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Title: Revenue Budget and Capital Programme 2020/21 and Medium Term Financial Plan

Summary:

This report presents the Executive's proposed revenue budget; capital programmes and proposals for the Programme for Growth for 2020/21 to 2022/23. It also sets out recommendations for formal Council Tax setting.

A Band D Council Tax increase of £5 is proposed for 2020/21 which is in accordance with the approved Medium Term Financial Strategy.

The 2020/21 budgets show a forecasted balanced budget, after taking into account planned savings and reserve transfers.

In 2020/21 it is proposed that £10.46m is transferred to the Special Projects Reserve to support delivery of the new Council Plan objectives. In accordance with the approved Medium Term Financial Strategy (MTFS), the allocation of these receipts will be subject to confirmation as part of the next MTFS refresh and budget for 2021/22 although indicatively, it is planned that these will be allocated to the Programme for Growth.

The Medium Term Financial Plan (3 year budget) shows there is an underlying gap between core spending and current assumed core funding as a result of New Homes Bonus being phased out and the renewable energy business rates windfalls ceasing. Beyond 2020/21 we await the outcome of the Government's Fair Funding Review, further consultation on the future of New Homes Bonus and reform of the Business Rates Retention System, to confirm the need for and level of future savings.

Whilst there is capacity in reserves to smooth the impact of savings and manage risk, 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 as plans for Business Rates and Council Tax growth are brought to fruition.

The proposed budget also includes recurring revenue budget growth proposals along with Capital Programme proposals for the General Fund and Housing Revenue Account (HRA) which are funded from reserves, external funding and borrowing, along with outline proposals for an extended Programme for Growth.

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 as are the minutes of Policy Review Committee. As part of the consultation a joint response from the Labour Group and Yorkshire party Group has also been received – this is also appended to the report.

Recommendation:

It is recommended that:

- i) The revenue budgets, savings, capital programme and programme for Growth at Appendices A to E be approved;**
- ii) Council Tax is increased by £5 to £183.22 for a Band D property for 2020/21;**
- iii) The formal Council Tax resolution set out in Appendix I be considered and approved;**
- iv) The Surplus of £3.176m on the HRA be transferred to the Major Repairs Reserve to support the capital programme.**

Reason for recommendation:

To enable the Council to set its budget and Council Tax for the coming financial year.

1. Introduction and background

- 1.1 The Council approved its Medium Term Financial Strategy (MTFS) on 17 September 2019. The MTFS covers both General Fund activities and the Housing Revenue Account, and provides the strategic financial framework for medium term financial planning and annual budget setting.
- 1.2 The Housing Revenue Account (HRA) and Housing Investment Programme (HIP) are covered in more detail by the Housing Business Plan (HBP). A refreshed HBP, which aligns with the overarching financial framework set out in the MTFS, was approved by Council on 17 December 2019.
- 1.3 The MTFS takes account of the Government's indicative one year roll-over spending review which was announced in September 2019. The MTFS recognises on-going reductions to Government 'incentive' funding (New Homes Bonus and renewable energy business rates) along with risk and uncertainty surrounding the fair funding review and the business rates retention system reset from 2021/22 as the key issues for the Council's finances.

- 1.4 At the time of writing this report the Government's final Local Government Finance Settlement has been announced although it is not due for debate until the 12 February –if necessary updated figures will be provided in advance of the Council meeting. The MTFs highlights the wider economic risks associated with the UK's exit from the European Union although realistic quantification of those risks is still not possible.
- 1.5 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.
- 1.6 From the HRA perspective the MTFs includes a Consumer Price Index (CPI)+1% increase in housing rents – 2019/20 was the final year of the Government's 4-year plan to reduce social housing rents by 1% year on year.
- 1.7 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.

