

Report of the Director of Finance

Budget Setting Process

Summary

1. This report outlines the Council's approach to budget setting and provides an update on some of the current financial challenges. Members are asked to note that a further report will be presented to the November meeting of this Committee that will include further details of the 2025/26 budget proposals.

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 is undertaking a comprehensive budget consultation 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. The stages the budget consultation is following is below, with the first two phases completed and the third due to start later in October:

¹ What	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
Stage 4 - Budget approval	January - February 2025.	Public participation in democratic decision making	Executive Full Council

7. It is proposed that a further report is presented to this committee in November, when budget proposals will have been presented for consultation as outlined in the table above.

2024/25 Finance Update

8. A separate report elsewhere on this agenda considers the current years financial position, which although a significant improvement on the forecast last year at this time, still shows a forecast overspend of c£4m.

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

9. Cost control measures are still in place to ensure spend is minimised and savings are made wherever possible.

Annual Budget Setting Process

10. The following paragraphs outline the annual budget setting process in terms of the legislative requirements, decision making and outline timetable.
11. Every council must have a balanced and robust budget for the forthcoming financial year and also a Medium-Term Financial Strategy (MTFS) which projects forward likely income and expenditure over the next 3 years. Due to income constraints and the pressure on service expenditure through increased demand and inflation, projected expenditure is usually higher than projected income.
12. Whilst such budget gaps are common in years two and three of the MTFS, the requirement to approve a balanced and robust budget for the immediate forthcoming year means that efforts need to be made to ensure that any budget gap in the next financial year is closed. This is achieved by making proposals to reduce expenditure and/or increase income. Clearly all stakeholders will be concerned with any potential effect that these financial decisions have on service delivery.
13. The annual budget report outlines the proposals that will be taken forward and includes an overarching Equalities Impact Assessment that attempts to look at the cumulative impact of the budget. A number of the individual proposals will also require their own assessments and consultation with service users which will be undertaken separately at the appropriate time.
14. There is a significant amount of legislation around local authority financial planning and budgeting.
15. The Local Government Act 2000 states that it is the responsibility of the full council, on the recommendation of the Executive, to approve the budget and related council tax demand.
16. The Local Government Act 2003, section 25 requires the council's Section 151 officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations.
17. The Local Government Finance Act 1988, section 114 requires the Section 151 officer to report to all of the authority's councillors if there is

or is likely to be unlawful expenditure or an unbalanced budget. The council must meet within 21 days to consider the report and during that period the authority is prohibited from entering into new arrangements that will cause money to be spent.

18. Failure to set a legal budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.
19. The following paragraphs outline the annual budget setting process.

April to July

Estimate revenue income and expenditure over at the next 3 years, updating for previous years outturn position and any other information available.

July to September

Identify any new budget pressures.

Calculate forecast budget gap (difference between forecast expenditure and forecast income).

Chief Officers and Heads of Service start detailed work to identify new efficiencies and savings proposals.

Consider any capital projects needed.

Begin discussions with Executive Members as to the level and type of savings required.

October to December

Budget consultation with residents, partners and community groups, including reports to scrutiny.

Finalise budget proposals with the Executive, including potential impacts and risks.

Review budget in light of Local Government Provisional Settlement and update budget assumptions for any Government announcements.

January

Revenue and capital budgets considered by Executive.

February

Revenue and capital budgets debated at Full Council. Council Tax is set.

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 agree to receive a further report in November.

Reason: To keep the Committee informed of any financial issues.

Contact Details

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Report ✓ **Date** 23/09/2024
Approved

Wards Affected: List wards or tick box to indicate all **All** ✓

For further information please contact the author of the report

Background Papers:

Medium Term Financial Strategy Update Executive 12 September 2024

Annexes

None

Abbreviations

LGA Local Government Association
MTFS Medium Term Financial Strategy