

Executive

11 February 2021

Report of the Chief Finance Officer (s151 Officer)
Portfolio of the Leader and Deputy Leader of the Council

Financial Strategy 2021/22 to 2025/26

Summary

1. This report presents the financial strategy 2021/22 to 2025/26, including detailed revenue budget proposals for 2021/22, and asks Members to recommend to Council approval of the proposals. Following on from consultation with residents and business groups, the financial strategy delivers a balanced budget for 2021/22 with savings proposals totalling £7.9m, equivalent to 6% of the net budget. There are separate reports on the agenda covering the capital budget, the capital and investment strategy and the treasury management strategy.
2. Overall £12.5m in additional revenue funding will be added to the Council's 2021/22 budget to meet continuing pressures on adult social care and children's services, to support the Council's response to the Covid-19 pandemic and maintain progress on the objectives outlined in the Council Plan. Specific examples of revenue investment include;
 - An open and effective Council –revenue investment in 2021/22 of £2.5m to create a Covid-19 Recovery Fund. This will ensure that the Council can continue to fund crucial services for local residents and businesses. Given the scale of the economic challenge following the pandemic, the Council must be financially prudent and ensure emergency funding is there to support York's communities over the coming years. The Covid-19 Recovery Fund is covered in further detail below.
 - Good Health & Wellbeing – revenue investment in 2021/22 of over £4.4m 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 2021/22 of £1.4m to support children and young people across the city, including further funding for social care staff.
- A Greener and Cleaner City – further revenue investment in 2021/22 of £500k (in addition to the £500k in 2020/21) to create a new waste and street environment service, with a new neighbourhood focus to support local communities.
- A Greener and Cleaner City – further enabling investment of £150k in 2021/22 (in addition to the £150k in 2020/21) to underpin the Carbon Reduction Strategy and support towards the Climate Change delivery programme 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 2021/22 of a further £200k one off funding to refresh the Local Transport Plan.
- Creating homes and world class infrastructure - revenue investment in 2021/22 of £1.6m to fund the prior year capital programme to continue the on-going work of the Housing Delivery Programme, York Central, Castle Gateway, the Community Stadium, highways investment, vehicle replacement, The Guildhall and other crucial major projects.

3. Other key issues included in the budget proposals are as follows;

- A proposed basic council tax increase of 1.99 % in 2021/22.
- In addition an increase of 3% in line with the government's social care precept, equating to additional income of £2.5m, which provides support for social care
- Revenue savings of £7.9m in 2021/22
- Ensuring a financially prudent budget by addressing known budget pressures, including likely pay awards and inflationary pressures
- A net revenue budget of £131.392m, which will be funded by:
 - i. Council tax income of £98.051m
 - ii. Retained business rates of £33.341m

4. Due to the uncertainty of the financial situation, and the need to invest in recovery, the Council has reviewed the level of capital investment needed and has been able to reprioritise some areas of the existing

capital budget to invest in the Council’s priorities and to support the city’s recovery from the impacts of Covid-19. The Council’s main focus is to build back better from the pandemic. This budget continues the Council’s transformational £550 million capital programme, to drive regeneration and accelerate the city’s economic recovery.

5. The Capital Budget report sets out proposals for reprioritisation of investment. These continue the council’s approach to prioritise investment in the economy, housing, transport, and to invest to save including energy efficiency. Some of the key capital projects include;

- £154m to progress the York Central scheme
- £52m to improve the city’s road network infrastructure and accelerate the delivery of flood defences, in conjunction with local and regional flood defence funding
- £19m to progress regeneration schemes in the city, including Castle Gateway and the Guildhall
- £64m to further develop the York outer ring road, including cycling and walking improvements in the vicinity of the ring road
- £132m to deliver more housing across the city, including affordable housing
- £12m to invest in initiatives to tackle climate change, including funding to deliver active travel measures across the city, including new cycling measures and new routes across the city

6. The following table shows the 2021/22 budget position after taking account of the expenditure and funding changes outlined throughout the report. Further detail is provided at annex 1.

| Summary | 2021/22 £'000 |
|--|--------------------------|
| Total investment (Table 3) | 12,559 |
| Total net funding changes (Table 4) | -446 |
| Total changes in council tax (Table 5) | -4,243 |
| Total changes in business rates income (Table 6) | 74 |
| Total savings and income generation (Table 7) | -7,892 |
| New homes bonus funding (Table 8) | -52 |
| Budget gap | 0 |

Table 1 – Budget position summary

7. 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.
8. As a consequence of the Covid-19 pandemic, the Council must maintain a stable and resilient financial position for the next financial year in the midst of this unprecedented level of uncertainty and economic challenge.
9. The Council's proposed overall financial strategy includes significant investment in several priority areas outlined in the Council Plan, including front line services, adult social care, community-based services and initiatives to reduce carbon emissions.

Recommendations

10. Members are asked to consider the appropriate levels of council tax that they wish to see levied by the City of York Council for 2021/22. In doing so they should pay due regard to factors such as;
 - Expenditure pressures facing the council as set out in the report
 - Impacts of savings proposals set out in annex 2
 - Medium term financial factors facing the council as outlined in the report
 - Projected levels of reserves as set out in the report
 - Statutory advice from the Section 151 Officer
11. In light of the considerations outlined in the paragraph above, Members are asked to recommend to Council approval of the budget proposals as outlined in this report. In particular;
 - The net revenue expenditure requirement of £131.392m
 - A council tax requirement of £98.051m
 - The revenue growth proposals as outlined in the body of the report
 - The 2021/22 revenue savings proposals as outlined in annex 2
 - The fees and charges proposals as outlined in annex 3
 - The consultation feedback as set out in annex 4

- The Housing Revenue Account (HRA) growth set out in annex 5, the HRA savings proposals set out in annex 6, HRA 2021/22 budget set out in annex 7 and the HRA 30 year plan set out in annex 8.
- The dedicated schools grant proposals outlined from paragraph 156
- The use of £52k New Homes Bonus to fund one off investment, as outlined in paragraph 87

Reason: To ensure a legally balanced budget is set

12. The effect of approving the income and expenditure proposals included in the recommendations would result in a 4.99% increase in the City of York element of the council tax, 3% of which would relate to the social care precept. It is intended that the total council tax increase including the parish, police and fire authority precepts, will be agreed at the full Council meeting on 25 February 2021.
13. Members are asked to note the revocation of the 2020/21 North and West Yorkshire 50% retention business rates pool on 31 March 2021 and agree membership of City of York Council in the 2021/22 Leeds City Region 50% retention business rates pool from 1 April 2021, as outlined in paragraph 106.

Reason: To confirm membership of the Leeds City Region business rates pool for 2021/22

14. Members are asked to approve the average rent increase, based on national formulas linked to RPI and CPI, of 1.5% to be applied to all rents for 2021/22, with the exception of a 1.2% increase on the Gypsy, Roma and Traveller Community site rents as described in paragraphs 152 and 154.

Reason: To ensure the ongoing financial stability of the HRA and allow work on improving the quality of the council's affordable housing to continue.

Background

National context and funding issues

15. 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. The additional pressure on Council finances due to Covid-19 has added to the uncertainty, just like the many thousands of businesses and

organisations across the country. Demand for services has increased and at the same time income has significantly fallen.

16. The Government has not given Councils everything they need to respond to the pandemic. Although the Chancellor announced increased spending power for Councils, they have in fact given Councils the power to raise money through Council Tax and the Adult Social Care precept. The Government has transferred the burden to Council Tax payers.
17. The Council has responded by urging the Government to 'Back York' by investing more funding in the city and to seize the opportunities that are unique to York to drive recovery across the region. In the wake of the pandemic, the Council has stepped in, providing support for vulnerable residents and struggling businesses, and also with Covid-19 testing.
18. York has the 7th lowest band D council tax out of 57 unitary councils in England.
19. In relation to council tax, as City of York Council is a unitary authority with statutory social care responsibilities, the proposals in this report are predicated on a basic council tax increase in 2021/22 of 1.99 %, plus an additional increase of 3% in line with the government's social care precept. Further information on council tax and the social care precept is included later in the report.

