

Joint Decision Session
Leader, Executive Member for Policy, Strategy & Partnerships
Executive Member for Finance & Performance

15 January 2020

Report of the Head of Corporate Finance and Commercial Procurement

Financial Strategy 2020/21 to 2024/25

Summary

1. The Financial Strategy and Capital Strategy 2020/21 to 2024/25 will be presented to Executive on 13 February 2020 and Council on 27 February 2020.
2. The purpose of this Decision Session Report is to provide background information for the overall Financial and Capital Strategy and to present the savings proposals and growth assumptions for the Leader and Finance & Performance portfolios. This will provide an opportunity for Executive Members to obtain feedback in advance of the finalisation of the overall Financial Strategy which will be presented to Executive on 13 February 2020.
3. Key assumptions for the overall Financial Strategy are as follows;
 - A proposed basic council tax increase of 1.99 % in 2020/21. Any increase above this amount would require a referendum.
 - In addition an increase of 2% in line with the government's social care precept, equating to additional income of £1.8m, which provides support for social care
 - Revenue savings of £4m in 2020/21
4. City of York Council continues to face financial challenges, particularly with regard to uncertainty over national funding streams and growing demand for Council services, especially within adult social care.

5. The Council's proposed overall Financial Strategy includes significant investment in several priority areas outlined in the recently agreed Council Plan, including front line services, adult social care, neighbourhood-based working and initiatives to reduce carbon emissions.
6. Over £11m in additional revenue funding will be added to the Council's 2020/21 Budget to support the objectives outlined in the new Council Plan. Specific examples of revenue investment include;
 - Good Health & Wellbeing – revenue investment in 2020/21 of over £4.5m in adult social care, to support and care for some of the most vulnerable residents in York. This includes the costs of care, supporting adult social care staff and enabling residents to remain in their homes for longer.
 - A Better start for Children and Young People - revenue investment in 2020/21 of £225k, including £50k to commission additional mental health early intervention work, with a further £190k funding to contribute towards initiatives aimed at improving children's wellbeing and tackling the city's attainment gap.
 - Safe Communities and Culture for all - revenue investment in 2020/21 of £340k, including additional officer capacity to support our local communities and ward committee funding to ensure safer communities across York.
 - A Greener and Cleaner City - revenue investment in 2020/21 of over £1m to create a new waste and street environment service, with a new neighbourhood focus to support local communities.
 - A Greener and Cleaner City - revenue investment in 2020/21 of £50k to invest in the Northern Forest
 - A Greener and Cleaner City – Revenue investment of £150k in 20/21 with a further £150k committed in 2021/22 towards the Climate Change delivery programme (with appropriate senior officer support and expertise in carbon budgeting) to coordinate, develop and implement the council's ten year plan to deliver a zero carbon future for York.
 - Getting around sustainably - revenue investment in 2020/21 of £265k to improve the electric car charging point network in the city, with a further £200k one off funding to refresh the Transport Plan,

including feasibility work on the potential options regarding Haxby Station.

- Creating homes and world class infrastructure - revenue investment in 2020/21 of £1.5m to continue the on-going work of the Housing Delivery Programme, York Central, Castle Gateway, the Community Stadium and other crucial major projects.

7. Over £53m will be added to the Council's Capital Budget to support the objectives outlined in the new Council Plan. Specific examples of capital investment include;

- Good Health & Wellbeing – additional capital investment of over £400K to support adult social care services, including £200K to trial the use of robotics to improve the quality of social care and an additional £275K to provide telecare equipment to vulnerable residents in order to enable them to stay in their homes.
- A Better start for Children and Young People – capital investment of £500K to improve school buildings across the city, focussing on accessibility, and £30K to develop early years support schemes in the city.
- Safe Communities and Culture for all – capital investment of £500K for the York Theatre Royal to improve their accessibility and the sustainability of their premises. An additional £25K will contribute to the refurbishment of the National Centre for Early Music.
- A Greener and Cleaner City – capital investment of over £9 million to develop new initiatives to reduce carbon emissions, including over £6 million to procure greener waste vehicles, £3 million for the development of the Northern Forest and £250K to fit carbon reduction technology on Council assets.
- Getting around sustainably - capital investment of over £600K to install new electric charging points across the city as well as replacing unreliable assets, and over £1.5 million to refresh the Local Transport Plan, particularly in light of the challenges posed by climate change.
- Creating homes and world class infrastructure – capital investment of over £12 million to repair and improve the highways network, including £275k for the creation of a reactive pothole repair team, over £7 million to increase the scale of moderation works to Council

housing stock and £1 million to deliver a building insulation programme.

