



**Report Reference Number: C/21/12**

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**To: Council**  
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**Ward(s) Affected: All**  
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**Title: Revenue Budget and Capital Programme 2022/23 and Medium-Term Financial Plan**

**Summary:**

This report presents the Executive's proposed revenue budget; capital programmes and the Programme for Growth for 2022/23. As a result of local government re-organisation (LGR) in North Yorkshire from April 2023, this will be Selby's last budget. The report also presents 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 provides the new council with an understanding of the pressures and opportunities facing Selby District, and investments planned by members.

After incorporating the final Local Government Finance Settlement and subject to the Council Tax level, the 2022/23 budget is expected to require £2.847m of funds earmarked in the Business Rates Equalisation Reserve (BRER) for revenue support.

A Council Tax freeze for 2022/23 is proposed. This is a departure from the approved Medium-Term Financial Strategy (MTFS) and adds £119k p.a. to the forecast deficits. The approved 4.1% (CPI+1%) increase is included for housing rents.

The report also proposes a CPI increase to the income bands within the Council's Council Tax Support scheme – there are no cost implications from this change.

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. For 2022/23 the Government has confirmed the further deferral of business rates system review/reset although the majority of these receipts continue to be at risk. Given the scale of the forecast deficits over the next 3 years, it is proposed that the estimated

£9m receipts forecast to be received in 2022/23, are transferred to the Business Rates Equalisation reserve.

The Medium-Term Financial Plan (3 year budget) shows there is 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 and the renewable energy business rates windfalls ceasing. We continue 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.

There is capacity in reserves to smooth the impact of funding reductions and this proposed budget confirms the deferral savings until 2024/25, post LGR. However, the on-going use of reserves to support the revenue budget is not a long-term sustainable solution and therefore achievement of efficiency savings and additional income generation remain crucial.

The budget proposals include a number of discretionary growth bids, along with contingencies to support the LGR transition and on-going Covid impacts.

The budget proposals have been subject to public consultation, scrutiny by the Policy Review Committee and briefings for all Councillors. The results of the consultation along with responses are appended to the report as are the minutes of Policy Review Committee.

## **Recommendations:**

### **It is recommended that:**

- 1. The revenue budgets, savings, capital programme and programme for Growth at Appendices A to E be approved;**
- 2. Council Tax is frozen at £183.22 for a Band D property for 2022/23;**
- 3. the formal Council Tax resolution set out in Appendix I be considered and approved;**
- 4. the revised income bands for the Council Tax Support Scheme 22/23 as laid out in points 2.11 and 2.12 of the report are approved.**

## **Reasons for recommendations**

To enable the Council to set its budget and Council Tax and agree revisions to the Council Tax Support Scheme for the coming financial year.

### **1. Introduction and background**

- 1.1** 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. The new council will begin to operate on 1 April 2023. This therefore means that the 2022/23 budget for Selby District Council will be its last.

- 1.2 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.
- 1.3 The financial implications of Local Government Reorganisation (LGR) are not yet fully understood but locally agreed protocols on spending for all councils are now 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 Selby District Council to set a legal budget for 2022/23 that addresses the Council's aims and objectives. It is also agreed that all existing councils will be responsible for their own backfilling and/or external support requirements in support of the implementation of the new Council.
- 1.4 The Council approved its Medium-Term Financial Strategy (MTFS) on 22 July 2021. The MTFS covers both General Fund activities and the Housing Revenue Account, and provides the strategic financial framework for annual budget setting and medium-term financial planning.
- 1.5 Details of the Government's final Local Government Finance Settlement were published on 7 February 2022 and have been included in the estimates.
- 1.6 The budget proposals include provision for known contractual risks identified in the MTFS and the resources needed to deal with on-going backlogs as a result of the Council's Covid recovery arrangements.
- 1.7 The MTFS also confirms the Council's strategic approach to securing financial sustainability by reducing its base net revenue budget in order to deliver services within its in-year resources; and investing 'one-off' or finite resources to stimulate local economic growth and achieve sustainable income through Council Tax and Business Rates growth.
- 1.8 The MTFS mid-case includes an assumed Council Tax increase of 1.99% for a Band D property. From the HRA perspective the MTFS includes a Consumer Price Index (CPI)+1% increase in housing rents.
- 1.9 The MTFS also confirms the Council's reserves strategy - fundamentally avoiding the use of reserves to support the on-going revenue budget which is not sustainable in the long term. Instead, it seeks to balance the set aside of sums to cover known commitments and financial risk, as well as earmarking resources to support delivery of the Council's Corporate Plan. However, with LGR from April 2023, the potential for service transformation and associated savings is now very different. In addition, internal capacity is diverted towards LGR implementation, the on-going response to Covid recovery and delivery of the Council's ambitious investment plans, consequently savings remain pushed back to 2024/25.