2. The Report

- 2.1 The proposed revenue budgets for the 3 years from 2020/21 to 2022/23 are presented at **Appendix A**, the proposed 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 inflation on expenditure, as well as inflation on income from the Council's discretionary fees and charges. This includes an increase in Internal Drainage Board (IDB) levies of 11.3% over the 3 years to 2022/23 (of which Danvm IDB is 27.6%). A 2% provision for an annual pay award has also been included, although it should be noted that the trade unions have submitted a pay claim including 10% pay rise for 2020 – every 1% additional award above the 2% provision would add circa £82k p.a. to the Council's pay budget. A 5% vacancy factor is included to help mitigate the rising pay bill and manage other cost pressures within the budget but cost increases above the rate of inflation would inevitably add to the on-going savings requirement.
- 2.3 £295k committed growth i.e. base budget growth which cannot be avoided, is included where considered necessary (**see Appendix B**):
 - Minimum revenue provision for internal works to the Summit £33k p.a. over the life of the current contract;
 - A recurring £120k p.a. loss of recycling income due to changes to the global markets for recycled materials;

- A current one-year reduction in planning fee income of £143k in 2020/21 due to the on-going downturn in larger planning applications – which emerged in 2018/19 and the trend continues into 2019/20.
- 2.4 The proposed budget also includes bids for discretionary growth. **Appendix B** identifies revenue and capital proposals. Most of the growth bids are funded from reserves established for this purpose but a small number will, if approved, add to the base budget. In total, recurring discretionary base budget growth is estimated at £139k p.a. which will increase the long term savings requirement. These are:
- The extension of posts in Revenues and Benefits which help to maximise income from Council Tax and overpaid housing benefits - £56k p.a.
 - Essential work to closed burial grounds - £10k p.a.
 - On-going revenue costs associated with new ICT systems - £18k p.a. (purchase of systems etc is covered by the ICT reserve)
 - Increased capacity in the human resources support - £50k p.a.
 - Additional new vehicle fleet running costs - £5k p.a.
- 2.5 Following deferral of the 3 year Spending Review and reset of the business rates system, the proposed budget includes an assumed £9m from renewable energy business rates in 2020/21. In accordance with the MTFs these receipts will be transferred to the Special Projects Reserve. In accordance with the approved MTFs, the allocation of such receipts will be subject to confirmation as part of the next MTFs refresh and budget for 2021/22 although indicatively, it is planned that these will be allocated to the Programme for Growth.

Local Government Finance Settlement

- 2.6 In September 2019 the Chancellor announced that the scheduled Comprehensive Spending Review would be delayed for a year and indicated that the Local Government Finance Settlement would largely be a one year roll-over of 2019/20 – uplifted for CPI. This has now been confirmed in the Final Settlement, announced by MHCLG on 6 February 2020, although the settlement is still subject to debate on 12th February. If necessary, updated figures will be provided in advance of the Council meeting.
- Business Rates Baseline funding £2.274m (safety net level) to reflect Selby's anticipated non-pool status in 2020/21;
 - New Homes Bonus – £2.533m in 2020/21 – significantly more than assumed in the MTFs, due to buoyant property growth within the district;
 - Rural Services Delivery Grant £108k.
- 2.6 Beyond 2020/21 the funding system is subject to review. For 2021/22 onwards the MTFs assumes current Business Rates Baseline (plus inflation) plus a small amount of growth within the savings plan (£100k in 2021/22 plus a further £100k in 2022/23).
- 2.7 The Government has confirmed plans to review New Homes Bonus for

2021/22 onwards with the current scheme being phased out by 2023/24. Accordingly, the proposed budget takes a less pessimistic view than the approved MTFs and assumes that this funding will taper out over the next 3 years. Given the spending pressures facing the Council, rather than drawing down reserves as planned, the proposed budget applies New Homes Bonus to the revenue budget in the first instance but in the medium term we continue to plan for the full withdrawal of this income stream. Should the assumed New Homes Bonus receipts not be forthcoming then there are sufficient receipts in the Business Rates Equalisation Reserve to compensate.

Council Tax

- 2.8 The approved MTFs mid-case assumes a Council Tax increase of £5 for a Band D property for 2020/21 and this threshold has been confirmed in the Local Government Finance Settlement. A £5 increase will take the Council average Band D charge from £178.22 to £183.22 – a rise of just under 10p per week.
- 2.9 The tax base for Council Tax setting purposes has been calculated at 31,989 - a 1.89% increase on 2019/20. The MTFs assumed a 1% increase, so this additional growth will generate a further recurring £51k towards the cost of Council services. In total therefore, the Council Tax yield is estimated at £5.861m for 2020/21. **Supporting Council Tax information is set out at Appendix H, the formal Council Tax resolution at Appendix I and parish details at Appendices J and K.**
- 2.10 Taking the Council's overall service requirements and funding assumptions together, the estimated position for 2020/21 is summarised below with more detail at **Appendix A**:

