Property Condition Survey: Car Parks	30	30	0	0	0	30
Property Condition Survey: Street Lights	201	186	15	0	0	201
Property Condition Survey: St. Leonard's Well	80	80	0	0	0	80
Property Condition Survey: Waste Transfer Site	65	65	0	0	0	65
Property Condition Survey: Riverside View Play Area	0	35	-35	35	0	35
Property Condition Survey: Unallocated	42	70	-28	28	127	197
Car Park Action Plan	50	0	50	50	50	150
Industrial Units - New Development	2,290	8	2,282		0	2,290
Milton Rooms - Grant towards building works	193	193	0		0	193
Milton Rooms - ringenced for business case	307	128	179		0	307
Livestock market - ringfenced subject to business case	1,500	100	1,400	-1,220	1,870	2,150
Ryedale House - Covid-safe Adjustments	55	55	0		0	55
Malton and Norton Infrastructure	350	166	184		0	350
Community Facilities in Pickering	200	200	0		0	200
Malton to Pickering Cycle Route	670	609	61	48	0	718
IT Infrastructure Strategy	477	286	191	30	0	507
Animal Welfare				45	0	45
Cleaner Streets				60	0	60
Aff Hsg Init - Exception Sites Land Purchase	100	0	100		0	100
Aff Hsg Init - Railway Tavern	724	366	358		0	724
Aff Hsg Init - Extended Programme Delivery	1,506	625	881	863	1,851	4,220
Aff Hsg Init - Property Improvement Loans	75	20	55	70	0	145
Aff Hsg Init - Landlord Improvement Loans/Grants	50	0	50		0	50
Private Sector Energy Efficiency Grants	40	40	0	10	0	50
Private Sector Renewal - Disabled Facilities Grants	496	496	0	496	992	1,984
Community Housing Fund	289	0	289		0	289
Mortgage Rescue Scheme	21	0	0		0	0
Flooding Contingency	100	300	0	152	0	452
Milton Rooms - additional capital bid				160	0	160
<b>TOTAL OF PROPOSED CAPITAL PROGRAMME</b>	<b>12,025</b>	<b>5,880</b>	<b>6,324</b>	<b>1,703</b>	<b>4,975</b>	<b>18,882</b>

8.19 This would be funded as shown below:

	2021/22 Estimate £'000	2021/22 Outturn Estimate £'000	2021/22 carry- fwd £'000	2022/23 Estimate £'000	Later Years as planned £'000	Total £'000
<b>External Grants and Contributions</b>						
Department Communities & Local Government (DCLG)	785	496	289	496	992	2,273
Energy Efficiency Grant	40	40	0	0	0	40
Homes England Grant	504	7	497	933	25	1,462
Other Grants	628	609	19	15	0	643
Developers Contributions	1,228	984	244	0	966	2,194
Developers Contributions				280	220	500
<b>Total External Grants and Contributions</b>	<b>3,185</b>	<b>2,136</b>	<b>1,049</b>	<b>1,724</b>	<b>2,203</b>	<b>7,112</b>
Borrowing - Finance Leases	1,348	1,348	0	736	85	2,169
Borrowing - Temp Internal Borrowing	160	85	75	0	35	195
Long Term Debtors/Capital Receipts	125	20	105	0	0	125
Reserves	7,207	2,291	5,095	-757	2,652	9,281
<b>TOTAL FUNDING OF CAPITAL PROGRAMME</b>	<b>12,025</b>	<b>5,880</b>	<b>6,324</b>	<b>1,703</b>	<b>4,975</b>	<b>18,882</b>

## 9. Reserves and Balances

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 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.
- 9.5 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 a number of projects and the proposed budget gap as set out in section 7 below will have to be funded from reserves.
- 9.6 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.
- 9.7 At 1 April 2021 reserve balances were £16.2m revenue and £456k capital receipts.
- 9.8 The second table shows what will happen to reserves under the proposals outlined in this report in section 7.
- 9.9 This clearly shows that although the Council does have enough funding to cover the 2022/23 budget, it leaves a problem for the new council to inherit. Reserves as at March 2023 will be £5.4m. £679k is earmarked for the pension fund and a further £2.7m for capital projects (mainly the Livestock Market). That would leave £2m (which includes the minimum level of provision of £1m). However, there is some uncertainty as to whether all of the proposed capital programmes will be spent or committed in time and therefore any unspent funds will increase that reserve.

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## Updated planned use of reserves 2021/22

£000s	31.03.21	31.03.22		
		In-year	COVID & one-off	
General Reserve	3,981	0	-787	3,194
Capital Fund	5,405	-2,291		3,115
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	-943	-55	1,136
	16,204	-3,755	-842	11,606

Planned use of reserves 2022-25, as per this budget, and assuming all projects are completed:

£000s	31.03.22	31.03.23		31.03.24		31.03.25	
		In-year		In-year		In-year	
General Reserve	3,194	0	3,194	0	3,194	0	3,194
Capital Fund	3,115	-4,339	-1,224	-2,452	-3,676	-200	-3,876
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 Reserve	237	-237	0	0	0	0	0
Pensions Reserve	306	373	679	0	679	0	679
Council Tax Hardship	0		0		0		0
COVID grants Reserve	0		0		0		0
Strategic Reserve	1,136	-1,927	-791	-1,790	-2,581	-1,827	-4,408
	11,606	-6,220	5,387	-4,212	1,175	-1,997	-822

## 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 LGR is also a risk to delivery of a number of projects, as staff look to secure their own futures.
- 10.5 A major risk for next year is the relatively high level of inflation, due in part to some supply chain difficulties.
- 10.6 The key risks identified for 2022/23 and in the medium term are listed below, together with comments on how they will be managed. These are consistent the Council's Corporate Risk Register.



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<b>Issue/Risk</b>	<b>Consequences if allowed to happen</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>	<b>Mitigated Likelihood</b>	<b>Mitigated Impact</b>
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.	Likely	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	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	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

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Savings are not achieved	If compensating savings not identified unplanned use of reserves, potential for cuts to services or service levels	Likely	Minor	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

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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
Staffing Capacity	Insufficient resource to deal with competing demands of the council and progress major projects	Very Likely	Major	Additional capacity sourced and implemented where required (e.g. Planning support)	Likely	Major