## 2. The Report

- 2.1 The Executive's proposed revenue budgets for the 3 years for 2022/23 to 2024/25 are presented at **Appendix A**, the capital programmes are shown at **Appendix D** and the Programme for Growth is at **Appendix E**.

### General Fund Revenue Budget

- 2.2 The proposed budget includes provision for 'contractual' and other unavoidable rises in expenditure (e.g. inflation and changes in interest rates), as well as inflation on income from the Council's discretionary fees and charges. This includes:
- The current increase in inflation rates is expected to be relatively short term, with forecasts indicating general running costs will increase by 4% in 2022/23 reducing to 2.6% in 2023/24 and 2.1% in 2024/25. There is expected to be particular pressure on utilities and increases of 55% for gas and 38% for electricity have been built in for 2022/23. Insurance is expected to increase by 15%, primarily due to rebuild costs. The impact of increased interest in 2022/23 from the previously assumed baseline of 2% is an additional net cost of £358k.
  - Low interest rates continue to impact on investment returns, with 2022/23 budget levels being £270k lower than pre-pandemic levels. an increase in Internal Drainage Board (IDB) levies of 8.7% over the 3 years to 2024/25 (Danvm IDB's levy is increasing by £53k or 10% in line with their equalisation plan) – taking the total levies from £1.759m in 2021/22 to £2.050m in 2024/25;
  - A 2% provision for an annual pay award with the budget statement indicating an end to wider public sector pay restraint;
  - The announcement of an increase in national insurance contributions by 1.25% increases employer contributions by £57k in 2022/23.
  - a 5% vacancy factor to help mitigate the rising pay bill and manage other cost pressures within the budget
- 2.3 £192k of annual discretionary growth is included from 2022/23 (**see Appendix B**), including:
- Reduction in planning income by £143k to reflect longer term underlying trends
  - Increase in planning enforcement resource £34k
  - IT software costs for additional security £15k
- 2.4 In addition the following contingencies are also included:
- A contingency to deal with the on-going impacts of Covid - £750k was included in the draft budget, however, given the recent surge in the Omicron variant and the potential for further uncertainty ahead, the Executive consider it prudent to increase this up to £1m in 2022/23, with an additional £250k drawn from reserves;

- £750k one-off increase in staffing capacity and related support for the implementation of Local Government Re-organisation.

Whilst the budget proposals include provision for these issues, further work is needed to fully assess the impacts.

### Local Government Finance Settlement

2.5 In October 2021 the Chancellor announced the outline proposals covered by the Spending Review. For local government there were announcements on increases in core spending power (driven in part by Council tax growth), additional grant funding, and business rate reliefs. The draft budget was based on the provisional settlement announced on 16 December 2021 and the proposed budget has now been updated for the final settlement published on 7 February 2022. The following are incorporated into the proposed budget for 2022/23:

- Business Rates Baseline funding £2,274k (safety net level) to reflect Selby's continued non-pool status in 2022/23 plus £251k of business rates multiplier compensation;
- New Homes Bonus – £1,647k ( including £767k of legacy payments);
- Lower Tier Services Grant - £112k
- Rural Services Delivery Grant - £142k
- Services Grant (one-off) - £169k

2.6 For 2022/23 the proposed budget assumes the Council is at the safety net for the purposes of Business Rates Retention and therefore no Business Rates Growth is included. Beyond 2022/23 the funding system is subject to review. For 2022/23 onwards the estimates assume current Business Rates Baseline (plus inflation) with a small amount of growth included within the savings plan (£100k in 2023/24 plus a further £100k in 2024/25).