| General Fund | 2020/21 £000's |
|--|---------------------------|
| Net Budget before contribution to/(from) Reserves* | 15,077 |
| Contributions to Reserves | 10,919 |
| Contributions from Reserves | (6,014) |
| Net Proposed Revenue Budget (including reserve transfers) | 19,982 |
| | |
| RSG | 0 |
| Business Rates Baseline (safety net) | (2,274) |
| New Homes Bonus | (2,533) |
| Special & Specific Grants | (113) |
| Rural Services Delivery Grant | (108) |
| Renewable Business Rates Income | (9,019) |
| Council Tax | (5,861) |
| Collection Fund Deficit – Council Tax | (74) |
| | |
| Total Funding | (19,982) |
| Net Budget (Surplus)/Deficit | 0 |

* After planned savings

2.11 Subject to the assumptions and risks within the budget and identification of further savings, the transfer to the Special Projects Reserve is estimated at £10.459m for 2020/21 (which includes £9.019m from renewable energy business rates) and £179k for 2021/22 and then subject to savings delivery, a drawdown of £266k from the Business Rates Equalisation Reserve for 2022/23 (see **Appendix A**).

Housing Revenue Account

2.12 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 2020/21 the CPI+1% increase that was approved by the Executive on 10 January 2020, has been applied.

2.13 The proposed HRA budget also includes bids for discretionary growth. **Appendix B** identifies revenue and capital proposals. Most of the growth bids relate to improvements to the housing stock and are funded from the Major Repairs Reserve but again, a small number will, if approved, add to the base budget. In total recurring discretionary base budget growth is estimated at £175k p.a. which will increase the long term savings requirement within the HRA. These are:

- Staff uniforms - £500 p.a.
- Additional new vehicle fleet running costs - £30k p.a.
- Establishment changes £10k p.a.
- Review of trades team in line with the approved Business Plan - £134k

2.14 The estimated position on the HRA for 2020/21 is shown below, which aligns with the Business Plan. The HRA savings plan is on track to achieve although the timing is dependent upon implementation of the new housing system. However, opportunities for further efficiency will continue to be sought in order to maximise the resources available for investment in the service.

| HRA | 2020/21 £000's |
|--|-------------------|
| Total Net Budget* | 8,441 |
| Less Dwelling Rents | (12,157) |
| Net Surplus available for Major Repairs | (3,716) |

*After planned savings

2.15 Before consideration of the Housing Investment Programme requirements, a surplus position is anticipated for 2020/21. HRA surpluses are used to fund the HRA investment programme, which are smoothed annually through transfers to and from the Major Repairs Reserve. Investment proposals for 2020/21 total £6.2m (£4m previously approved and £2.2m new bids) which, if approved, will require a £5.5m drawdown from the Major Repairs Reserve. **Appendix F** shows the forecast on this reserve assuming all bids are approved.

2.16 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.

Savings

2.17 The MTFS emphasises the careful balance that is required between savings and investment in order to ensure the Council's finances remain sustainable. 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.

2.18 The Council has made good progress against its targets to date, but inevitably it is increasingly challenging to achieve further savings from a reducing cost base. However, as emphasised in the MTFS, the focus on delivering planned efficiency savings must be maintained, given their importance in achieving the Council's financial (and wider) objectives and to avoid the use of balances to support on-going spending which is unsustainable in the longer term. 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;
- **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.

2.19 The proposed budget for the General Fund and HRA, includes planned savings of £1.8m for 2020/21 rising to £2.2m for 2021/22 and to £2.5m by 2022/23.

2.20 The savings plan has been reassessed as part of the budget process and the revised plan is set out at **Appendix C**. Key changes include:

- Removal of the income generation saving;
- Removal of commercial investment income – funds applied to match funding Station Master Plan project and pending business cases;
- Re-profiling of the Business Rates growth;
- A reduction in the planning service saving;
- An increase the saving anticipated from the environmental contract;
- The addition of a pension contribution saving following the latest triennial valuation and gains on the deficit payment made by the Council;
- The addition of an efficiency saving from the introduction of Council Tax penalties;
- The addition of a saving from extending the Empty Homes Council Tax Premium.