Local issues and challenges

20. The Council is facing unprecedented financial challenges due to the impact of the Coronavirus pandemic. Demand for Council services has increased and, at the same time, income from services (such as parking) has fallen significantly. This has generated an in-year financial pressure totalling £15m for the Council. The total financial pressure facing the Council over the next 3 years is estimated to be £25m. At this stage, due to the continued uncertainty and changes in national restrictions, it remains unclear as to the ongoing financial impact in terms of lost income and other recurring expenditure.
21. Despite the Covid-19 funding provided by central government, an ongoing impact in future years is still expected due to a range of issues. As the city continues to recover, it is anticipated there will be significant pressures as a result of the longer term impacts on individual residents and increase in the cost of adult social care.
22. In addition, as residents and businesses respond to the economic impacts of the pandemic, it is anticipated there will be a reduction in both Council Tax and Business Rates receipts. In response to this shortfall,

the Council has had to make some difficult decisions to identify some £7.9m of savings to ensure crucial council services can continue to support local residents and businesses during the difficult year ahead.

23. In addition to the direct financial consequences of the pandemic, in terms of additional expenditure and lost income, staff time and effort over recent months has clearly been dedicated to supporting residents and communities. Focussing our resources on protecting the most vulnerable has meant actions needed to deliver prior year savings and manage some of the underlying budget pressures being experienced in social care have not been prioritised. We are also seeing an increase in social care costs directly as a result of the pandemic. These are national issues that are not unique to York and the combination of increased costs and delays in achieving savings is having a detrimental impact on all local authorities.
24. Partner organisations in the city are also experiencing unprecedented financial challenges and it is clear that the pandemic will have lasting financial implications both on the Council and many other organisations operating in the city. Whilst the Council continues to make every effort to manage the situation and protect critical front line service delivery, through identifying efficiencies and more robust control of costs, the Government funding will not fully compensate the Council and this represents a significant risk to the delivery of the Council Plan and the ongoing delivery of essential services.
25. The pandemic has caused significant changes to the way the economy operates globally, nationally and locally. The long term impacts on retail, office working and tourism are all subject to a great deal of speculation. In addition, the UK has the uncertainties of the impact of Brexit and the challenges and opportunities that may bring to the York economy. York is well placed to manage these challenges, with a highly educated workforce and excellent infrastructure however, the impact on Council revenue and service demands are highly unpredictable. With this unprecedented level of uncertainty in both the national and local economy it is therefore prudent to continue to plan on the basis of the current financial picture and begin to put in place mitigation and cost control strategies to bring expenditure down to within approved budgets.
26. In shaping the budget these issues have been carefully considered to ensure we set a budget that is both prudent and protects vulnerable people. Ensuring that there is the capacity to invest in council priorities has been a critical part of the budget deliberations.

Local issues and challenges – Adult social care

27. Locally demand for council services continues to increase, with an ageing population and increased complex needs in respect of care. In addition Covid-19 has significantly impacted on the ability of both formal and informal support networks to prevent vulnerable people needing social care support. 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.
28. The Financial and Performance monitor 3 report, elsewhere on this agenda, sets out in more detail the current financial pressures in relation to adult social care.
29. The additional funding received in 2021/22 and areas of investment in relation to adult social care is summarised in the table below.

| | 2021/22 |
|--|----------------|
| | £'000 |
| Additional social care grant | 446 |
| Social care precept | 2,546 |
| Total Additional Social Care Income | 2,992 |
| Invested in: | |
| Pay and pension | 37 |
| Price inflation | 1,730 |
| Children preparing for Adulthood | 1,630 |
| Investment to ensure budget sustainability | 1,000 |
| Total Invested | 4,397 |

Table 2 – Adult social care additional funding and investment

30. The majority of the growth will be used to fund price increases and existing cost pressures as a result of costlier support packages for a growing number of individuals with complex care needs. It will be used to fund the increasing cost of residential placements in a marketplace where the majority of customers are self funders and where resources to satisfy demand are scarce. It will also fund the increasing cost of the support required as children move into adult services.
31. As mentioned earlier in the report, Covid-19 has resulted in attention being diverted away from more business as usual activity, including the actions needed to deliver prior year savings and manage some of the underlying budget pressures being experienced in social care.

32. Investment of £1m, with a further £1m in 2022/23, is included to manage current budget pressures and build on the work initiated in the 2020/21 budget. It is expected that this investment will allow time for work to be done on reducing the current cost pressures and therefore is currently assumed only for the next 2 years. This will be reviewed in the following years budget process.
33. The strategy to bring a sustainable balanced budget is to focus on key areas we believe will make the most impact on these areas of increasing cost. In order to achieve this, work is underway on reviewing the key areas of budget pressure. This will help us embed at scale what we are currently doing to improve the budget position. We will also create an enhanced social care leadership and management structure that will enable us to manage the budget sustainability. Key performance outcomes include;
- Implementing best practice financial controls and measures to improve scrutiny, review and authorisation of spend.
 - Enhanced review of service packages to ensure people are in receipt of only what they need.
 - Ensuring prudent use of financial resources in commissioning social care packages.
 - Reducing the number and spend on permanent residential placements through the use of short term intensive support and alternative provision.
 - Reducing the spend on home care services through better, more frequent reviewing of care, the use of technology to support people as a default option and strengths based approaches that harness personal strengths and sustain families in their caring roles.
 - Reducing the cost of residential and home care coming to adult services through children's service through earlier intervention by adult services to prepare young people with care needs for adulthood.
 - Improving uptake of NHS continuing health care services where people are eligible for these.
 - Stabilise the rising unit cost of residential and nursing care by agreeing rates with the sector based on the actual cost of care.
34. A cost control board has been created specifically to look at all adult and children's social care packages, SEND support costs and the effectiveness of our commissioning and review functions. The Board track spend on a weekly basis to ensure savings and mitigation plans are

on track. If any plans are not on trajectory then recovery plans will be required and where necessary escalated to CMT. Schemes of delegation have also been reviewed across the People Directorate to ensure decision making is clear and at the correct level to challenge and manage costs.

35. Work is also underway with health colleagues to ensure we have effective joint care pathways, commissioning and brokerage processes in place which maximises any additional central government funding and opportunities which arise from the integration and place agenda.
36. We are changing our approach to reviews, learning from our good practice and positive outcomes from managing demand at the front door of adult social care. At the heart of this is our proven experience that care can be reduced by enabling people to access more community and voluntary sector support to promote independence. This programme is underway.

Local issues and challenges – Children’s social care

37. Nationally there is significant pressure on budgets in children’s services. Demand is increasing and numbers of children in our care are also rising. There are well publicised issues with SEND and high needs funding which are subject to national review. In York we are seeing significant demand pressures, for example referral to social care are on track to have doubled this year.
38. For the last year there has been very significant due diligence activity with a detailed review of every aspect of service delivery. As a result of this, drift and delay which had existed has been tackled and this has led to a re calibration in the system with significantly more children needing the support of a child protection plan or being in our care. This also creates cost pressures.
39. Improvement journeys of this type also require investment in workforce to support them to make the practice changes which are necessary. In York we are very pleased to have been successful in attracting social workers at the start of their careers with a view to supporting and developing them to become a stable and experienced workforce committed to the children of York. In order to offer them appropriate support and mentoring we have recruited additional experienced staff to ensure caseloads remain reasonable and children and their families receive a timely and appropriate service.
40. Against this context (especially as there is a need for a relentless focus on continuing our improvement) to make savings is very

challenging. Therefore the savings which are proposed are primarily in areas where there is an alternative funding source (such as a grant) and core budget can be reduced. Where this is not the case savings are anticipated to come from re alignment of services to have a more focused practice model which reduces the number of children that require statutory intervention due to complex needs) for example being in need of protection or in need of being in our care).

41. The growth items in the budget relate to areas where there is significant need such as mental health support and social care practice improvement.
42. The Council spends less of its overall budget on children's social care than any other Council in the region. The Track and Challenge initiative has been a success and £819k of savings have been delivered so far this year. However, it should be noted that the budget is based on approximately 200 children in our care although statutory neighbours suggest this should be around 245, which makes it a challenge to remain within budget.
43. As mentioned above, as with Adult Social Care the impact of Covid-19 has diverted resources from business as usual activity, including the actions needed to deliver prior year savings and manage some of the underlying budget pressures being experienced in social care. Investment of £1m, with a further £1m in 2022/23, is included to manage current budget pressures and build on the work initiated in the 2020/21 budget.

Council priorities

44. The Council Plan for 2019/2023 is based on our statutory responsibilities and the priorities of our administration. 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

45. 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.
46. The plan was formally approved by Council on 31 October 2019 following consultation with residents, businesses and staff.
47. The budget reflects the Council priorities, with significant revenue and capital investment in a number of critical areas, or protection to existing spending, as set out in both the capital budget and this report.