2.7 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. For 2022/23 the Government has confirmed the further deferral of business rates system review/reset although the majority of these receipts continue to be at risk. Given the scale of the forecast deficits over the next 3 years, it is proposed that the estimated £9m receipts forecast to be received in 2022/23, are transferred to the Business Rates Equalisation reserve.

2.8 In line with indications from the Government, the MTFs and proposed budget assumes that 2022/23 will be the last year of the New Homes Bonus scheme. Whilst additional and unexpected new Homes Bonus has been announced for 2022/23, we continue to plan for the withdrawal of this income stream. Given the spending pressures facing the Council, the proposed budget applies New Homes Bonus to the revenue budget in the first instance.

## Council Tax

- 2.9 The approved MTFs mid-case assumes a Council Tax increase of 1.99% for a Band D property for 2022/23. A 1.99% increase would take the Council average Band D charge from £183.22 to £186.87 (a rise of 7p per week) and generate an additional £119k in Council Tax income. However, due to the on-going impact of Covid-19 on our communities, the Executive propose to freeze Council Tax for a further year. This will mean £119k p.a. recurring reduction in income from Council Tax, against that assumed in the MTFs.
- 2.10 The tax base for Council Tax setting purposes is 32,768 - a 2.19% increase on 2021/22 which is more optimistic than that used in the MTFs – property growth continues to be buoyant despite the effects of the virus. The Council Tax yield is estimated at £6.004m for 2022/23. The budget also includes £99k Collection Fund surplus.

## Council Tax Support Scheme 2022/23

- 2.11 The Council Tax Support Scheme (CTS) moved to an income banded scheme from the 1 April 2020 and this is working well, the scheme is easier for customers to understand and for the team to administer. We are therefore not proposing any major changes to the scheme. Within the scheme we retain the ability to review the income bands to ensure they remain appropriate. We have increased the scheme income bands from 1 April 2022 by 3.1% as this is the Consumer Price Index (CPI) for the relevant reference period (the year to September 2021). This is the % the Department for Work and Pensions (DWP) has used for increasing the benefit rates within their various benefit schemes. By allowing this increase in the income bands for CTS we would avoid customers falling into a lower discount band because of an increase in their benefits from the DWP, the overall cost of the CTS scheme would remain unchanged.
- 2.12 From 1 April 2022 the proposed income bands are:

Council Tax Reduction Level (before any non-dep charges applied)	Pass-ported	Single Weekly Income Band	Couple Weekly Income Band	Family with one child Weekly Income Band	Family with two or more children Weekly Income Band
100%	All Cases	£0.00 - £113.00	£0.00 - £165.00	£0.00 - £206.00	£0.00 - £268.00
75%	N/A	£113.01 - £160.00	£165.01 - £211.00	£206.01 - £253.00	£268.00 - £314.00
50%	N/A	£160.01 - £211.00	£211.01 - £263.00	£253.01 - £304.00	£314.01 - £366.00
25%	N/A	£211.01 - £258.00	£263.01 - £309.00	£304.01 - £361.00	£366.01 - £464.00

## General Fund Summary

- 2.13 Taking the Council's overall service requirements and funding assumptions together, the estimated position for 2022/23 is summarised below with more detail at **Appendix A**:

<b>General Fund</b>	<b>2022/23 £000's</b>
Net Budget Before Contribution to/(from) Reserves	21,130
Contributions to Reserves	9,787
Contributions from Reserves	(8,307)
<b>Net Proposed Revenue Budget</b>	<b>22,610</b>
<b>Funding</b>	
Business Rates Baseline (safety net)	(2,275)
Compensation for under indexation of BR Multiplier	(251)
New Homes Bonus	(1,647)
Lower Tier Services Grant	(112)
Service Grant	(169)
Rural Services Delivery Grant	(142)
Renewable Business Rates Income	(9,064)
Council Tax (Tax Base 32,768 x Band D £183.22)	(6,004)
Collection Fund Surplus – Council Tax	(99)
<b>Total Funding</b>	<b>(19,763)</b>
<b>Net Budget Deficit to be funded from BRER</b>	<b>2,847</b>

- 2.14 Subject to the assumptions and risks within the budget, the General Fund Deficit after delivery of planned savings, is estimated at £2.847m for 2022/23. It is proposed that this be funded from the Business Rates Equalisation Reserve.

## Housing Revenue Account Budget

- 2.15 The HRA budgets have been prepared using the same assumptions on pay and price inflation as included in the General Fund and assumptions on rent changes are based on the Government's formula. In 2022/23 the approved CPI+1% increase has been applied (4.1%). It is also assumed that any properties sold under right to buy will be replaced by properties being acquired or built under the housing delivery programme. These assumptions informed the latest refresh of the HRA Business Plan considered by the Executive in January 2022.
- 2.16 The proposed HRA budget includes no new bids for discretionary growth – our focus over the next year will be to deliver the ambitious improvement programme already in place.
- 2.17 The estimated position on the HRA for 2022/23 is shown below. The HRA savings plan has been deferred as a result of delays to implementation of the

Housing and Asset Management system and is now forecast in 2022/23. Opportunities for further efficiency will continue to be sought in order to maximise the resources available for investment in the service.

HRA	2022/23 £000's
Net Budget Before Contribution to/(from) Reserves	7,075
Contribution to Reserves	1,264
<b>Net Proposed Revenue Budget</b>	<b>8,339</b>
Less Dwelling Rents	(12,649)
<b>Net Surplus available for Major Repairs</b>	<b>(4,310)</b>

- 2.18 Before consideration of the Housing Investment Programme requirements, a surplus position is anticipated for 2022/23. HRA surpluses are used to fund the HRA investment programme, which are smoothed annually through transfers to and from the Major Repairs Reserve. Investment plans for 2022/23 total £16.3m and will require a £6.8m drawdown from the Major Repairs Reserve (MRR). There is potential for additional supplier risk which may result in increased prices. The programme will be kept under review and outputs will be flexed if required.
- 2.19 Looking ahead the refreshed HRA Business Plan sets out the long-term requirements for the Housing Revenue Account whilst balancing savings and investments within the context of a sustainable HRA. To this end, the proposed budget assumes that resources needed to support improvement in our housing stock will be drawn from reserves voluntarily set aside to repay self-financing debt. The HRA business plan which was approved on the 6 January 2022 considered options for debt repayment and changes have been incorporated into the Executive's proposed budget.

### Savings

- 2.20 Delivering on-going efficiencies is a key part of the Council's 'Great Value' priority – being as efficient as possible and living within our means, whilst using the financial capacity created to generate long-term gains to improve outcomes for citizens. The MTFS identifies recurring savings of £2.8m (mid-case) - £4.4m p.a. (worst case) will be needed by 2024/25.
- 2.21 The Council's approach to savings covers three key strands:
- **Transforming** our business through the use of technology and flexible working to meet citizen and customer needs – the potential for further service transformation will be considered as part of longer-term planning for LGR;
  - **Growing** our resources through investment in economic and housing growth to drive growth in Council Tax and Business Rates and through charging for services and trading externally;
  - **Commissioning** from and with partners to achieve shared efficiencies and reduce the demand for public sector services.



