

Report of the Director of Finance

Budget Scrutiny

Summary

1. This report outlines the Council's proposed approach to balancing the 2025/26 budget. A previous report to this Committee explained the process for budget setting, along with the key dates. This report specifically considers the proposals to meet the forecast budget gap.

Background

2. The financial pressures facing the Council are significant and have been ongoing for several years. This Council is one of the 20 lowest funded Councils in the country, with the result that we spend much less on services than many other areas.
3. Over the next few years, the Council will see some of the most significant financial challenges we have ever experienced. The delivery of current and future years budgets will be extremely challenging for residents, partners, members, and officers. It is important that we do not underestimate the scale of the challenge ahead. The level of savings required will inevitably require reductions in service levels and may result in some services stopping completely. Robust financial management, clear priorities and a focus on cost control are all essential to ensuring our continued financial sustainability and resilience.

Consultation

4. Starting back in May 2024, the council began a comprehensive budget consultation which is due to conclude in December 2024, prior to more formal public participation in Executive in January 2025 and Council in February 2025.

5. By following a staged approach, the council is iteratively building an understanding of both the impact of proposals on different demographics and community groups, together with how partners, businesses and residents can work together to deliver our shared ambitions for the city.
6. Results from the stage 2 consultation have been published on the open data platform here <https://data.yorkopendata.org/dataset/budget-consultation>. Broadly speaking, they show support for maintaining front line services supporting those people who need the most help as well as support for continued spending on maintaining highways and footpaths. A majority of responses were in support of increasing council tax to help balance the budget.
7. The stages the budget consultation is following is below, with the first two phases completed and the third in progress:

¹What	When	Purpose	Consultation activities
Stage 1 - Corporate Improvement Framework	May to June 2024	To understand how to be a more efficient and effective organisation, informing the Corporate Improvement Action Plan and Working as One City transformation programme Feedback is published on the Opendata platform: Corporate Improvement Framework Consultation 2024/25 - Datasets - York Open Data	Resident online and offline consultation Workshops with Trade Unions, staff and partners who participated in the LGA Peer Challenge
Stage 2 - Our Big Budget Conversation - ideas	July to September 2024	To understand more about what York residents and businesses believe should be the council's priorities and where they would like to see cuts or reductions in services, with all the feedback independently assessed and published on the OpenData platform	Resident and business online/offline consultations Independently facilitated workshops with residents, community groups and businesses Workshops with partners Staff ideas hub
Stage 3 - Our Big Budget Conversation - budget proposals	October to December 2024	To understand the impact and considerations of the proposed cuts or reductions in service	Resident and business online/offline consultation

¹ [Our Big Budget Conversation – City of York Council](#)

Stage 4 - Budget approval	January - February 2025.	Public participation in democratic decision making	Executive Full Council
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Analysis

8. The Council's Medium Term Financial Strategy identifies a forecast £30m budget gap over the next 3 years, as set out in the table below.

	2025/26 £m	2026/27 £m	2027/28 £m
Costs			
Pay & Prices	6.5	6	5.5
Cost of capital	1.8	1.9	2.0
Service growth incl demographics	7.9	6.5	6.5
Total costs	16.2	14.4	14.0
Income			
Council Tax	-5.9	-3.9	-3.9
Business Rates growth	-0.4	-0.5	-1
Total funding	-6.3	-4.4	-4.4
Budget Gap	9.9	10	9.6
Cumulative gap	9.9	19.9	29.5

9. The forecast budget gap is based on several assumptions for inflation, pay award and Council Tax. Current assumptions include an allowance of 3% for the pay award, and 3% for energy and other contract inflation.
10. The main assumptions included within the income budgets include a modest growth in business rates income along with a general council tax increase of 2.99% plus a 2% Social Care Precept again for 2025/26.
11. Previous reports to Executive have outlined that the strategy for identifying options to close the budget gap over a three year period will include:
- Prioritisation / service cuts.
 - A continued focus on organisational efficiency.
 - Developing the capacity to drive transformation.
 - A focus on early intervention / prevention solutions.
 - A focus on working closely with city partners.