Principles that have shaped the budget process

48. The Council's Financial Strategy includes significant investment to stabilise our finances to protect against the economic effects of Covid-19 and continues to invest in priority areas as outlined in the Council Plan, including adult social care and support for children, frontline services and the city's economic recovery.
49. Recognising the unprecedented economic challenge of the pandemic and support needed for local residents, we are increasing net spending by £2.6 million on adult social care and support for children, whilst

investing additional funding to protect frontline services and to accelerate our economic recovery.

50. To enable this investment, the Council has delivered back office efficiencies of £3 million to ensure financial prudence and that the Council is prepared to respond to future challenges and deliver services to residents and businesses more effectively.
51. The scale of the budget reductions required will inevitably affect all services and all residents to some extent. In considering what savings can be made we have taken long term approaches to the development of future services. This included an assessment of options, risks, and links with Council priorities. 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. This approach will help to protect the needs of the most vulnerable people in York.
52. Anticipating that the council would be self-funded from council tax and business rates by 2021/22, it was recognised some years ago that a successful economy is critical to the council's financial future, with strong and growing business rates and the ability to attract better paid employment to the city.
53. Ensuring that there is a strong link between the capital and revenue budgets to support the delivery of council priorities is essential. The capital budget sets out significant capital investment, and details regarding some of the major capital schemes that will impact on the economy of the city.
54. Set out in the separate capital budget report are 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 tackling climate change. In addition, the council is continuing to make a significant investment in ICT, recognising that the need for high quality technology will be crucial to delivering services in the most effective manner in the future, particularly in relation to adult and children's services and customer services.

Consultation

55. The council has been working with residents and businesses to identify the services that matter most to them and to understand their priorities for spending the council budgets.

56. The budget consultation launched in December and closed on 31 January 2021.
57. This year there were 2,251 responses, a significant increase compared to 825 last year.
58. 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.
59. 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.
60. The survey was promoted;
 - Within the business community via existing business network links and distribution groups including York Business Week, Make It York, The Business Improvement District, York Chamber of Commerce and the York Federation of Small Businesses. Promotion was through social media, website channels and email. These key stakeholders were asked to pass on details of the consultation to their members.
 - To equalities groups via the equalities network.
 - Paper copies were distributed to all households in the City, through a flyer in Local Link in December. Responses were sent back at no cost to residents via Freepost to West Offices.
61. The key messages from the consultation were;
 - To balance the budget, 44% of respondents were in favour of an increase in council tax, rather than an increase in charges (34%) or a reduction in service provision (22%)
 - 68% supported some form of increase in basic council tax, and of those supporting an increase 44% favoured the maximum increase of 1.99.
 - 59% supported a 3% increase in the social care precept.
 - Respondents were asked if they agreed with various areas for priority investment. The area most thought was a priority was the Council's public health response to the pandemic, including support for mental health, followed by the maintenance and upkeep of

schools and also to provide financial support for those that need it most.

62. These consultation results have been used to inform the budget, as evidenced below;
- The budget proposal increases the basic council tax by 1.99% and social care precept by 3% as favoured by the majority of respondents. This decision was taken to address the significant budget pressures which the council faces, particularly in adult social care, as set out in the report.
 - The Council have prioritised investment in the £2.5m Covid-19 recovery fund, which is covered later in the report, including investment in the York Financial Assistance Scheme and support for mental health.
63. The consultation responses to questions are summarised in Annex 4. Due to the significant volume of free text comments these are not included in the summary annex but will be published on the York's open data platform www.yorkopendata.org

Executive Member decision session consultation

64. Following the consultation, five decision session meetings were held for all portfolios (some of these were joint decision sessions) in the week commencing 11 January.
65. The meetings provided further opportunity for Executive Members to obtain feedback from stakeholders, and also gave stakeholders a view of the initial budgets proposals approximately a month in advance of the Executive meeting. Four elected members registered to speak to share their views, which were taken into consideration by Executive Members in advance of the finalisation of these budget proposals.

Budget analysis

66. The budget setting process has taken into account the following issues, (which are considered in more detail in following paragraphs);
- i. Consideration of the 2020/21 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 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.

2020/21 position

67. As part of the budget approved in February 2020, considerable investment was made in priority services to ensure sufficient resources to deliver statutory and priority services. The most notable example was additional funding for adult social care, with the inclusion of £4.5m growth. At a time of significant financial challenges, this was a major investment to ensure the council were able to provide sufficient funding for the cost of care, supporting social care staff and enabling residents to stay in their homes longer.
68. As outlined earlier in the report, and in a separate report elsewhere on this agenda, the latest finance and performance report identifies a range of budget pressures.
69. Some areas identified as pressures in 2020/21 will require additional funding in the future and these include investments relating to waste, children and adult social care, which is covered further in the report. In addition the Council will need to take some concerted actions to ensure cost pressures are minimised, with cost avoidance strategies.

Additional Investment

70. The following bullet points set out the areas where additional investment is being made;
 - Revenue funding for the prior year capital programme **£1,636k**
 - Adult social care - **£4,360k** to cover contractual price increases and demographic pressures, including the cost of adults as they

transition from children's services within 2021/22. Including an increase for officer pay and pension costs (included in the £200k figure below) a total investment of £4,397k has been made in the adult social care service, as set earlier in the report

- Public Health **£183k** – to reinvest public health savings, to ensure that there is no overall reduction in the Public Health budget
- Contractual price increases **£1,740k** - to cover unavoidable contractual price increases in other service areas, mainly ICT, transport, waste and children's services
- Pay and Pension costs - **£200k** is included for pay and pension costs in 2021/22.

71. The following bullet points set out the areas where additional investment is being made in other priority areas;

- Waste and environment services **£500k**, in addition to the £500k increase in 2020/21 – To invest in waste and environment services to include additional staffing on waste rounds, improved city centre cleaning and effective weed control.
- Climate change delivery programme **£150k**, in addition to the £500k increase in 2020/21 – To establish a climate change delivery programme that will deliver a programme of actions along with the development of an evidence base to inform future activity and a public engagement exercise.
- Footstreets **£60k** - One off impact of temporary footstreet extension in response to Covid as approved by Executive Member in November 2020
- Organisational Development **£30k** - to undertake an organisational development programme to ensure delivery of key council priorities

72. As set out earlier, there remain potential pressures and risks within social care. The budget provides for a significant investment within adult care, however it is recognised there remain a number of risks in this area.

One off Investment

73. In addition to the ongoing expenditure pressures set out above one off growth totalling **£4.7m** is included.

- Given the continued financial challenges due to the pandemic, the Council is trying to address this by creating a Covid-19 Recovery Fund (£2.5m revenue, £1m capital). Although this funding is included as one off in 2021/22, it is funded from recurring resources with the expectation that it will continue (in some form) in future years. This investment will allow provision of the following measures, alongside a prudent amount for any further impact where we may need to react quickly to changing circumstances. The following measures will progress immediately. Some may be subject to further decisions, either from the Executive Member or Executive, dependent on the situation and restrictions in place at the time.
 - £200k to support Covid-19 recovery efforts in local communities across the city
 - £80k will be invested to give residents cheaper Minster Parking Badges as part of our efforts to mitigate the impact on the local economy
 - £40k to provide sustainable travel incentives to support recovery and build back confidence in public transport
 - £50k will be used to assist households via the York Financial Assistance Fund, helping residents on the lowest incomes mitigate the financial impact of the pandemic
 - £50k to extend existing projects that support carers most affected by the pandemic to access resources and support, particularly for carers and individuals with a diagnosis of dementia
 - £100k to work with the local Voluntary Sector to provide additional low level Mental Health Support recognising the impact the pandemic has had on emotional wellbeing with the aim of reducing the need for NHS services.
 - £40k to support business during recovery including grants, information and networking
 - £40k for promoting the benefits of business membership organisations, such as the FSB or Chamber of Commerce
 - £50k will fund support for skills development and re-training programmes, including support for new green jobs

- Adult Social Care **£1m**, with a further £1m in 2022/23 - continuing to invest in community based services which build in the strengths of individuals, families and communities to reduce the need for crisis intervention and enable people to live independent lives. As mentioned earlier in the report, this will fund existing pressures in the service. This one off investment is funded from recurring funds, therefore the option remains for continuation of this one off funding beyond 2022/23 and this will be considered in future budgets, dependant on the circumstances.
- Children's social care **£1m**, with a further £1m in 2022/23 - additional Investment to Children's social care supporting current pressures delivering services to the most vulnerable children, young people and families. As mentioned earlier in the report, this will fund existing pressures in the service. As above, this one off investment is funded from recurring funds, therefore the option remains for continuation of this one off funding beyond 2022/23 and this will be considered in future budgets, dependant on the circumstances.
- Transport Plan refresh **£200k** - including funding towards a trial to investigate how taxis and other small vehicles can be used to enhance the York bus system

74. The one off growth items above are funded from £52k one off new homes bonus grant provided by central government and £4,468k recurring funding from council tax and business rates.