- 2.22 However, organisational capacity is undoubtedly stretched as we continue to recover from the pandemic and tackling backlogs in some service areas means that capacity to deliver the savings required, is severely diminished. This coupled with the need to support LGR implementation and accelerate delivery of our approved investment programmes, means that savings have been profiled beyond 2023/24. With reserves earmarked to bridge the gap in the medium-term as the new Council establishes its transformation programme.
- 2.23 The savings plan has been reassessed as part of the budget process and the revised plan is set out at **Appendix C**. As a result of further delays to the reset of the business rates baseline growth of £100k p.a. year-on-year has been pushed back to 2023/24.
- 2.24 Taking the proposals for Council Tax, committed growth, planned reserve transfers and Government funding, the table below summarises the current plan and shows the estimated funding gap based on this proposed Medium-Term Financial Plan:

<b>GF Savings Summary</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>
Low risk/completed	0	0	0
Medium risk/in progress	23	123	123
High risk/not started	0	100	1,384
New target – to be identified	0	0	2,052
<b>Cumulative Savings</b>	<b>23</b>	<b>223</b>	<b>3,559</b>
<b>Annual Savings</b>	<b>23</b>	<b>200</b>	<b>3,336</b>

<b>HRA Savings Summary</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>
Low risk/completed	0	0	0
Medium risk/in progress	195	195	195
High risk/not started	0	0	0
New target – to be identified	0	0	0
<b>Cumulative Savings</b>	<b>195</b>	<b>195</b>	<b>195</b>
<b>Annual Savings</b>	<b>195</b>	<b>0</b>	<b>0</b>

- 2.25 The plan will continue to be monitored and progress against the current savings plan is presented at **Appendix C**.

### General Fund Capital Programme

- 2.26 As stated previously, given LGR and the operational challenges associated with the on-going response to Covid-19 recovery, the General Fund capital programme includes previously approved projects and a bid for an additional refuse collection vehicle; only limited new growth is proposed at this time:
- ICT growth to ensure our systems remain fit for purpose as we plan

for the transition to the new council.

- Improvement works to the outdoor skatepark

Phasing of the programme is reviewed quarterly, and the latest capital programme is attached at **Appendix D**.

2.27 Much of the programme is of a relatively routine nature and accordingly, officers have authority to progress schemes based on the bid information previously submitted to Council. There are however, projects for which Detailed Business Cases will be required for Executive consideration before actual work commences. These are:

- Industrial Units improvement programme – a full review of industrial unit assets will be undertaken before expenditure is approved;
- Purchase of land;

For these ‘non-routine’ schemes, detailed business cases will be brought to the Executive for approval in due course.

2.28 There is limited room for additional revenue contributions to support the capital programme and therefore it is largely supported by capital receipts, external grants and earmarked reserves. The following table presents a summary of the programme (with indicative figures shown for 2024/25 for routine rolling programmes):

<b>Programme</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>
Asset Management	520	1,543	318	0
Grants & Loans	515	688	580	532
ICT Replacement	231	245	119	239
Waste Collection Fleet	191	0	0	0
<b>Total Programme</b>	<b>1,456</b>	<b>2,476</b>	<b>1,017</b>	<b>771</b>
<b>Funding</b>				
Capital Receipts	332	858	331	0
Grants	400	550	550	532
Reserves	533	1,068	136	239
Borrowing	191	0	0	0
<b>Total Funding</b>	<b>1,456</b>	<b>2,476</b>	<b>1,017</b>	<b>771</b>

2.29 Projects include: the enhancement of existing assets such as the car parks, play areas and industrial units; Disabled Facilities Grants and ICT projects. The latter cover a range of replacement and new systems, hardware and infrastructure – funding for ICT projects is covered by the ICT Replacement Reserve.