8. This report focuses on the savings and growth proposals specific to the Leader and Finance & Performance portfolios. Annex 1 provides details of savings proposals and annex 2 provides details of growth proposals. Annex 3 provides feedback from the public consultation relevant to this portfolio. Annex 4 provides details of new schemes for inclusion in the overall General Fund Capital Strategy. HRA Capital proposals are included in the Housing and Safer Neighbourhoods decision session report.

Recommendations

9. The Executive Members are asked to consider, in the context of the overall budget;
 - The 2020/21 revenue savings proposals for their portfolio as set out in annex 1
 - The 2020/21 revenue growth proposals for their portfolio as set out in annex 2
 - The feedback from consultation for their portfolio as set out in annex 3
 - The new schemes for inclusion in the Capital Strategy as set out in annex 4

Reason: To ensure that stakeholders have the opportunity to feed into the budget process in advance of the finalisation of the Financial and Capital Strategy 2020/21 to 2024/25.

Background

National Context and Funding Issues

10. All aspects of the public sector are continuing to face challenging times. In recent years the council has had to deal with large reductions in funding, combined with a range of significant pressures.

11. The Spending Review 2019 (SR19) announced in September 2019 is a one year only review for 2020/21. The main feature was the announcement that social care funding will remain at existing levels plus an additional £1bn nationally. In addition, business rates pilot will revert to the 50% retention system.
12. The provisional settlement was announced on 20 December. It is expected that the final settlement will be announced in February, but it is unlikely to differ significantly from the provisional figures.
13. A multi year review is expected be announced next year for 2021/22 to 2023/24 which will provide greater medium term certainty.
14. Significant uncertainty remains due to the ongoing 'fair funding' review, the ongoing review of business rates retention and details of the business rates baseline reset.

Local issues and challenges

15. Locally demand for council services continues to increase, with an ageing population and increased complex needs in respect of elderly care. There are also significant challenges in the health sector, including challenging financial positions for health partners which are in turn a significant financial risk to the council. In addition, inflation is driving costs up, and there is continued pressure on many of the council's income budgets.
16. Whilst devolution of business rates presents opportunities for the council, there are also associated risks with business rates appeals.
17. The major capital programme the Council is embarking upon brings with it some significant risks.
18. The Council made a climate emergency declaration, which was supported by all political groups. Since then the Council have supported the motion to declare a region-wide climate emergency covering the West Yorkshire Combined Authority (WYCA) region. This declaration will support the region's ongoing commitment to achieve carbon neutrality and deliver the new Energy Strategy and Delivery Plan (ESDP), which aims to drive forward clean growth.
19. Ensuring that there is the capacity to invest in council priorities has been a critical part of the budget deliberations.

Medium Term Financial Strategy and approach to savings

20. The medium term financial strategy focuses on delivering efficiencies across all areas. Ensuring that there is the capacity to invest in key priority areas has been a critical part of previous budget decisions and will need to continue in the future.
21. This strategic approach ensures that any cross cutting implications are taken into consideration and savings in one particular area do not impact on other budgets in an unintended way.
22. All directorates were asked to consider the long term implications of a 2% per annum reduction in their controllable budgets over a 4 year period from 2020/21 to 2023/24, in the region of £4m in each financial year. This included an assessment of options, risks, and links with Council priorities.
23. Specific details of future year's savings proposals will be covered in future budget reports. The eventual scale of savings that are required over the next 4 year period will be driven by the outcomes of the future spending reviews, alongside the extent to which spending pressures affect the council. Looking beyond 2020/21 is difficult given the wide range of uncertainties.

Principles that have shaped the budget process

24. The budget setting process has taken into account the following issues;
 - i. Consideration of the 2019/20 position.
 - ii. Consideration of unavoidable cost increases, priority areas, how to create the capacity in priority areas and creating the capacity to allow for service improvement and innovation.
 - iii. Consideration of reductions in grant funding.
 - iv. Ensuring that the budget is robust and prudent and is based upon the strategic financial advice of the Head of Corporate Finance and Commercial Procurement as s151 officer.