Investment Summary

75. The investments described above are set out in the following table;

| Investment | 2021/22 £'000 |
|--|--------------------------|
| Recurring investment | |
| - Revenue funding for prior year capital schemes | 1,636 |
| - Adult social care prices and demographic | 4,360 |
| - Public Health demographic | 183 |
| - Other Prices contingency | 1,740 |
| - Pay and pension | 200 |
| - Waste and environment services | 500 |
| - Climate change delivery programme | 150 |

| | |
|------------------------------------|---------------|
| - Footstreets | 60 |
| - Organisation Development | 30 |
| One off investment, to be reviewed | |
| - Covid-19 Recovery Fund | 2,500 |
| - Adult social care | 1,000 |
| - Children's social care | 1,000 |
| - Transport plan refresh | 200 |
| Total Investment | 12,559 |

Table 3 – Summary of investment

Grant Funding Changes

76. Table 4 shows the net change in specific grants. The council will receive additional grant of £446k in 2021/22 to fund adult social care pressures. This will be used to fund growth in adult social care and is covered in further detail elsewhere in the report.

| | 2021/22 |
|-----------------------------------|----------------|
| Funding Changes | £'000 |
| - Net increase in specific grants | -446 |
| Net Funding Changes | -446 |

Table 4 – Grant funding changes

Council Tax Funding Changes

77. Table 5 shows the net changes to council tax funding.

78. The first line in Table 5 shows the 4.99% increase in council tax which will generate additional income of £4.681m on the existing taxbase.

79. However, due to a decrease in taxbase, this will reduce by £438k, as shown in the second line of Table 5. The taxbase is calculated by the s151 Officer each year and represents the total number of Band D equivalent properties in the city. In 2021/22, this has decreased by 301. Taxbase can increase or decrease due to various factors including new homes and changing patterns in the number and types of discounts taxpayers are able to receive or apply for. In 2021/22 we forecast a decrease in taxbase since the number of claimants for council tax

support is increasing, mainly due to the financial difficulties facing households affected by Covid-19.

80. The third line is the reversal of the collection fund surplus from the prior year. There was no surplus in 2019/20.
81. The council tax collection fund surplus or deficit for the year 2020/21 is estimated on 15 January 2021, based on current year actual figures. The surplus or deficit is a result of a change in taxbase, compared to estimates made last year. The collection fund surplus is only available as one off funding, but there is no surplus forecast for the year 2020/21.
82. In summary the Table 5 shows an estimated £4.243m additional income from council tax in 2021/22.

| | 2021/22 |
|---|----------------|
| Council tax | £'000 |
| - Increase in charge | -4,681 |
| - Decrease in taxbase | 438 |
| - Reversal of collection fund surplus 2019/20 | 0 |
| - Collection fund surplus 2020/21 | 0 |
| Net council tax changes | -4,243 |

Table 5 – Council Tax funding changes

Business rates income

83. Table 6 shows a total of £74k reduced income from business rates.
84. In 2020/21 City of York Council were part of a 50% business rates pool with North and West Yorkshire and in 2021/22 the council will form a new pool, Leeds City Region, with the West Yorkshire authorities. This is covered in further detail later in the report.

| | 2021/22 |
|------------------------------|----------------|
| Business rates income | £'000 |
| - Business Rates reduction | 74 |
| Change in income | 74 |

Table 6 –Change in business rates Income

Savings proposals

85. Directorates have identified £7.892m to contribute towards the 2021/22 savings target. These proposals, outlined in annex 2, include increases in income, reductions in administration costs and removal of vacant posts.
86. Table 7 summarises the 2021/22 savings to be delivered by each directorate and corporate services.

| Savings | 2021/22 £'000 |
|------------------------------------|--------------------------|
| - People (including Public Health) | -4,244 |
| - Customer and Corporate Services | -1,181 |
| - Place | -367 |
| - Corporate | -2,100 |
| Total savings changes | -7,892 |

Table 7 –2021/22 Savings Proposals

New homes bonus (NHB) grant

87. The new homes bonus was introduced to provide an incentive for local authorities to encourage housing growth in their areas. Authorities receive funding for growth above the national baseline set at 0.4%. When an authority has overall growth in excess of the baseline, it gets rewarded for the above-baseline growth, not its entire growth.
88. In the September 2019 settlement the government announced a reduction in legacy payments and a phasing out of the NHB funding by 2023/24.
89. We will continue to phase out any ongoing revenue funding from NHB. This currently totals around £2.2m (as set out in the table below) and therefore over the coming years this will be gradually phased out in future budgets.
90. The total funding available in 2021/22 is £2.3m.
91. The budget proposals include one off investment of £52k which will be funded from NHB.

| New Homes Bonus | £'000 |
|---|--------------|
| - Available 2021/22 | -2,311 |
| - Previous Council decisions | |
| February 2016 budget - recurring | 1,349 |
| July 2015 budget amendments - recurring | 1,259 |
| February 2019 budget - recurring | 51 |
| - 18/19 Allocation to phase out NHB funding | -400 |
| - Allocated in this budget (one off) | 52 |
| NHB remaining | 0 |

Table 8 – New homes bonus funding

Net Budget Composition

92. Taking into account funding changes summarised in Tables 4, 5 and 6, Table 9 below summarises the funding available from council tax and business rates for 2021/22.

| | 2021/22 £'000 |
|-------------------------|--------------------------|
| Council Tax | 98,051 |
| Business Rates | 33,341 |
| Total Net Budget | 131,392 |

Table 9 – Net budget composition for 2021/22

Fees and charges

93. At the start of the Covid-19 pandemic to assist residents and businesses during this difficult period the Council made the decision not to increase some fees and charges which were agreed in February 2020 and due to be implemented in April 2020. Whilst the Council recognise that the challenges remain, it has been necessary to increase some fees and charges for 2021/22 to achieve a balanced budget.
94. Detailed proposals for any changes to fees and charges are attached at annex 3. The proposals have taken account of such factors as possible impact on customer numbers, knowledge of business and current market conditions and benchmarking exercises. Any increased income from this

review of charges is included within the overall list of savings attached at annex.

Council Tax

95. The existing components of the current (2020/21) band D council tax for a CYC resident are shown in Table 10 below. It should be noted that these figures exclude parish precepts which are an additional charge in some areas.

| | £ |
|---------------------------------|-----------------|
| City of York Council | 1,383.33 |
| North Yorkshire Police | 265.77 |
| North Yorkshire Fire and Rescue | 72.69 |
| TOTAL | 1,721.79 |

Table 10 - Make Up of 2020/21 Council Tax

96. The collection fund is the ring-fenced account where all council tax is credited. This account can either be in surplus or deficit at the year end, depending on whether the authority has managed to collect more or less than it originally anticipated and the growth in property numbers. This year, the CYC element of the council tax surplus is estimated to be nil and this is included in the budget assumptions.

Referendum Limits

97. The council tax referendum limit has remained at 2% (excluding social care precept) for 2021/22. The threshold is not guaranteed to continue beyond 2021/22. If a Council wishes to set a higher council tax it must hold a referendum. It must also provide 'substitute calculations' which need to be presented to setting out what the alternative budget would be. This means that that if any proposal is made for a council tax above the referendum limit it must be accompanied by 'substitute calculations' within the referendum limit, to be used in the event that the referendum would reject the increase. If a referendum is held after the beginning of the relevant financial year, the higher rate of council tax will be payable unless and until it is overturned by a 'no' vote in the referendum. In the event that a referendum rejects the increase, the billing authority would be able to issue new bills, offer refunds at the end of the year or allow credits against liability the following year, although individual council taxpayers would be entitled to a refund on demand.

98. The costs of a referendum are not easy to estimate, and depend to an extent on whether it can be done as part of another election. If there is no other election, provision should be made for £210k. If the referendum could be combined with another election this would reduce the cost by approximately 50%. There are no local elections scheduled to take place in 2021/22. In addition there are the costs of rebilling which is estimated at £50k.

Social care precept

99. Local authorities with responsibilities for adult social care have been given the flexibility to charge a further social care precept in addition to the 2% referendum threshold. The Council can charge up to a maximum of 3% on social care precept.

