

FINANCIAL STRATEGY 2022/23 TO 2024/25

1.0 PURPOSE OF THE FINANCIAL STRATEGY

- 1.1 The Financial Strategy is a key aspect of the Council's Budget Policy Framework. It aims to ensure that resources are aligned to the Council's corporate aims as set out in the Council Plan, as well as delivering customer focused outcomes and continual service delivery improvement.
- 1.2 It sets out the strategic financial position and the financial direction of the Council over future years taking into consideration the Council's strategic objectives, Central Government funding position, other resources and service pressures. It has previously covered a period of 10 years and that was changed in 2020/21 to 4 years because of the uncertainty the impact of COVID 19 upon Council reserves.
- 1.3 A new version has been written this year because of some fundamental changes to the assumptions previously made. First and foremost is that 2022/23 will be the final year of Hambleton District Council as Local Government Reorganisation (LGR) is underway in North Yorkshire and a new North Yorkshire unitary council will come into effect on 1st April 2023. Secondly, many of the previous assumptions were based upon major funding shifts by Government and major changes to business rates. Whilst the Local Government Settlement for 2022/23 was for only one year, the Chancellor of the Exchequer indicated that local government funding would remain stable over the next 3 year with some increases and there was no indication of any business rate changes.
- 1.4 The key objective of this Financial Strategy is to set the context of the proposed 2022/23 budget in the light of the Council's strategic objectives, showing the impact of those decisions over the coming years, and providing the assurance of the resilience of Hambleton's financial standing had the change not happened. This will also help inform the inaugural financial strategy of the new North Yorkshire Council

2.0 SPENDING PRESSURES

2.1 Pay and Inflation

2% has been included for pay and inflation in each year. There is pressure for a larger increase in 2021/22 where a settlement has still not been attained. At the time of writing inflation pressures are pushing towards 5%. However, specific increases have been made in the 2022/23 base budget to address the immediate issue.

Recruitment and retention continues to be a challenge and this will be further heightened as LGR progresses. One source of addressing this shortfall of key

staff is to employ agency staff. This route brings additional costs and additional funding has been added to the budget for 2022/23 to assist.

2.2 Pensions

There will need to be a re-basing of pension contributions following LGR. It is assumed in this strategy that there is no increase over the period.

2.3 Capital Programme

The Council has had a significant investment programme in assets and services over the past few years. The Capital Programme for 2022/23 reflects the completion of the outstanding major projects. Loan funding is meeting the cost of much of this spend in line with the Capital Strategy. The revenue impacts in terms of interest and Minimum Revenue Provision (MRP) is included in the Strategy.

2.4 Savings

The original Financial Strategy identified savings in each of the year of this strategy. However, a decision was made to NOT include savings in the 2022/23 budget as it was extremely unlikely that any transformation work would be undertaken to implement those savings with the additional workload arising from LGR implementation. No savings have been assumed for 2023/24 but a small amount for 2024/25.

2.5 Interest Rates

Bank of England base rate have recently increased to 0.25%. Inflation is increasing and it is likely that there will be further interest rate rises over the next couple of years as one fiscal tool to abate inflation increases. This will have limited impact on future costs and budgets as the budget has assumed that all borrowing will be undertaken at the end of the current year. These loans will be long term and at a fixed rate. Therefore future rate rises have minimal impact on expenditure.

3.0 LOCAL INCOME

3.1 Fees and Charges

The 2022/23 budget has applied increases to fees and charges of c 1.8%. However, there was no increase to green waste or car parking charges. Increases of 2% apply in 2023/24 and 2024/25 to general fees and charges. Car park revies will increase income in 2023/24 and 2024/25 by £120,000 each year.

3.2 New Income

The Council has invested heavily in Treadmills over the last few years and will be completed in 2022/23. Additional income will be realised from this investment in 2023/24 (£200,000) and 2024/25 (£150,000) as the scheme matures. Additional income will be generated by the Crematorium investment

as it becomes an established part of the industry. £50,000 is anticipated in 2024/25.

