

NORTH YORKSHIRE COUNCIL

EXECUTIVE

06 FEBRUARY 2024

REVENUE BUDGET FOR 2024/25 & MEDIUM TERM FINANCIAL STRATEGY TO 2026/27 – REVISION FOLLOWING ADDITIONAL GOVERNMENT FUNDING

Report of the Corporate Director, Resources

1.0 PURPOSE OF REPORT

- 1.1 For the Executive to make revised recommendations to Council following the announcement of additional funding for local government on 24 January 2024

2.0 INTRODUCTION & CONTEXT

- 2.1 On 23rd January 2024 the Executive recommended the budget for 2024/25 and the Medium Term Financial Strategy to 2026/27.
- 2.2 On 24 January 2024 the government announced additional funding was being made available to councils for 2024/25 and North Yorkshire Council has benefited from at least two additional grant areas covering social care and rural services grant.
- 2.3 The Executive approved the Budget for 2024/25 to Council on the basis that should there be any changes in the level of overall funding resulting in a variance of less than £7.5 million in 2024/25 then such difference could be addressed by a transfer to / from reserves. The additional funding received from government is expected to be in the region of £6.2m but we have yet to receive the final local government finance settlement. There is therefore a more significant risk that the headroom of £7.5m could be breached and this report therefore proposes an appropriate revision for the Executive recommendation to Council.

3.0 ADDITIONAL GOVERNMENT FUNDING

- 3.1 The table below identifies the new areas of funding that were announced with estimated allocations to North Yorkshire Council. The precise allocations will not be clear until the local government finance settlement which is expected sometime in early February 2024. The allocations for the minimum funding guarantee (MFG), in particular, are extremely uncertain but the figures in the table are based on the assumption that the additional rural services and social care grants will mean we will lose all MFG funding including that announced in the provisional settlement. This is a worst-case scenario.

New Funding Source	Estimated NYC allocation (£000)
Social Care Grant	5,049
Rural Services Delivery Grant	1,949
4% Minimum Funding Guarantee	-823
Internal Drainage Boards	0
Total	6,175

- 3.2 The additional funding of £6.2m is being regarded as one off at this stage (i.e. will not be repeated in 2025/26 and beyond). This is on the basis that the funding has been found at relatively short notice and is in advance of a general election and a new spending review that will need to be carried out by the next government. It may be that the funding does become recurring, in which case the overall deficit over the MTFS would reduce by £6.2m to £41.6m.
- 3.3 Working on the basis that the funding is one-off then the deficit for 2024/25 reduces by £6.2m and the drawdown of reserves for the budget deficit over the MTFS is reduced by the same amount. This can be seen in the table below and the previous equivalent table, as set out in the executive report of 23 January 2024 is attached as **Appendix A**.

	2024/25 £000	2025/26 £000	2026/27 £000
Starting Budget	623,458	684,764	698,757
Added Pressures			
• Pay Inflation	17,353	12,263	9,565
• Non-Pay Inflation	21,717	20,847	16,261
• Savings	-26,182	-9,800	-3,806
• Other	25,527	18,088	13,757
Net Revenue Budget	661,874	726,163	734,534
Funded by			
Grants	95,367	87,138	87,138
Business Rates (NNDR)	134,865	138,815	135,618
Council Tax*	454,532	472,804	491,810
In-year shortfall	22,890	-27,406	-19,968
Cumulative Shortfall	-364	-27,771	-47,738
Cumulative use of reserves	-364	-28,135	-75,873
<i>Stretch Savings</i>	<i>c£15m over 3 years?</i>		
<i>Stretch Savings – Cross Cutting</i>	<i>c£10m over 3 years?</i>		
<i>Stretch Savings – High Needs</i>	<i>????</i>		

*Please note council tax figures are based on 4.99% (as per Recommendation in this report) in 2024/25 and then 2.99% in the following years.

- 3.4 Whilst funding of this magnitude is very welcome, it does not change the macro picture for North Yorkshire Council over the period of the MTFS. No changes are therefore proposed to the overall Budget or MTFS Strategy as set out on 23 January including the setting of council tax for 2024/25 but a proposed change is required to

allow for any further changes that may be announced as part of the final local government finance settlement.