- A focus on securing external funding.
- An ongoing review of the assumptions used in the MTFS.

Balancing the budget

- Over recent weeks officers have reviewed the assumptions used to construct the medium term forecast. Inflation has reduced and interest rates are also starting to reduce, albeit very gradually. The Council wide focus on cost control and robust budget monitoring has also reduced the current year forecast overspend, meaning that service related growth can be reduced.
- Taking all these factors into account, it is therefore considered that the amounts included for growth can be reduced by £2m in 2025/26 and £1m in 2026/27. In addition, subscriptions for garden waste collection have been above those assumed for the budget, leading to increased income. Further income has been assumed from recyclates and planning.
- In respect of Council Tax, it would also be a reasonable assumption to use a general council tax increase of 2.99% plus a 2% Social Care Precept again for future years beyond 2025/26.
- The table below sets out a summary of the remaining proposals that will be included in the final consultation phase.

Proposal	2025/26 £'000
Increased income from raising parking charges, including higher charges for visitors at weekends and during peak events such as Christmas Markets.	1,200
Increased income from raising all other fees and charges (c5% increase)	502
Improved contract management	500
Increase in external funding generated	200
Business process re-engineering and improved ways of working	600
Adult Social Care – demand management and reviews	500
Review the operation of the Hostile Vehicle Mitigation barriers	70
Review of Community Safety	65

- The proposals outlined in this report do not completely close the budget gap across the 3 year period of the Medium Term Financial Plan. It's

also important to note that, whilst the revised assumptions outlined in the report are reasonable, they are not without risk. There is still a great deal of uncertainty in public sector funding, and we will need to maintain a strong focus on controlling costs whilst at the same time delivering budget savings.

17. At the time of writing, the Chancellor has just announced the first budget of the new Government. Whilst we will need to await the draft local government settlement in December for detailed allocations of any funding to York, there was a confirmation that there are plans to reform local authority funding (especially distribution) in 2026/27 “to ensure it reflects an up to date assessment of need and local revenues”. This is both an opportunity and a risk to our medium term finances, given our position as one of the lowest funded councils in the country.
18. The proposals outlined in this report are very much early ideas for discussion and consultation and no decisions have been made at this stage. The final decision as to which proposals to put forward to Budget Council will be taken by Executive in January 2025. Other potential savings ideas are also explored in the consultation document attached at annex 1. The final proposals will be shaped by the views received over the coming weeks.
19. There is still the prospect of a spending review in the Spring and the as yet unknown settlement for future years. The impact could be positive or negative, but we can't rule out having to reconsider the proposals and the need to identify cuts in service to balance the budget. It is anticipated that the transformation work, efficiencies, and different ways of working will deliver further savings in future years. This will be alongside the continued focus on cost control, income generation and opportunities for external funding.

Council Plan

20. The Medium Term Financial Strategy aims to ensure that, as far as possible, resources are aligned to the Council's priorities.

Recommendations

21. Members are asked to consider note the information in this report and offer comments on the budget proposals contained within it.

Reason: To keep the Committee informed of any financial issues and to ensure that Scrutiny has had the opportunity to comment on the proposals

Contact Details

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Report Approved	<input checked="" type="checkbox"/>	Date	30/10/2024
Wards Affected: List wards or tick box to indicate all			All <input checked="" type="checkbox"/>
For further information please contact the author of the report			

Background Papers:

Medium Term Financial Strategy Update Executive 12 September 2024
<https://democracy.york.gov.uk/documents/s178222/Medium%20Term%20Financial%20Report.pdf>

2025/26 consultation data
<https://data.yorkopendata.org/dataset/budget-consultation/resource/db12b34d-0eb9-4237-8242-5128047b8ca8>

Annexes

Annex one – draft budget consultation

Abbreviations

LGA Local Government Association
MTFS – Medium Term Financial Strategy