## Housing Investment Programme

2.30 The Housing Investment Programme (HIP) includes the projects necessary to ensure our homes continue to meet the decency standard. Again the phasing of work is reviewed quarterly and the latest HIP is at **Appendix D**. Indicative programmes for 2023/24 and 2024/25 are taken from the business plan. Financing of the programme will be reviewed annually and should there be insufficient funding within the Major Repairs Reserve, adjustments to previous voluntary sums set-aside for debt repayment (Voluntary Revenue Provision - VRP) will be done in line with the business plan. The following is a summary of the programme:

<b>Programme</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>
Energy Efficiency Programme	856	541	555	567
Health & Safety Improvement	650	947	601	614
Property Refurbishment Prog	4,714	4,194	3,984	4,091
Community Centre Refurb	40	24		
Empty Homes Programme	600			
Investment Programme	881	956	468	478
Environmental Improvement Plan	40	68		
St Wilfred's Court Refurb		94		
Housing Development Programme	20	9,371		
Housing System		104		
<b>Total Programme</b>	<b>7,801</b>	<b>16,299</b>	<b>5,608</b>	<b>5,750</b>
<b>Funding</b>				
Major Repairs Reserve	7,181	6,824	5,608	5,750
IT Reserve		104		
Capital Receipts	4	1,874		
Homes England Grant	117			
S106 Commuted Sums	499	7,497		
<b>Total Funding</b>	<b>7,801</b>	<b>16,299</b>	<b>5,608</b>	<b>5,750</b>

2.31 As with the General Fund, much of the HRA programme is of a relatively routine nature and again officers have authority to progress schemes based on the information previously approved by Council. Projects for which Detailed Business Cases will be required for Executive consideration before actual work commences are:

- HRA new build programme

For these 'non-routine' schemes, detailed business cases will be brought to the Executive for approval in due course.

## Programme for Growth

- 2.32 The 'Programme for Growth' is the Council's strategic programme to support delivery of its Corporate Plan. The programme comprises a range of cross cutting projects designed to 'make Selby a great place'. The current Programme was originally approved as part of the 2018/19 budget and regular progress reports have been presented to both Executive and the Overview and Scrutiny Committee. The Programme was extended in September 2020 to incorporate resources earmarked in 2019/20.
- 2.33 The latest approved programme totals £30.325m over the 7 years from 2017/18 to 2023/24. Latest forecasts show that, £11.58m will be spent by 31 March 2022, leaving £18.75m over the coming 2 years.
- 2.34 The Programme is funded by previously received New Homes Bonus and some business rates receipts from renewable energy facilities. In September 2021 full Council approved an extended Programme. The current budget is summarised below:

<b>Programme for Growth</b>	<b>To 2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>Total £000's</b>
Total Allocated to projects	3,365	3,555	7,981	8,580	23,481
Internal capacity	3,136	1,369	1,436	753	6,694
Unallocated		150			150
<b>Total programme</b>	<b>6,501</b>	<b>5,074</b>	<b>9,417</b>	<b>9,333</b>	<b>30,325</b>
Funding from Special Projects Reserve	6,501	5,074	6,567	9,333	27,475
Funding from Capital Receipts			2,850		2,850
<b>Total Funding</b>	<b>6,501</b>	<b>5,074</b>	<b>9,417</b>	<b>9,333</b>	<b>30,325</b>

- 2.35 **Appendix E** sets out the current programme. All spend is subject to Executive approval of detailed business cases. It should also be noted that circa £1.4m p.a. is committed to internal staff capacity. When programme funding is exhausted the budget assumes that capacity is released. Any necessary transitional costs would be met from reserves.

## Reserves

- 2.36 The Council has a robust reserves strategy which is reviewed annually as part of the refresh of the MTFS. Reserves to fund commitments are replenished by regular revenue contributions to ensure they remain sustainable.
- 2.37 At the end of 2021/22 reserves for growth and improvement are forecast to include £15.901m for the Programme for Growth which is committed to staffing and projects. Reserves to manage risk include £11.805m from Business Rates to support the revenue budget (per MTFS) and £1.503m General Working Balance.

