

## Policy Review Committee

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Venue:	Microsoft Teams - Remote
Date:	Tuesday, 11 January 2022
Time:	5.00 pm
Present:	Councillors C Pearson (Chair), M Topping (Vice-Chair), M Jordan, K Arthur, J Chilvers, R Packham, J Shaw-Wright and M McCartney
Officers present:	Karen Iveson, Chief Finance Officer, Suzan Harrington, Director of Corporate Services and Commissioning, Stuart Robinson, Head of Business Development and Improvement, Peter Williams, Head of Finance, Drew Fussey, Operational Service Manager, Tammy Fox, Revenues and Benefits Manager, Aimi Brookes, Contracts Team Leader, Hannah McCoubrey, Housing Strategy Officer, Catherine Hickford, Low Carbon Officer, Victoria Foreman, Democratic Services Officer

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### **27 DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME 2022-23 AND MEDIUM-TERM FINANCIAL PLAN (PR/21/7)**

The Committee received the report of the Chief Finance Officer which had been brought before Members to provide comments on the Draft Revenue Budget, Capital Programme and Medium-Term Financial Plan 2022-2023.

Officers presented the report which set out the draft revenue budget; capital programmes and the Programme for Growth for 2022/23. As a result of local government re-organisation in North Yorkshire from April 2023, this would be Selby District Council's last budget. The report also presented indicative budgets and planned programmes for 2023/24 and 2024/25, to enable the impact of recurring proposals to be viewed over the medium term and to support a smooth transition to the new unitary council in North Yorkshire. This approach provided the new council with an understanding of the pressures and opportunities facing Selby District, and investments planned by Members.

Members noted that subject to the confirmation of the Local Government

Finance Settlement and Council Tax level, the 2022/23 budget was expected to require £4.25m of funds earmarked in the Business Rates Equalisation Reserve (BRER) for revenue support.

The Committee were also informed that for the purpose of the draft budget, a Council Tax freeze for 2022/23 was proposed. This was a departure from the approved Medium-Term Financial Strategy (MTFS) and added £119k p.a. to the forecasted deficits. A CPI+1% increase was assumed for housing rents.

Officers went on to report that in 2021/22 the £9.2m of renewable energy business rates were transferred to the Business Rates Equalisation Reserve, and then subsequently applied to the Programme for Growth as part of the MTFS approved by Council in July 2021. For 2022/23 no assumptions had been made at this stage, pending the Local Government Finance Settlement. Current policy would be to allocate such receipts from 2023/24.

Members acknowledged that the Medium-Term Financial Plan (3-year draft budget) showed there was an underlying gap between spending (with spending reflecting the budget risk highlighted in the MTFS) and current assumed core funding, as a result of New Homes Bonus being phased out and the renewable energy business rates windfalls ceasing. The Council continued to await the outcome of the Government's Fair Funding Review, and reform of the Business Rates Retention System, to confirm the level of future savings.

Officers reported that there was capacity in reserves to smooth the impact of funding reductions, and that the draft budget confirmed the deferral savings until 2024/25. However, the ongoing use of reserves to support the revenue budget was not a long-term sustainable solution, and therefore achievement of efficiency savings and additional income generation remained crucial. The budget proposals also included a number of discretionary growth bids, along with contingencies to support the LGR transition and ongoing Covid impacts.

The draft budget was subject to public consultation before the Executive finalised their proposals in February 2022.

Members asked a number of questions of Officers on the budget. Some Committee Members were pleased that a freeze on Council Tax had been proposed due to the rise in the cost of living; it was important to keep tax levels down.

The number of consultation responses was queried, as was the impact of the rise in interest rates, the 2% rise in Council employee salaries and the increase in National Insurance.

Officers explained that there had, so far, been around twenty responses to the budget consultation. The impact of the rise in interest rates for the Council was relatively minor, with no immediate impact on the cost of

borrowing. The 2% rise in salaries had been awarded to the Council for 2022-23. The government's finance settlement included a great deal, but nearly all was covered by the Council. The National Insurance increase would be paid by the Council but had been factored into the local government finance settlement.

Some Members stated that whilst they could see why there were reasons to freeze Council Tax levels which were feasible at present, they may not be appropriate in the long term.

Members felt that the situation with the Council's reserves was very important; a clear understanding by Members was essential.

The Committee asked further questions on receipt of renewable energy business rates, the differences between the expected and awarded financial settlement, public sector pay restraint, if IT projects and the replacement of systems were truly necessary ahead of LGR, the spending of funds within the Programme for Growth, the increase in housing rents by 4% and levels of business rate relief.

Some Members felt strongly that housing rent decisions should not be taken by the Executive but by full Council; the 4% rise was unfair and unreasonable, and would be detrimental to tenants.

Officers explained that there was likely to be a review of business rates retention and as such the Council was likely to have more of an idea in the future. Despite the rates gradually being received, it would not be possible to spend them until the next financial year. The Council was not precluded from spending them, but it was LGR dependent as well as there being protocols to adhere to.

There had been £1m more than expected allocated to the Council as part of the local government financial settlement via the New Homes Bonus, which was a welcome boost. Members noted that a £750k one-off increase in staffing capacity and related support for the implementation of LGR had also been received, allowing the Council to play a full role in the transition.

It was clarified for the Committee that the IT projects covered a range of replacement and new systems, hardware and infrastructure, funding for which was from the ICT Replacement Reserve. The IT projects included were those that the Council had to fulfil in order to remain legally compliant with various systems.

Officers acknowledged that spending on Programme for Growth projects had been slow, with only £13m having been spent in the last few years, and that there was a huge amount to do if the remaining £17m was to be utilised.

Officers referred to business rate relief and clarified that it was not expected that these would increase. Members asked if the rates would be

increased in the when the move to the new unitary authority had been completed, as the rates in the district seemed to be some of the lowest in the area. Officers explained that the thresholds for referendums on rate levels were determined by the government. What rates were to come would be for the new authority to decide it would be looked at as part of the forthcoming transitional arrangements.

The Committee recognised that the recurring deficit was unlikely to recover and as such, it was likely that the new authority would have to tackle the matter early on. There would be challenges ahead and savings would need to be identified at some point in the future.

It was proposed, seconded and agreed that the proposed budget was accepted by the Committee without amendment.

**RESOLVED:**

**The Policy Review Committee endorsed the Executive's draft budget proposals for 2022-23, including the proposed freeze in Council Tax.**