100. As referred to earlier in this report, the recommendation made in these papers is that from April 2021 the City of York element of the council tax will increase by 4.99%, 3% of the increase relating to the social care precept.

101. A 3% social care precept increase generates additional income of approximately £2.5m for the council which will be used along with additional grant funding to fund adult social care increased costs, pay, pension and other pressures. The increase in the adult social care precept is in recognition of the significant budget pressures within this service area. Further details on the use of the adult social care precept are covered earlier in the report.

Precepts

102. In addition to the council tax to be charged by the City of York, the overall charge must include the precepts from the North Yorkshire Police, North Yorkshire Fire and Rescue Authority and parish councils. Due to the timing of this report these precepts are not yet available but will be included in the report which is considered by full Council on 25 February.

103. Table 11 demonstrates both the cash and percentage increase in 2020/21 for these which resulted in a total band D council tax for a York property of £1,721.79.

| | 2019/20 | 2020/21 | | |
|--------------|-----------------|--------------|--------------|-----------------|
| | Charge (£) | Increase (£) | Increase (%) | Council Tax (£) |
| CYC | 1,330.25 | 53.08 | 3.99% | 1,383.33 |
| Police | 255.77 | 10.00 | 3.9% | 265.77 |
| Fire | 71.27 | 1.42 | 2% | 72.69 |
| Total | 1,657.29 | 64.50 | 3.88% | 1,721.69 |

Table 11 – 2020/21 Council Tax Figures for City of York Area

104. There are 31 parish councils within the City of York Council area. It should be noted that the council will provide each parish with a support grant to ensure that they do not experience any loss on their equivalent funding as a result of changes due to the localisation of council tax support.

Business Rates (National Non Domestic rates - NNDR)

105. The council is projecting retained business rates income in 2021/22 of £33.352m, a decrease of £63k compared to 2020/21. Business rates are expected to reduce as a result of Covid-19.

Business Rates Pooling

106. City of York Council is currently a member of the North and West Yorkshire (NWX) Business Rates Pool. The pool was formed for 2020/21 and retains 50% of business rates, in line with national policy. The pool will disband on 31 March 2021.

107. The West Yorkshire authorities within the pool (which formed the original Leeds City Region (LCR) pool in 2013/14) have reformed as a new pool which will begin on 1 April 2021.

Reserves and Contingency

General reserves and contingency

108. Table 12 shows the position on the general fund reserve which, it is anticipated, will be £7.442m by the end of 2020/21. However, as noted earlier in the report and on a separate report on this agenda a number of known pressures are forecast for 2020/21. The Council will continue to make every effort to reduce this forecast position but it is considered unlikely that it will be reduced to the point that the outturn will be within

the approved budget, and therefore it is expected that Council general reserves will need to be called on.

109. The projected reserves at the end of 2021/22 are based on the assumption that Members agree no usage of reserves in 2021/22 as part of the final recommendations to Council.

| | 2020/21 Projected Out-turn £'000 | 2021/22 Budget £'000 |
|---|---|-------------------------------------|
| General reserve at start of year | 7,442 | 7,442 |
| In Year use of reserves | 0 | 0 |
| General reserve at end of year | 7,442 | 7,442 |
| Prudent minimum reserves | 6,400 | 6,400 |
| Headroom (+)/Shortfall (-) in reserves | 1,042 | 1,042 |

Table 12 – Projected general reserves

110. In line with best practice, the council has undertaken a review of risks and known commitments in order to determine its minimum general reserve level. In considering this, it has been determined by the s151 Officer that a level of £6.4m remains an appropriate figure. However in light of the risks facing the council, in relation to Covid-19, major capital programme schemes such as York Central and Castle Gateway and the budget pressures within children's and adult social care as covered earlier in the report, it is considered that the Council should make every effort to maintain some headroom above the minimum level. Should the general reserve be required in 2020/21, further consideration of reserves will be made during the early part of 2021/22 and any increase needed will be considered as part of a future budget process. Reserves are covered in further detail within the s151 statutory statement at the end of the report.
111. In addition to general fund reserves and the Covid Recovery Fund, the budget includes a £500k general contingency. In recent years this has always been required.
112. As mentioned earlier in the report, due to significant risks associated with Covid-19, major capital projects and the reduction in NHB grant it is appropriate to provide an adequate contingency on an ongoing basis. This is critical in terms of the setting of a prudent budget.

Venture fund

113. The balance on the venture fund reserve is anticipated to be £4.18m at the end of 2020/21.

114. As covered in previous budget reports Executive have already agreed commitments in future years to major projects including £300k to the Community Stadium, £3m to York Central and £200k to Burnholme Community Centre. After taking into account these commitments, the forecast year end balances on the venture fund is included below in Table 13.

| | Forecast Year end Venture Fund Balance |
|---------|---|
| | £'000 |
| 2020/21 | 4,175 |
| 2021/22 | 4,356 |
| 2022/23 | 4,244 |
| 2023/24 | 1,281 |
| 2024/25 | 1,485 |
| 2025/26 | 1,696 |

Table 13 – Venture Fund Balance

115. Taking into account future year's commitments, a balance of £850k is available at 2020/21, which increases to £1.7m by 2025/26 as advances are repaid to the fund from prior year schemes.

116. The Council have notionally ring fenced any remaining balance in the Venture Fund for a letter of credit on behalf of York Museum Trust (YMT) up to a maximum of £1.95m, although it is not expected that amount would be required. Since this is notional and the amount is still uncertain it has not yet been reflected in Table 13 above. The council has also agreed to a loan of up to £300k to Make it York if required to support its cashflow that would be funded from the Venture Fund.

Medium term planning

Medium Term Outlook

117. The Spending Review 2020 (SR20) announced in November 2020 would have been a multi year review but due to Covid-19 is a one year only announcement for 2021/22. Most local government funding will remain at

current levels with a small amount of additional funding for Adult Social Care. The government is also providing Covid-19 related support to local authorities to cover loss of income and expenditure increases, although this will not fully compensate all the pressures.

118. The Spending Review included increased 'spending power' for local authorities. However, on analysis of the detail this is predominantly funded by Council's power to raise money through Council Tax and the Adult Social Care Precept.
119. The provisional settlement was announced on 17 December. It is expected that the final settlement will be announced in February, but it is unlikely to differ significantly from the provisional figures.
120. Significant uncertainty remains due to the financial effect of Covid-19 on council tax and business rates income. In addition there remains ongoing uncertainty around long standing issues which have been delayed due to Covid-19; the ongoing 'fair funding' review, the ongoing review of business rates retention and details of the business rates baseline reset. All this uncertainty increases the risks facing the Council. However, this risk is mitigated by the inclusion of a Covid contingency. Without this contingency fund the budget would not, in the view of the Chief Finance Officer, be sufficiently robust to meet the challenges ahead. Nor would it properly cover potential costs for the year ahead.

Business Rates and Funding Reform

121. As highlighted in previous Financial Strategy reports, the government has phased out Revenue Support Grant (RSG), to be replaced by a system which allows local government to retain a greater percentage of business rates growth.
122. Whilst devolution of business rates presents opportunities for the council, there are also associated risks with business rates appeals and the business rates reset.
123. As at this time last year, there was an expectation that business rates and funding reform, which had already been postponed due to the government's focus on Brexit, would be implemented in 2021/22. The Covid-19 pandemic has set back progress on this again.
124. The business rates review will consider an increase in the retention rate for councils from 50%, the process for business rates revaluations and the business rates reset. It might also lead to more fundamental change

in the way that businesses are taxed. The government are now set to publish their conclusions to the business rates review in Spring 2021 but it is uncertain when any changes will be implemented.

125. The Government has indicated that they are minded to have a full business rates baseline reset. This could have significant implications for a high growth authority such as York, as any growth built up since 2013/14 may be taken and redistributed to authorities with higher 'needs', according to the revised funding formula under consideration in the Fair Funding Review (FFR).
126. The Fair Funding Review focuses on the cost drivers for individual authorities. As part of the funding reform, additional responsibilities will transfer to local government, potentially the administration of housing benefits for pensioners and funding of public health.

Social care funding

127. Social care funding received an extra £300m in 2021/22. Since this was a one year settlement, there is no indication as to whether the social care precept on council tax will continue beyond 2022/23, although it is likely to continue.
128. The government wants to reform social care to find 'a long term solution that will stand the test of time'. It is recognised throughout both central and local government that social care has been underfunded for several years. The Social Care Green Paper was originally due to be published in summer 2017, and in Autumn 2019 there was an expectation that a White Paper would be published instead in 2020. The paper is expected to consider the longer-term challenges in adult social care, and its purpose will be to build a sustainable, long-term, reliable system. A publication date for the paper has not been confirmed.