3.3 Council Tax

The maximum £5 increase is applied in 2022/23. This strategy assumes that the maximum increase would continue to be applied in the future. This is included only to help set the future scene for the new authority. In reality council tax levels will change significantly in Hambleton via harmonisation within the new authority mechanisms.

3.4 Interest on Balances

Whilst there has been a recent increase in interest rates, investment returns still remain very low. The Council has maintained its policy to utilise the cash reserves for bankroll the capital programme temporarily rather than entering into long term borrowing. This has the benefit of saving on interest costs. This strategy assumes that this position will continue and has limited investment interest income will be received. As stated above under capital programme, the cost of borrowing has been included for future years as funding decisions will need to be taken early in 2022/23.

4.0 GOVERNMENT FUNDING

4.1 Background

Previous strategies have examined future Government policy frameworks and the potential impact on funding. It included in depth assessment across each type of funding. It looked at how New Homes Bonus may fundamentally reduce for 2022 onwards, detrimental changes to Rural Delivery Grant and how Fair Funding Review might impact. The Budget set by the Chancellor of the Exchequer and the Local Government Finance Settlement for 2022/23 has changed that outlook and landscape. The assumptions for this strategy time period are set out below.

4.2 Local Government Finance Settlement 2022/23

There was expectation of a 3-year local government finance settlement this year. That was not the case and it was a single year settlement. However, there is strong indications in the Budget and the text of the finance settlement that the level of grant is broadly fixed for the next three years with the potential for some uplift. Levelling up may (or may not) deliver more funding. There was no indication of any fundamental review of each element for the next 3 years.

4.3 Assumptions

Whilst there are different elements that make up Hambleton's Government support and each have its own rules, for the purposes of this strategy it is assumed that the level of Government funding will remain fixed for the next three years.

5.0 BUSINESS RATES

5.1 Pooling

Hambleton is participating in a North Yorkshire business rate pool for 2022/23. This is likely to generate additional rate income of up to £600,000. An assumption has been made in the budget for £200,000. As LGR is happening, this is for one year only.

5.2 Review of Business Rates

A major review of business rates has been expected for some time. However, this seems to very unlikely over the next couple of years as the Government has introduced DLUHC and a new direction. The Secretary of State (DLUHC) has indicated a view that there should be no further extension of any local retention of business rates which was indicated previously. Therefore no changes are anticipated to the business rate basis for the purposes of this document. The estimate for 2022/23 is based upon the latest data and mirrored in the following years.

5.3 Revaluation and Rebased of Business Rates

There is likely to be a revaluation of business rateable values in 2024. However, that may change as Government policy emerges. Revaluation brings the opportunity to look at the proportions retained locally. However, are the Government going to evoke all of the challenges this entails in the lead up to an Election in 2024. It is therefore assumed that this is unlikely in the timeframe of this strategy

6.0 SUMMARY

6.1 The table below summarises the overall position.

	2022/23	2023/24	2024/25
	£000's	£000's	£000's
Operational Budget	11,366	11,621	11,527
Savings			-100
Car Parking		-120	-120
Additional Treadmills Income		-200	-150
Additional Cematorium Income			-50
Net Revenue Budget	11,366	11,301	11,107
Funded by			
Government Support	2,285	2,285	2,285
Business Rates	3,825	3,825	3,825
Business Rate Pool	200		
Council Tax	4,529	4,837	4,982
Collection Fund Surplus	89		
Contribution from reserves	<u>438</u>	<u>354</u>	<u>15</u>
Funding	11,366	11,301	11,107

- 6.2 The strategy proposed is a robust and shows how a balanced budget can be delivered by 2024/25. There would be some challenges in delivering the savings required as Hambleton District Council but they would be attainable in the timeframe. They should be readily attainable as part of the wider transformation from implementing LGR.
- 6.3 This strategy will require use of £0.8m of reserves to balance the budget. This will leave the Council with £9m of revenue reserves. The minimum level of reserves required has been established at £2m. Therefore the strategy is affordable and sustainable.