2.21 Taking the proposals for Council Tax, growth, reserve transfers and

assumptions on Government funding, the proposed budget shows that by 2022/23 further savings will be required in addition to those currently planned. The table below summarises the current plan and shows the additional savings estimated based on this proposed Medium Term Financial Plan.

| GF Savings Summary | 2020/21 £000's | 2021/22 £000's | 2022/23 £000's |
|--------------------------------------|---------------------------|---------------------------|---------------------------|
| Low risk/completed | 408 | 409 | 410 |
| Medium risk/in progress | 1,129 | 1,213 | 1,213 |
| High risk/not started | 0 | 100 | 200 |
| New target – to be identified | 0 | 0 | 266 |
| Cumulative Savings | 1,537 | 1,722 | 2,089 |
| Annual Savings | 761 | 184 | 367 |

| HRA Savings Summary | 2020/21 £000's | 2021/22 £000's | 2022/23 £000's |
|-------------------------------|---------------------------|---------------------------|---------------------------|
| Low risk/completed | 23 | 23 | 24 |
| Medium risk/in progress | 195 | 195 | 195 |
| High risk/not started | 0 | 0 | 0 |
| New target – to be identified | 0 | 170 | 175 |
| Cumulative Savings | 218 | 388 | 394 |
| Annual Savings | 218 | 170 | 6 |

2.22 The plan will continue to be monitored closely and opportunities for further savings will be considered as part of the next refresh of the MTFs. Progress against the savings plan is presented at **Appendix C**.

2.23 It is also stressed that should the Council's revenue assumptions worsen, further savings will be required beyond those set out above.

General Fund Capital Programme

2.24 The General Fund capital programme includes previously approved projects as well as new growth – a summary of the growth proposals is shown at **Appendix B** and the proposed capital programme is attached at **Appendix D**. The proposed capital programme also includes the re-profiling of schemes from 2019/20 as set out in the Quarter 3 in-year monitoring report to Executive earlier this month.

2.25 Much of the programme is of a relatively routine nature and accordingly, subject to Council approval, officers will be given authority to progress schemes in 2020/21 based on the information contained within Appendices B and D. 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;
- Selby and District Housing Trust loans – these loans are subject to viable business cases and variable subsidies within the overall funding package available. Although no new bids are proposed as part of this budget – current budgets are expected to be re-profiled over the coming 3 years.

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

2.26 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. Housing development loans are mainly funded through borrowing. The following table presents a summary of the proposed programme:

| Programme | 2020/21 £000's | 2021/22 £000's | 2022/23 £000's |
|-------------------------|---------------------------|---------------------------|---------------------------|
| Asset Management | 6,124 | 252 | 116 |
| Grants & Loans | 678 | 482 | 482 |
| ICT Replacement | 345 | 369 | 174 |
| Housing Loans (SDHT) | 2,400 | 2,400 | 6,831 |
| Total Programme | 9,547 | 3,503 | 7,603 |
| Funding | 2020/21 £000's | 2021/22 £000's | 2022/23 £000's |
| Capital Receipts | 1,485 | 180 | 180 |
| Grants | 556 | 402 | 402 |
| External Borrowing | 6,180 | 2,400 | 6,831 |
| Reserves | 1,326 | 521 | 190 |
| Total Funding | 9,547 | 3,503 | 7,603 |

2.27 Projects include: acquisition of land to facilitate affordable housing; 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

2.28 The Housing Investment Programme (HIP) includes a number of growth proposals to ensure our homes continue to meet the decency standard – these proposals are shown at **Appendix B** and the updated HIP is at **Appendix D**. Again the proposed programme includes the re-profiling of schemes from 2019/20 as set out in the Quarter 3 in-year monitoring report to Executive. The following is a summary of the proposed programme:

| Programme | 2020/21 £000's | 2021/22 £000's | 2022/23 £000's |
|---------------------------------------|---------------------------|---------------------------|---------------------------|
| Energy Efficiency Programme | 490 | 500 | 510 |
| Health & Safety Improvement Programme | 967 | 669 | 555 |
| Property refurbishment Programme | 5,178 | 3,616 | 3,678 |
| Investment Programme | 572 | 583 | 427 |
| Empty Home Programme | 1,250 | 0 | 0 |
| Housing and Asset Management System | 32 | 0 | 0 |
| Housing Development Programme | 3,327 | 0 | 0 |
| Vehicle Fleet | 61 | 0 | 0 |
| Total Programme | 11,877 | 5,368 | 5,170 |
| | | | |
| Funding | | | |
| Reserves | 7,995 | 5,368 | 5,170 |
| Borrowing | 3,007 | 0 | 0 |
| Capital Receipts | 500 | 0 | 0 |
| HCA Grant | 375 | 0 | 0 |
| Total Funding | 11,877 | 5,368 | 5,170 |