Medium term strategy and approach to savings

129. Recognising some of the risks set out in preceding paragraphs, in particular the state of the UK economy, and the distribution of local government funding, the table below, Table 14, sets out the headline figures for the Council's medium term financial forecast to 2023/24.
130. It is difficult to predict beyond this timescale with the absence of multi-year settlements and the current uncertainties due to Covid-19.

| | 2022/23 | 2023/24 | 2023/24 |
|--|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 |
| GROWTH | | | |
| Pay and price inflation | 4,000 | 4,000 | 5,800 |
| Demographic (mainly social care) and overspend pressures | 3,100 | 2,840 | 2,840 |
| Capital Programme | 1,600 | 1,600 | 1,600 |
| Covid-19 Recovery | 2,500 | 2,500 | |
| Other | 1,600 | 660 | |
| Total growth | 12,800 | 10,000 | 10,240 |
| RESOURCES | | | |
| Council Tax at 4.99% | 4,400 | 4,400 | 4,400 |
| Business Rates Growth | 0 | 0 | 0 |
| Total resources | 4,400 | 4,400 | 4,400 |
| FUNDING GAP | 8,400 | 5,600 | 5,840 |

Table 14 – Medium Term Forecast to 2023/24

131. These figures are based on the assumption that funding for adult social care continues in a similar manner as currently and there will not be any significant pay award until 2023/24. Clearly there are a number of factors that could change these figures, and uncertainty will remain until the announcement of the Spending Review 2021, but they provide the broad basis on which the Council will need to consider decisions over coming years. The longer term impact of Covid-19 on council tax and business rates collection and the pressures on budgets are difficult to judge at this stage.
132. The funding gap figure in Table 14 represents the amount of savings that are required each year to balance the budget.
133. Whilst settlements for local government are expected to be better than in the past, this is far from certain in light of the current one year settlement and the factors outlined earlier in the 'medium term outlook' section of the report.
134. There are three very major pressures facing the Council. These relate to social care, Covid-19 and the impact of the capital programme.
135. The impact of the capital programme will have an effect on the revenue budget in terms of cost of borrowing. Whilst this is spread over a number

of years, the broad requirement in future years is for an increase in the treasury budget of around £1.6m every year.

136. The current pressures on the social care budget are expected to continue in the medium term and are reflected in the figures in Table 14.
137. To achieve the savings, and ensure budget pressures are contained, it is essential that the Council further develops the delivery of digital services, its use of assets, ensures efficient cost control, develops new sources of income, secures grant funding and reviews the method of delivery of a number of service areas.
138. Due to the impact of Covid-19 there is no growth in business rates assumed. As identified earlier in the report there are further uncertainties around assumptions in business rates funding which may have a significant impact on the council's funding. This will be determined by the outcome of the fair funding review and the business rates baseline reset.
139. Based on the current assumptions above, based on a 4.99% increase in future year's Council tax, there remains a funding gap of between £8.4m and £5.6m each year, over the next 3 years. The Council will need to consider the relevant balance of savings, variation in council tax, and potential changes in funding and income from business rates.
140. Specific details of future year's savings proposals will be covered in future budget reports. Looking beyond 2021/22 is difficult given a wide range of uncertainties already described. The scale of savings is to a large extent dictated by the overall level of council tax increase that will be set.

Housing Revenue Account (HRA) Budget

141. Local Authorities are required, by legislation, to keep a HRA. The Local Government and Housing Act 1989 stated that items of income and expenditure only relating to council housing must be contained within the account. Authorities have a duty to ensure that the HRA balances, to keep the budget under review and to take all reasonable steps to avoid a deficit.
142. This budget has recognised the need for further investment in its Housing Stock and has identified additional funding for its repairs service:

- Additional servicing on equipment in tenants properties dealing with damp (£150k full year)
- New Apprenticeship programme to recruit and retain up to 15 apprentices over a five year period (£100k full year)

143. There is also proposed investment across the Housing Management service:

- Additional resources to support adaptations service to council tenants (£25k full year)
- Additional resources to support estate regeneration, improving care of estates and policy support (£92k full year)
- Additional resources to optimise the implementation of the new Housing ICR system (£140k full year)

144. It is also important to ensure that the HRA does operate efficiently and a number of savings of £477k, have been identified. Details of these savings are shown in Annex 6.

145. The HRA budget taking into account the growth and savings for 2021/22 is detailed at Annex 7.

146. Elsewhere in the capital programme, additional investment has been identified for further aids and adaptations across the housing estate to support tenants to remain in their homes, further investment in energy efficiency measures to reduce the carbon footprint of council housing and also investment in the new Housing ICT system which is due to go live in 2021/22.

147. The impact of the recommendations within the financial strategy have been modelled and the 30 year business plan is shown as Annex 8. The impact of the growth and savings have been broadly neutral over the years. The headlines of the plan are that

- Maximum debt will increase from £140m to £156m as the Housing Delivery Programme develops sites
- The HRA debt will be fully repaid by the end of the plan
- The minimum HRA year end balance can be maintained at over £20m

148. The plan remains financially robust as the ongoing HRA debt can be serviced whilst continuing to deliver in year surpluses (prior to debt repayment) in every year of the plan.

Rent Changes 2021/22

149. Since April 2002, the rent increase has been calculated with the key aim of converging rents across all social housing providers whether local authority landlord or other registered provider. This involved a phased change in rents, known as rent restructuring, based on a formula for rent setting created by central government. This government formula rent took account of various factors including the number of bedrooms a property has, property valuation, average earnings and the date at which all rents were expected to converge.
150. Central government policy has now changed and rent restructuring has been brought to an end. The subsequent policy of increasing rents by the Consumer Prices Index (CPI) + 1% that was applied for the 2015/16 increase was due to apply for ten years but in July 2015, further changes to social rents were announced in the Welfare Reform and Work Bill 2015. All social housing rents were required to be reduced by 1% for four years from 2016/17. Government made a further announcement in October 2017 confirming that social rents can be increased by CPI + 1% with effect from 2020/21. The modelling assumes future CPI at 2%.
151. The expected effect on rent levels over the next 3 years is shown in table 15 below.

| Year | Estimated Average Rent Per week | Estimated Average Increase per week |
|---------|---------------------------------|-------------------------------------|
| 2020/21 | £79.83 | £2.32 |
| 2021/22 | £80.77 | £0.94 |
| 2022/23 | £83.19 | £2.42 |

Table 15 – HRA Rent changes

152. All rents that do not fall within the definition of “social housing rents” for the purposes of the Welfare Reform and Work Bill 2015 will have the previous policy applied of increasing by CPI + 1% which will be an increase of 1.5%. This will include garages as well as any specialist supported housing that is exempt from the rent reduction legislation.
153. The Mobile Homes Act 1983 allows the council to increase rents by RPI. However, where the RPI is higher than CPI + 1%, CPI + 1% is used in line with the other rent increases which are exempt from the 1% reduction.
154. The current RPI is lower than CPI + 1%, as such a rate of 1.2% (December 2020 rate) will be used to increase the Gypsy, Roma and Traveller Community site rents in 2021/22.

155. 2021/22 sees the first year of Shared Ownership rent increases for those tenants that have held an equity share in their property for 12 months as at 1st April 2021. In line with the lease agreement, rent on the portion of the property owned by City of York Council, will be increased by RPI +0.5%, being 1.6%.

Dedicated Schools Grant (DSG) and the Schools Budget

156. The DSG is ring-fenced for funding the provision of education or childcare for 3 to 16 year olds in all settings and high needs pupils up to age 25. As such it covers funding delegated to individual local authority maintained schools, academies and PVI providers through the LMS & Early Years funding formulae, plus funding for other pupil provision which is retained centrally by the Council to support such things as Special Educational Needs and some central education services.

157. In recent years there have been some significant changes to DSG allocations for councils. The Department for Education (DfE) introduced new national funding formulae to allocate the DSG for schools, high needs and the central school services block from April 2018. These arrangements are continued for 2021/22 but with some more tightening of the flexibility available to local authorities, particularly in the use of centrally retained budgets.

158. Previously the DSG was divided into three blocks; schools, high needs and early years. There is now a fourth block, the central school services block, which funds councils for the statutory duties they hold for all maintained schools and academies, which were previously funded through the schools block.