- 2.38 These earmarked reserves provide the financial capacity to fund budget deficits, the capital programmes and other irregular expenditure. Including the proposals within this budget for 2022/23 it is estimated that in total £11.258m will be required from General Fund reserves and £13.079m from Capital and Restricted reserves to fund on-going projects and new proposals.
- 2.39 The HRA reserves are General Balances and the Major Repairs Reserve (MRR) which are ring-fenced for the HRA. The HRA capital programme will require £6.824m from the MRR in 2022/23.
- 2.40 Contributions to reserves (including capital receipts) of £14.647m are forecast for 2022/23, which includes resources set aside to support future revenue budgets and subject to savings delivery, future investments.
- 2.41 A forecast of reserve balances based on the MTFS assumptions and proposed budget, is set out at **Appendix F**. As at 31 March 2025 reserves are forecast at:

<b>Reserves</b>	<b>Forecast 31 March 2023 £000's</b>	<b>Forecast 31 March 2024 £000's</b>	<b>Forecast 31 March 2025 £000's</b>
<b>General Fund</b>			
Commitments	3,714	3,672	3,672
Growth and improvement	9,757	384	384
Risk	20,853	17,422	14,080
<b>Total General Fund Reserves</b>	<b>34,324</b>	<b>21,478</b>	<b>18,136</b>
<b>HRA</b>			
Balances	1,500	1,500	1,500
Major Repairs	2,821	1,862	1,068
<b>Total HRA Reserves</b>	<b>4,321</b>	<b>3,362</b>	<b>2,568</b>
<b>Capital receipts (from asset sales)</b>	<b>1,359</b>	<b>1,529</b>	<b>2,029</b>
<b>Restricted Funds (s106/CIL)*</b>	<b>2,473</b>	<b>2,473</b>	<b>2,473</b>

*\*Subject to allocation*

### **3. Alternative Options Considered**

The MTFS sets out scenarios and options for key assumptions including Council Tax. Whilst this report proposes a freeze in Council Tax for 2022/23, subject to the Government's referendum principles, reasonable alternatives for Council Tax are:

- 1.99% increase in the Band D charge from £183.22 to £186.87 - £3.65 p.a. and equivalent to 7p per week, which would generate additional receipts of £119k p.a.
- £5 increase in the Band D charge from £183.22 to £188.22 – 2.7% and equivalent to 9.6p per week, which would generate additional receipts of £160k p.a.

## **4. Implications**

### **4.1 Legal Implications**

- 4.1.1 The council is required to set a council tax for 2022/23 before 11<sup>th</sup> March 2022. It may not be set before all major precepts (i.e. precepts from the Police and Fire Authorities) have been issued or before 1st March 2022, whichever is the earlier. The decision to set the level of council tax is reserved to Council, although Executive has to recommend a budget to Council.
- 4.1.2 Before determining the level of the tax, the Council must estimate its proposed revenue expenditure, taking into account amounts required by way of contingency, any need to raise reserves and any other amounts which the Council is legally required to transfer between funds. It must also estimate its anticipated income, any relevant transfer between funds and any proposed use of reserves. It must then calculate the difference between the two which is the council tax requirement.
- 4.1.3 Members have a fiduciary duty to the council taxpayers and others in the local authority's area. Members have no authority to make anything other than a balanced budget. In reaching decisions on these matters, Members are bound by the general principles of administrative law - and must also balance the interests of service users against those who contribute to the Council's finances. The resources available to the Council must be deployed to their best advantage. Members must also act prudently. Members must also bear in mind their other statutory duties to have regard to certain matters when making decisions. In particular, the "equalities duty" to have 'due regard' to the need to eliminate discrimination and to promote equality when making decisions and the need to consider any crime and disorder implications of the decision.
- 4.1.4 Among the relevant considerations which Members must take into account in reaching their decisions are the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans is contained in Section 65 of the Local Government Finance Act 1992.
- 4.1.5 Members must also have regard to, and be aware of, the wider duties placed upon the council by various statutes governing the conduct of its financial affairs. These include the distinction between revenue and capital expenditure and the requirement to set prudential indicators in line with capital investment plans that are prudent, affordable and sustainable.
- 4.1.6 Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with arrears of council tax which have been outstanding for two months or more to attend any meeting at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears and will not be voting on the decision for that reason. The Member concerned must not vote but may speak. The application of Section 106 of the 1992 Act is very wide and

Members should be aware that the responsibility for ensuring that they act within the law at all times rests solely with the individual Member concerned.