2.29 As with the General Fund, much of the HRA programme is of a relatively routine nature and again, subject to Council approval, officers will be given authority to progress schemes in 2020/21 based on the information contained within Appendices B and D. Projects for which Detailed Business Cases will be required for Executive consideration before actual work commences are:

- HRA new build programme (although no new bids are proposed as part of this budget – current budgets are expected to be re-profiled over the coming 3 years)

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

Programme for Growth

2.30 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 approved as part of the 2018/19 budget and regular progress reports have been presented to both Executive and the Overview and Scrutiny Committee.

- 2.31 Following a Corporate Peer Challenge in November 2017, the Programme was reviewed and refocussed with resources diverted into additional staffing capacity. The approved programme totals £10.9m over the 3 years from 2017/18 to 2019/20 although latest forecasts show that, given the complex nature of some of the schemes, it will take a further 3 years to deliver the programme.
- 2.32 The Programme is funded by New Homes Bonus and some business rates receipts from renewable energy facilities. At the end of 2019/20 it is forecast that there will be £8.479m available in the Special Projects Reserve for allocation to the Programme for Growth with the potential for a further £10.46m from April 2021. The proposed budget proposes that these monies be made available to extend the programme to enable the priorities identified within the new Corporate Plan to be taken forward.
- 2.33 At this stage plans are in outline only. Initial projects have been identified and are set out at Appendix E. It is stressed that these proposals are indicative only and subject to full business case approval before any expenditure would be authorised.
- 2.34 On-going staff capacity to deliver the programme remains crucial and accordingly new programme proposals allow for the extension of a number of posts over the coming 3 years.
- 2.35 The current budget and new proposals are summarised below:

| Special Projects/Programme for Growth | Current Programme Budget £000's | Proposed New Programme Budget £000's | Indicative Future Programme* £000's |
|--|--|---|--|
| Staffing Resources | 3,643 | 1,964 | 0 |
| Project Delivery | 7,292 | 4,280 | 8,000 |
| Unallocated | 0 | 2,235 | 2,459 |
| Total Programme | 10,935 | 8,479 | 10,459 |

*Subject to receipts of renewable energy business rates

- 2.36 **Appendix E** sets out the current programme and proposals for a new and extended programme. It should be noted that the proposals within this budget leave an uncommitted balance of £2.2m within the Programme for Growth budget for future allocation – a prudent approach given the risks the Council is facing.

Reserves

- 2.37 The Council has a robust reserves strategy which is reviewed annually as part of the refresh of the MTFs. A forecast of reserve balances based on the MTFs assumptions and proposed budget, is set out at **Appendix F**. As at 31

March 2020 reserves are forecast at:

| Reserves | Forecast 31 March 2020 £000's |
|--|--|
| General Fund | |
| Commitments | 4,326 |
| Growth and improvement | 14,187 |
| Risk | 7,975 |
| Total General Fund Reserves | 26,488 |
| | |
| HRA | |
| Balances | 1,500 |
| Major Repairs | 9,556 |
| Total HRA Reserves | 11,056 |
| | |
| Capital receipts (from asset sales) | 3,979 |
| | |
| Restricted Funds (s106/CIL) | 7,956 |

- 2.38 Reserves to fund commitments are replenished by regular revenue contributions to ensure they remain sustainable.
- 2.39 Reserves for growth and improvement include £5.1m for the Programme for Growth (from New Homes Bonus and the Business Rates windfall) which is fully committed and subject to spend profile and £8.479m in the Special Projects reserve which is available for allocation. Reserves to manage risk include £5.793m from Business Rates to support the revenue budget (per MTFS) and £1.5m General Working Balance.
- 2.40 These earmarked reserves provide the financial capacity to fund the capital programmes and other irregular expenditure. Including the proposals within this budget for 2020/21 it is estimated that in total £8.806m will be required from General Fund and £1.985m from Capital reserves to fund on-going projects and new proposals.
- 2.41 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 £7.299m from the MRR in 2020/21.
- 2.42 Contributions to reserves (including capital receipts) of £15.5m are forecast for 2020/21 (subject to the receipt of £9m renewable energy business rates), which includes resources set aside to support future revenue budgets and subject to savings delivery, future investments.