159. The funding councils receive in each block is now determined by a specific national funding formula (NFF). The total DSG allocation for 2021/22 is estimated at £149.353m, an increase of £5.645m (3.9%) from 2020/21 and broken down as follows:

| DSG Funding Block | Adjusted 2020/21 £m | 2021/22 £m | Increase | |
|--------------------------|------------------------------------|-----------------------|-----------------|----------|
| | | | £m | % |
| Schools Block | 108.278 | 112.597 | 4.319 | 4.0% |
| Early Years Block | 10.924 | 11.067 | 0.143 | 1.3% |
| High Needs Block | 21.331 | 22.923 | 1.592 | 7.5% |

| | | | | |
|-------------------------------|----------------|----------------|--------------|-------------|
| Central School Services Block | 3.175 | 2.766 | (0.409) | (12.9%) |
| Total DSG | 143.708 | 149.353 | 5.645 | 3.9% |

Table 16 – DSG Allocation

Schools Block

160. The vast majority of the Schools Block DSG (£112.269m) is used to fund the local funding formula for mainstream schools (maintained and academies). Following a detailed consultation with all schools and the Schools Forum prior to setting the 2018/19 budget, the Council agreed to introduce the DfE's new national funding formula (NFF) at school level from April 2018. For 2021/22, in consultation with the Schools Forum, the Council is again proposing to follow the NFF for schools.
161. This equates to an increase of £4.557m (4.2%) in the total resources available to allocate to schools in the city through the school funding formula. For individual schools this results in increases ranging from a minimum of 2.0% per pupil to a maximum increase of 14.8% per pupil. These increases are in addition to the funding for previous years teachers' pay and pension increases that have been merged into the DSG from 2021/22, having previously being allocated to schools via separate specific grants.
162. The remaining £0.390m of the Schools Block DSG is allocated to the pupil growth fund. The growth fund can only be used to support increases in pre-16 pupil numbers to meet basic need, additional classes needed to meet the infant class size legislation or meet the costs of pupils in new schools commissioned to meet basic need. The growth fund may not be used to support schools in financial difficulty or general growth due to popularity; which is managed through lagged funding. The amount of growth funding allocated to the Council by the DfE continues to fall, from £0.800m in 2018/19 to £0.629m in 2020/21 and a further significant reduction, down by £0.249m (40%) in 2021/22.
163. The level of funding required to be allocated to schools under the current local growth criteria and formulae is difficult to predict with any certainty each year. In each of the last three years the fund has been overspent and this is likely to continue as the DSG allocation from government reduces. As a result, and in consultation with the Schools Forum, all allocations made for the 2020/21 academic year onwards are being capped under a cash limited budget. This means that if the total of all allocations to schools in a particular year, calculated via the relevant

formulae, exceeds the budget available then all allocations would be reduced pro-rata.

Early Years Block

164. York's government funding rates for 2021/22 through the Early Years block have increased by 6p per hour from the 2020/21 rates to £4.44 per hour for 3 & 4 year olds (+1.4%) and by 8p per hour to £5.36 per hour for 2 year olds (+1.5%). In line with this the Council is proposing to increase all elements of the Early Years Single Funding Formula rates for York providers in 2021/22 in proportion to the increase in government funding. In addition, under the formula the DfE established in 2017 to support stand alone nursery schools, the provisional additional amount to be received for St Paul's Nursery has increased by £9k to £99k.

2021/22 EYSFF Funding Rates

| | Base Rate £/hour | Deprivation Rate £/hour | Nursery School Lump Sum £ |
|-----------------|-----------------------------|------------------------------------|--------------------------------------|
| 3 & 4 Year Olds | 4.13 | 0.41 | 98,845 |
| 2 Year Olds | 5.36 | Nil | Nil |

Table 17 – EYSFF Funding Rates

High Needs Block

165. As has been previously reported, the high needs budget is already under significant pressure due to increased demand from rising numbers of SEND pupils and the higher complexity of individual pupils' needs. This is the situation for the majority of local authorities nationally. The Council are pushing the government to undertake a SEND national review to address this issue.

166. The high needs block DSG increases by £1.592m (7.5%) in 2021/22. For 2020/21 there is a projected net outturn overspend on the high needs budget in excess of £4m, contributing to an estimated deficit carry forward DSG balance of £10m into 2021/22.

167. Projections for 2021/22 show that based on the increased DSG funding, current levels of demand and expected inflationary pay and contract price increases and without any significant mitigating action, the in-year overspend would reduce to £3.5m. Significant mitigations will therefore be required to bring the in-year pressure back down to a balanced position and to start to make inroads into the cumulative deficit.

168. Overspends at this level are clearly unsustainable and financial savings, either as part of the inclusion review that is currently underway or separately, are essential to ensure that high needs expenditure is maintained within the funding available through the high needs block of the DSG. Members should note that a deficit carry forward of DSG into 2021/22 at the projected amount of £10m is significantly in excess of the 1% (c£1.5m) level that is expected to trigger a formal requirement from the DfE for the Council to submit a deficit recovery plan. This requirement was suspended for deficits at the end of 2019/20 to allow councils to concentrate on their Covid 19 response but can be expected to be re-introduced in the future.
169. It is therefore imperative that, as part of the 2021/22 budget process, the Council, in conjunction with the Schools Forum, starts to address the in-year DSG deficit. In response to this, the Schools Forum meeting on 2 February is discussing options for delivering savings within the DSG which could, if implemented in full, deliver annual savings of £1.841m in 2021/22 and £3.391m by 2023/24.

Central School Services Block

170. This funding block was created in 2018/19 from elements of the previous schools block and the former Education Services Grant (ESG). As part of the DfE's strategy to remove funding within this block that directly supports exceptional expenditure previously agreed between local authorities and their Schools Forums (historic commitments), there is a significant net reduction of £0.409m (12.9%) in 2021/22. This follows a similar reduction in 2020/21. This net reduction is made up of a 4% increase in the allocation for the ongoing responsibilities that the Council continues to have for all schools, and a 20% reduction in the allocation for historic commitments.
171. For 2021/22 this means allocations of £0.796m for the Council's ongoing responsibilities and £1.970m for historic commitments. As historic commitments currently total £2.466m in 2020/21 the Council will need to identify budget reductions totalling £0.496m for 2021/22. The Council will be consulting with the Schools Forum at its meeting on 2 February on how best to manage this reduction.

Scrutiny

172. In accordance with constitutional practice Corporate Scrutiny and Management Policy Scrutiny Committee will consider at its meeting on 8 February 2021 what level of budget is appropriate in the coming year to support scrutiny reviews. The committee take into account existing

levels of spend in 2020/21 and the councils overall financial position. In the light of those considerations the committee will decide whether to maintain the current funding level of £5k. This decision will take place after publication of this report. If there are any changes to the budget, Members will be told verbally at the Executive meeting.

Equalities

173. The Public Sector Equality Duty is a duty which requires all public authorities to consider the impact of proposed decisions on various recognised groups with protected characteristics as part of the organisations formal decision making process. The protected characteristics as defined by the Equality Act 2010 are:

- Age;
- Disability;
- Gender reassignment;
- Marriage and civil partnership;
- Pregnancy and maternity;
- Race;
- Religion or belief
- Sex; and sexual orientation.

174. For City of York the decision makers are the Leader of the Council and the Executive who make reasoned well founded decisions based on the professional advice from appropriately skilled and qualified officers. In respect of the budget, Full Council, is asked to approve the budget as recommended to it by the Executive. In respect of Officers a number hold statutory responsibilities, for example Head of Paid Service, s151 and Monitoring Officer, and as such there is a greater onus on statutory officers to ensure that the advice and recommendations given also take into account a number of factors including the Public Sector Equality Duty as part of their role.

175. In all aspects of the budget setting for the Council it is essential that the Public Sector Equality Duty is at the forefront of all decisions made. To ensure this occurs an Equality Impact Assessment is prepared at the outset of the budget preparations and a detailed EIA has been completed on the overall impact of the budget proposals.

176. The EIA is classed as a “living document” and as such it should be regularly revisited to ensure that the impacts of proposals (either negative or positive) on the protected characteristics are taken into

consideration and recorded. It is accepted that the EIA accompanying the budget report will not address the impacts of every detailed aspect of the budget and therefore individual elements of the budget will, following Council approval, attract their own EIA to support delivery of that proposal and ensure that negative aspects of the protected characteristics are acknowledged and where possible mitigated.

177. 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.
178. 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.
179. 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
180. There is significant investment in the climate change delivery programme to coordinate, develop and implement the council's ten year plan to deliver a zero carbon future for York. This brings many positive outcomes in relation to energy usage, waste and sustainable transport.
181. Funding for carers will continue as the council aims to provide a more comprehensive set of support, reflecting the significant role of carers in

allowing people to remain in their own homes and live independently as far as possible.