## **4.2 Financial Implications**

4.2.1 The financial implications are set out in the report.

### **4.3.1 Policy and Risk Implications**

4.3.1 As part of the annual budget process a risk assessment of the Council's major budgets is undertaken. The continuing uncertainty in the wider economy from the impacts of the pandemic and other issues, means greater uncertainty within the public sector funding regime, and therefore greater financial risk for the Council. Areas that are particularly high risk are central government funding and income (particularly on our leisure service) along with savings, and inflationary and demand led cost pressures – in services such as waste and recycling. The Programme for Growth includes £1.4m recurring internal staffing costs which are assumed to be released when the Programme funding is exhausted. Transitional costs would need to be funded from reserves. The MTF5 also identified additional financial risk arising from inflationary pressures, Local Government Re-organisation and the on-going impacts of Covid-19 - contingencies are included in the budget proposals to manage these issues over the medium term.

4.3.2 The Council's earmarked reserves and general balances also provide a buffer for these risks and are crucial to ensure sustained financial resilience and viability. The budget assumes further receipts from renewable energy business rates in 2022/23 are earmarked for this purpose.

## **4.4 Council Plan Implications**

The proposed budget aims to support delivery of the Council Plan'.

## **4.5 Resource Implications**

The budget proposals include provision for the resources necessary to deliver the Council's objectives.

## **4.6 Other Implications**

The draft budget proposals have been subject to public consultation, scrutiny by the Policy Review Committee and briefings for all Councillors. The results of the consultation along with proposed officer responses are appended to the report (**Appendix G**) as are the minutes of Policy Review Committee (**Appendix H**).

## **4.7 Equalities Impact Assessment**

There are no equalities issues as a direct result of this report.

## **5. Conclusion**

- 5.1 Selby District Council's last proposed General Fund Net Revenue Budget for 2022/23 totals £22.610m. It assumes a Council Tax freeze for 2022/23 and after the application of Central Government funding, savings, and planned transfers to and from reserves is a deficit of £2.847m. The deficit is the result of the cessation of New Homes Bonus, on-going impacts of Covid-19, assumed increased costs of leisure services, and the impacts of Council Tax freezes.
- 5.2 It is proposed that £2.847m is drawn from the Business Rates Equalisation Reserve, to balance the budget as the majority of savings are deferred to 2024/25. £23k savings are forecast for the General Fund and £195k are forecast for the HRA.
- 5.3 The Business Rates Equalisation Reserve contains resources to support the revenue budget over the medium term, but the growing deficit means that significant savings will be required. The level of future savings will be reassessed as part of the transition to the new Council, following the outcome of the Fairer Funding Review and reset of the Business Rates Retention system.
- 5.4 For 2022/23 the Government has confirmed the further deferral of business rates system review/reset although the majority of these receipts continue to be at risk. Given the scale of the forecast deficits over the next 3 years, it is proposed that the estimated £9m receipts forecast to be received in 2022/23, are transferred to the Business Rates Equalisation reserve.
- 5.5 The budget also includes a capital programme to meet General Fund and HRA needs and includes the latest Programme of Growth – the Council's strategic programme which aims to deliver its Council Plan priorities, generating economic growth and sustainable income for the Council as core government funding reduces.

## **6. Background Documents**

Medium Term Financial Strategy approved by Council July 2021.

## **7. Appendices**

- A – Revenue estimates (GF and HRA Summaries)
- B – Growth
- C – Savings
- D – GF Capital programme and Housing Investment Programme
- E – Programme for Growth
- F – Reserves
- G - Consultation responses
- H - Extract from Policy Review Minutes 11/01/2022
- I – Council Tax Supporting Information
- J – Council Tax Resolution



K – Council Tax Schedule by Town and Parish Areas  
L – Town and Parish Council Precepts

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