- v. Ensuring there is a strong link between the capital and revenue budgets and that the delivery of priorities fully considers the two budgets hand in hand.
25. It is critical that the council continues to support a strong local economy, recognising the significant financial benefits in the form of retained business rates, and creation of jobs. Ensuring that there is a strong link between the capital and revenue budgets to support the delivery of council priorities is essential.
 26. There is a growing imperative for all councils to respond to the climate emergency and look for opportunities to develop the circular low carbon economy as part of their action to deliver council priorities.
 27. Many councils across the country are now experiencing very severe financial challenges. Whilst the challenges for this council are significant, through sound financial planning, and in year management, the council retains strong financial health, and continues to be able to make significant strategic investments. In response to a shift in demand led expenditure pressures and reductions in grant funding, the council is taking steps to enable itself, residents and communities to work together as equal partners to meet their future needs and priorities.
 28. The Capital Strategy report in February will set out proposals for further major investment in a variety of schemes. These continue the council's approach to prioritise investment in the economy, housing, transport, and to invest to save including energy efficiency. All the general fund capital budget proposals are included in this Decision Session report.

Consultation

29. The council is consulting with residents and businesses to identify the services that matter most to them and to understand their priorities for spending the council budgets.
30. The budget consultation launched on 15 November 2019 and closes on 12 January 2020 for paper surveys and closed at midnight on 31 December 2019 for online surveys.
31. The consultation replicated a number of question sets from previous years on council tax and the social care precept, to allow us to track feedback.

32. The consultation was promoted to residents through various existing channels via the Business Intelligence team, published on the council's consultation page, and promoted via the communications teams. Paper copies of the survey were available at council buildings and 3rd party premises across the city.
33. The online survey was promoted;
- Within the business community via existing business network links and distribution groups such as York Business Week, Make It York, BID, York Chamber of Commerce, York Federation of Small Businesses and asking them to pass on to their members.
 - To equalities groups via the equalities network.
 - Our City was distributed to all households in the City in December, with delivery taking place over a two week period. The question set shown in Our City was the same as the online budget consultation, but with a reduced number of equalities questions. As with the distributed paper copies of the budget consultation, responses were sent back via Freepost to West Offices.
34. All views and data gathered during the consultation will in due course be published on the York's open data platform www.yorkopendata.org
35. Annex 3 provides details of consultation feedback relevant to this portfolio.

Council Plan

36. The Council Plan for 2019/2023 is based on the statutory responsibilities and the priorities of the Council. The plan is structured around 8 core outcomes, which in turn reflect the key components of a good quality of life for our residents. These are:
- **A Greener and Cleaner City** – York's environment is protected and enhanced through investment in the Council's frontline services working towards becoming a carbon neutral city by 2030
 - **Good Health and Wellbeing** – Every resident enjoys the best possible health and wellbeing throughout their life
 - **A Better Start for Children and Young People** – Families, carers and schools are supported so that every child and young

person has the opportunity to develop, learn and achieve their aspirations

- **Well-paid jobs and an inclusive economy** – High skilled and better paid jobs in sustainable businesses, providing opportunities for all York's people in an inclusive economy
- **Getting around sustainably** – More people chose to travel by public transport, walking or cycling, benefiting from improved roads, footpaths and cycle routes across the city, cutting congestion, pollution and carbon emissions, as part of renewed efforts to tackle the climate emergency
- **Creating homes and world-class infrastructure** – The right housing is available, affordable and environmentally sustainable for everyone with good quality infrastructure that supports community and local businesses
- **Safe Communities and culture for all** – Residents live safe from harm as part of strong and vibrant communities, participating in their local area and have access to a range of quality cultural activities
- **An open and effective Council** – We work as an efficient, open, transparent, democratically-led and accountable organisation, in partnership with key stakeholders, to deliver on residents priorities and achieve the council plan outcomes for our city

37. The plan focuses on outcomes rather than just on the services we provide, to help the Council and our partners work better together, rather than as a collection of individual services and activities.
38. The plan was formally approved by Council on 31 October 2019 following consultation with residents, businesses and staff.
39. The budget reflects the Council priorities with significant revenue and capital investment in a number of critical areas, as outlined in the summary of this report.

Options

40. Annex 1 sets out the savings proposals for the Leader and Finance & Performance portfolios for 2020/21. The figures included in the column 2021/22 impact show the full year/ ongoing impact of decisions taken in 2021/22. Annex 2 sets out the growth proposals and annex 3 sets out the consultation responses for these portfolios only. Annex 4 sets out the new capital schemes.

41. The options available to the Executive Members are;

- Option 1 - to retain the savings and growth proposals as set out in annex 1, 2 and 4
- Option 2 – to add, delete or amend proposals, noting that any adjustments made must have a net nil effect with reference to the overall budget.