4.0 PROPOSAL

- 4.1 It is recommended that the budget for 2024/25 and the MTFS up to the period of 2026/27 is amended in order to reflect the additional funding from government as set out elsewhere in this report. It is proposed that the additional funding simply reduces the drawdown of reserves and that this be reflected in a revised report to council on 21 February 2024.
- 4.2 The changes as a result of the above factor into a number of appendices and sections within the report that was submitted to the Executive on 23 January 2024. It is suggested that delegated authority is given to the Corporate Director, Resources in consultation with the Executive Member for Finance to make such changes to the report to be considered at Council on 21 February 2024.
- 4.3 For completeness, it is anticipated that there will be changes to **Appendix C**, **Appendix E** and **Appendix H**. These changes will merely reflect the movement between the in-year revenue deficit for 2024/25 and reserves. This is set out in the table above as per **paragraph 3.3**.
- 4.4 Despite the additional funding, the proposed Budget still relies upon reserves to ensure a balanced position. The revised MTFS as set out in this report assumes that the funding gap will be supported by the use of one-off reserves pending the implementation of savings. Funding of £76m is forecast to be required to support the Revenue Budget over the MTFS period. Based upon estimated movements on the Strategic Capacity Reserve over the next 3 years, this would leave £93m potentially available to continue to provide revenue support and/or funds available for capital investment. With a recurring deficit of £47.7m by 2026/27, without corrective action, this Reserve would be fully depleted in less than a further 2 years.
- 4.5 A revised reserve schedule incorporating these changes and correcting an error in the in-year reserve drawdowns is attached at **Appendix B**.

5.0 RECOMMENDATION

- 5.1 That the Executive revises the recommended Budget for 2024/25 and the MTFS for the period to 2026/27 to reflect the additional government funding as set out in **paragraph 3.1** above.
- 5.2 That the Executive gives delegated authority to the Corporate Director, Resources, in consultation with the Executive Member for Finance, to make consequential changes to the report to Council relating to the Budget for 2024/25 and the MTFS for the period to 2026/27 for Council consideration on 21 February 2024.

Gary Fielding – Corporate Director, Resources
29 January 2023

Appendix A

	2024/25 £000	2025/26 £000	2026/27 £000
Starting Budget	623,458	678,589	698,757
Added Pressures			
- Pay Inflation	17,353	12,263	9,565
- Non-Pay Inflation	21,717	20,847	16,261
- Savings	-26,182	-9,800	-3,806
- Other	25,527	18,088	13,757
Net Revenue Budget	661,874	719,988	734,534
Funded by			
Grants	89,192	87,138	87,138
Business Rates (NNDR)	134,865	138,815	135,618
Council Tax*	454,532	472,804	491,810
In-year shortfall	16,715	-21,231	-19,968
Cumulative Shortfall	-6,539	-27,771	-47,738
Cumulative use of reserves	-6,539	-34,310	-82,048
<i>Stretch Savings</i>	<i>c£15m over 3 years?</i>		
<i>Stretch Savings – Cross Cutting</i>	<i>c£10m over 3 years?</i>		
<i>Stretch Savings – High Needs</i>	<i>????</i>		

*Please note council tax figures are based on 4.99% (as per Recommendation in this report) in 2024/25 and then 2.99% in the following years.

Appendix B

	Actuals @ 31-Mar-2023	Est & Plan Movement 2023-24	Est @ 31-Mar-2024	Est & Plan Movement 2024-25	Actuals @ 31-Mar-2025	Est & Plan Movement 2025-26	Actuals @ 31-Mar-2026	Est & Plan Movement 2026-27	Actuals @ 31-Mar-2027
Earmarked	(344,410,508.00)	69,954,111.87	(274,456,396.13)	(39,722,239.33)	(314,178,635.46)	18,291,404.67	(295,887,230.79)	47,738,171.00	(248,149,059.79)
Restricted	(178,913,532.60)	99,980,421.17	(78,933,111.43)	13,639,778.00	(65,293,333.43)	17,855,312.00	(47,438,021.43)		(47,438,021.43)
Unallocated	(103,032,163.25)	529,153.87	(102,503,009.38)	22,863,325.00	(79,639,684.38)		(79,639,684.38)		(79,639,684.38)
Grand Total	(626,356,203.85)	170,463,686.91	(455,892,516.94)	(3,219,136.33)	(459,111,653.27)	36,146,716.67	(422,964,936.60)	47,738,171.00	(375,226,765.60)