3. Alternative Options Considered

The MTFS sets out scenarios and options for key assumptions including Council Tax.

4. Implications

4.1 Legal Implications

- 4.1.1 The council is required to set a council tax for 2020/21 before 11 March 2020. 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 2020, 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 tax payers 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

As 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 as Brexit approaches and the uncertainty within the public sector funding regime, mean greater financial risk for the Council. Areas that are particularly high risk are central government funding and income (across key services such as planning, car parking and leisure) along with savings, and inflationary and demand led cost pressures – in services such as waste and recycling. Whilst some growth is included within the proposed budget where there is a degree of certainty, there is the potential for further risk - the MTFs highlighted the potential for additional financial risk of £300k - £500k p.a. which would add to the longer term savings requirement should these materialise.

4.3.2 The Council's contingency budgets, earmarked reserves and general balances provide a buffer for these risks and are crucial to ensure sustained financial resilience and viability.

4.3.3 CIPFA's resilience Index was published on 16 December 2019. The index provides a high-level assessment of Councils' reserves/movements in comparison to other Local Authorities (**see Appendix L**). For Selby it shows that the Council is reasonably resilient as a result of its reserves policies but identifies some particular risks. Selby is highly geared towards Government Funding schemes with the proportion of Council Tax funding (48.07%) relative to the Council's net expenditure being particularly low compared to other similar councils. This means that the Council is highly susceptible to changes in Government funding policies. The MTFs recognises the risk to Business Rates Retention, New Homes Bonus and Renewable Energy Business Rates and provides a mitigating framework to manage changes to these funding streams over the medium to longer term. The Council also has relatively high debt levels as result of past changes to the Housing Revenue Account Subsidy system – the need to balance debt repayment with investment in the housing stock is a key feature of the HRA Business Plan.

4.4 Corporate Plan Implications

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

4.5 Resource Implications

The proposed budget includes provision for the resources necessary to deliver the Council's objectives.

4.6 Other Implications

4.6.1 The draft budget was subject to public consultation from 13 December 2019 to 24 January 2020. The responses are summarised at **Appendix J**. As part of the consultation process briefing sessions have been held with the political groups and a formal joint response from the Labour and Yorkshire Party groups has also been received. In addition Policy Review Committee formally considered the proposals at their meeting on 14 January 2019 – the minutes of that meeting are also attached at Appendix J.

4.7 Equalities Impact Assessment

4.7.1 The budget proposals contain efficiency savings proposals but the detail of how those proposals will be ultimately actioned is still to be determined in some cases – for example service transformation/process improvements.

4.7.2 Any proposed changes to Council policy/services will be the subject of separate reports/decisions where necessary and as required by the Council's constitution. For example, in the cases of Empty Homes Premium and Council Tax Penalties these have already been subject to separate Executive reports/decisions and specific equalities impact screening/assessment.

5. Conclusion

5.1 The proposed General Fund Net Revenue Budget for 2020/21 totals £19.4m. It assumes a Council Tax rise of £5 for a Band D property and after the application of Central Government funding, transfers to reserves, and savings of £1.538m is a 'balanced budget'. Savings of £218k are forecast for the HRA.

5.2 Plans are in place to deliver the expected General Fund and HRA savings through a combination of efficiency and income generation although there are further risks which could add to the savings requirement. Resources remain available in the Business Rates Equalisation Reserve to support the revenue budget should this be necessary.

5.3 Progress is being made against the proposals identified within the approved plan but with risk to the Council's core funding and further savings expected to be required over the medium term, further opportunities for efficiency will continue to be sought.

5.4 The budget also provides for a capital programme to meet General Fund and HRA needs and includes proposals to extend the 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 September 2019

7. Appendices

A – Revenue estimates

B – Growth bids

C – Savings

D – General Fund Capital programme and Housing Investment Programme

E – Programme for Growth

F – Reserves

G - Consultation responses and extract from Policy Review Minutes
14/01/2020

H – Council Tax Supporting Information

I – Council Tax Resolution

J – Council Tax Schedule by Town and Parish Areas

K – Town and Parish Council Precepts

L – CIPFA Financial Resilience Index

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