Analysis

42. The service areas within these portfolios deliver a range of professional support (finance, legal, HR), the Councils ICT infrastructure, a wide range of customer services (customer centre, benefits,) and collects income (council tax, NNDR, service related issues e.g. adult care). The majority of services are non statutory, though there are some functions such as production of the accounts, production of a budget which are statutory responsibilities. There are also functions such as benefits, collection of council tax/NNDR which are also statutory activities.
43. Savings will continue in same approach as previous years, although looking to protect some of the key statutory areas mentioned above.
44. Since the main cost within these service areas is staffing, a large proportion of savings will be delivered through restructures within services. This will have varying issues and implications, but will inevitably result in fewer staff being employed and a need to consider how service delivery can be prioritised with a view to managing staffing reductions. This should be achieved through the use of technology to drive out efficiency and a focus on improved procedures and greater web based solutions around customer services.
45. It should be noted that having delivered significant savings in these areas in recent years it is inevitable that some areas will become more stretched in terms of resources. The need for support services is actually increased during a period of significant change/transformation. There may be a need to consider the provision of specialist support work on major projects purely on a chargeable basis.

One Planet/ Equalities

46. An assessment will be completed on the overall impact of the budget proposals using the Better Decision Making Tool. This will be published in the budget report to Executive in February. The impact assessment considers risks associated with savings proposals to ensure any negative impact for a particular group, sector or community is eliminated or counterbalanced. Decisions taken will also consider the impact on the Councils carbon budget alongside benefits such as improvements to service users or a reduction in energy costs.
47. The financial strategy will impact on all residents and has carefully considered the local demand for services whilst also ensuring the budget set is prudent, protects vulnerable people and has capacity to invest. The strategy could have a negative impact on the following communities;
 - Age
 - Disability
 - Gender
 - Carers
 - Lower income groups
48. This negative impact can be mitigated by investment targeted to these same communities. The key approaches to achieving savings whilst avoiding impacts on communities of identity include;
 - Ensuring that savings are made from back office functions and universal services
 - Protecting statutory services and other key services for vulnerable residents
 - Increasing community involvement in service redesign and delivery
 - Making services self-financing wherever practicable, including external trading
 - Maximising the return from externalised service provision
 - Redesign of existing services and external contracts
 - Placing a focus on prevention and ceasing service provision only where this is least impact
 - Streamlining services to provide focussed support and reduce areas of duplication
 - Supporting carers
 - Integrated working with health
 - Focussing growth where it is expected to have a positive effect on older or disabled people and their carers

Specialist Implications

49. This report has the following implications;

Financial

50. The financial implications are contained within the body of the report.

Human Resources (HR)

51. The savings proposals contained within the overall budget will require the reduction of some posts in 2020/21. Further details will be provided in the February report to Executive.
52. As implementation plans to achieve these post reductions are produced the specific staffing implications will be clear and staff consulted on the proposals. The type of change affecting staff in 2020/21 is likely to be a mixture of post reductions and working for redesigned services, some of which may no longer be delivered by the council.
53. The HR implications of change are managed in accordance with established council procedures. As part of this process consultation with trade unions and affected staff will continue to be undertaken and every opportunity will be explored to mitigate compulsory redundancies, such as vacancy controls, flexible working, voluntary redundancy / early retirement and extended redeployment. Where consideration is being given to the transfer of services to another provider TUPE will apply which will protect the terms and conditions of employment of transferring staff.
54. A programme of support for staff who are going through change is in place which will help staff adapt to changes to the way they will need to work or to prepare for a move into a new role.

Legal

55. The contents of this report are for information only at this stage. The legal implications of the budget setting process will be covered in detail in the report to Executive in February.

Risk Management

56. An assessment of risks is completed as part of the annual budget setting exercise and will be reported in the February report to Executive. These

risks are managed effectively through regular reporting and corrective action being taken where necessary and appropriate.

Contact Details

Author:

Debbie Mitchell
Head of Corporate Finance
and Commercial
Procurement

Sarah Kirby
Principal Accountant

Emma Audrain
Technical Accountant

Chief Officer Responsible for the report:

Debbie Mitchell
Head of Corporate Finance and
Commercial Procurement

Report
Approved

Date 3/1/20

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the authors of the report

Background Papers:

Budget Consultation available at www.yorkopendata.org

Annexes:

1 – 2020/21 Savings Proposals for Leader and Finance & Performance portfolios

2 – 2020/21 Growth Proposals for Leader and Finance & Performance portfolios

3 – Consultation feedback for Leader and Finance & Performance portfolios

4a and 4b – Capital Strategy 2020/21 to 2024/25 – Details of new schemes