182. The changes within a new operating model for adult social care seek to reduce people's dependency on social care support through the provision of information and advice and earlier intervention to support, maintain or regain independence for those who are able. These changes are designed improve outcomes for customers, including those with one or more protected characteristic (particularly Age and Disability). For those who require ongoing support, the offer will be made more flexible and tailored to their needs.

183. In addition to the numerous EIA documents on the individual savings and the overall budget, the Council has used the Better Decision Making Tool to provide a high level overview and this is available at annex 9.

Specialist Implications

184. This report has the following implications;

Financial

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

Human Resources (HR)

186. As implementation plans to achieve savings are produced the specific staffing implications will be clear and staff consulted on the proposals. The type of change affecting staff in 2021/22 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.

187. 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.

188. 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

189. The council is required to set a council tax for 2021/22 before 11 March 2021. It may not be set before all major precepts (i.e. precepts from the Police and Fire Authorities) have been issued or before 1st March 2021, whichever is the earlier. The decision to set the level of council tax is reserved to Council and cannot be taken by Executive or delegated to officers, although Executive has to recommend a budget to Council. These comments are intended to apply to both the Executive meeting and the subsequent Council meeting.
190. Before determining the level of the tax, the Council must estimate its proposed revenue expenditure, taking into account amounts required by way of contingency, any need to raise reserves and any other amounts which the Council is legally required to transfer between funds. It must also estimate its anticipated income, any relevant transfer between funds and any proposed use of reserves. It must then calculate the difference between the two which is the council tax requirement.
191. The Council's Chief Financial Officer (under s151 Local Government Act 1972) is required to report to the Council on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. The Council must have regard to the report when making decisions about the calculations in connection with which it is made. The Chief Financial Officer has a statutory duty under section 114 of the Local Government Finance Act 1988 to issue a written report if he considers that a decision taken by the Council would be unlawful and likely to cause a financial deficiency.
192. In reaching decisions on these matters, Members are bound by the general principles of administrative law. Lawful discretions must not be abused or fettered and all relevant considerations must be taken into account. No irrelevant considerations may be taken into account, and any decision made must be one which only a reasonable authority, properly directing itself, could have reached. Members must also balance the interests of service users against those who contribute to the Council's finances. The resources available to the Council must be deployed to their best advantage.
193. Members must also act prudently. Members must also bear in mind their other statutory duties to have regard to certain matters when making decisions. The report identifies proposals which, if approved, may potentially have an impact on children, older adults and persons with disabilities all of which groups are statutorily protected equality strands

under the Equalities Act 2010. In making their decision, Members must have due regard to their public sector equality duties and the need to eliminate discrimination, to mitigate against negative impacts where these are known and to promote equality when making decisions. Members must also take into consideration the need to consider any crime and disorder implications of the decision. A failure to follow these principles could open the Council to judicial review.

194. Members have a fiduciary duty to the council tax payers and others in the local authority's area. This means that members must behave responsibly in agreeing the budget. Members have no authority to make anything other than a balanced budget.

195. Among the relevant considerations which Members must take into account in reaching their decisions are the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans is contained in Section 65 of the Local Government Finance Act 1992.

196. In considering the advice of officers, and the weight to be attached to that advice, Members should have regard to the personal duties placed upon the s151 Officer. Members are obliged under the Code of Conduct to have regard to the advice of the s151 Officer and Monitoring Officer. The Council may take decisions which are at variance with their advice, providing there are reasonable grounds to do so. However, Members may expose themselves to risk if they disregard clearly expressed advice, for example as to the level of provision required for contingencies, bad debts and future liabilities. In addition, if Members wish to re-instate savings recommended by the Chief Finance Officer in order to balance the budget, they must find equivalent savings elsewhere.

197. The Chief Finance Officer is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit (England) Regulations 2011 (as amended) to ensure that the council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. This is in addition subject to the requirements set out above.

198. Members must also have regard to, and be aware of, the wider duties placed upon the council by various statutes governing the conduct of its financial affairs. These include the distinction between revenue and capital expenditure and the requirement to set prudential indicators in

line with capital investment plans that are prudent, affordable and sustainable.

199. Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with arrears of council tax which have been outstanding for two months or more to attend any meeting at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears and will not be voting on the decision for that reason. The Member concerned must not vote but may speak. The application of Section 106 of the 1992 Act is very wide and Members should be aware that the responsibility for ensuring that they act within the law at all times rests solely with the individual Member concerned.

200. If a referendum is held after the beginning of the relevant financial year, the higher rate of council tax will be payable unless and until it is overturned by a 'no' vote in the referendum. It must also provide "substitute calculations" which need to be presented to Council setting out what the alternative budget would be. This means that if a party proposes a council tax above the referendum limit they must also produce "substitute calculations" within the referendum limit, to be used in the event that the referendum would reject the increase. In the event that a referendum rejects the increase, the billing authority would be able to issue new bills, offer refunds at the end of the year or allow credits against liability the following year, although individual council taxpayers would be entitled to a refund on demand.

Council Priorities

201. This report, alongside the capital budget, sets out a range of investments and savings which reflect the Council's priorities. These are covered in detail in the main body of the report.

Statutory Advice from the s151 Officer

Introduction

202. The Local Government Act 2003 places responsibilities upon the council's Chief Finance Officer to advise the council on the adequacy of its reserves and the robustness of the budget proposals including the estimates contained in this document. This section also addresses the key risks facing the council in relation to current and future budget provision. The following paragraphs outline my assessment of the budget proposals outlined in this report, including reserves and general

robustness of the process. Section 25 (2) of the 2003 Act requires the council to have regard to this assessment in approving the annual budget and setting the council tax.

Robustness of proposals and process

203. The preparation of a budget relies on estimates, which are made at a point in time, and clearly there are a number of factors that can influence actual expenditure throughout the year. However, there are processes in place to ensure that assurance can be given that this budget has been constructed using the best available information and assumptions at the time of preparation. These include:

- regular budget monitoring to ensure known pressures are reflected
- involvement of directorate management teams in development of the proposals
- regular scrutiny of the proposals by Executive members, including separate budget Executive Member Decision Sessions held during January

204. Considerable reliance is also placed on budget managers having proper arrangements in place to identify issues early, project the likely demand for services, and consider value for money and efficiency.

205. In order to provide assurances that the budget estimates are robust the following factors have been considered:

- overall funding available including specific grants and other funding available from central government, along with locally raised income from council tax and business rates,
- progress made in delivering 2020/21 savings
- whether the budget decisions outlined in this report are achievable
- the current and anticipated budget pressures arising from services such as social care
- the forecast impact of inflation and pay awards
- the financial sustainability of the council and the effectiveness of the financial management arrangements in place
- the affordability and sustainability of the capital investment plans outlined in the capital programme report elsewhere on this agenda and the revenue impact of this expenditure

206. In addition, the council has a demonstrable track record of delivering budget savings and has sound financial management procedures in place. This has been recognised by favourable audit reports in respect of

financial management and processes and overall the financial planning process is sound and effective.

207. A range of pressures have been identified and built into the budget presented in this report, including a contingency sum of £500k as in previous years. There are also significant savings, reflecting the scale of the challenge facing the council. There should be no understatement of the scale of this challenge that continues to face the council, given the general upward cost profile of adult care and children's services.

Risks

208. The report outlines the key risks to the 2021/22 budget and these are considered further in the following paragraphs.

209. The COVID-19 pandemic has clearly had a significant impact on the Council's financial position and is likely to continue to be an area of significant risk throughout the next financial year. The Council has responded quickly and effectively during 2020/21, ensuring support has been available for residents and businesses where needed. It has also been the cause of unprecedented challenges and financial uncertainty and the impact on the Council's income streams is also likely to continue well into the next financial year. The longer term impact both on businesses and on residents is still unknown and therefore I consider the inclusion of a COVID contingency an essential aspect of the budget proposals.

210. A key risk facing the council is the number of complex capital schemes it is currently undertaking, and which are still at relatively early stages of development. Should schemes not progress to full completion there remains a risk that costs currently assumed to be capable of being capitalised must be written off to revenue. There are also increased borrowing levels resulting in increased revenue costs of debt in coming years. This is highlighted in the medium term plan figures.

211. A further key risk in relation to the capital programme is that some major capital projects may have short/medium term cash flow impacts. For example York Central, and Castle Gateway will be major schemes, which will result in additional business rates, income or capital receipts, but that may require short term borrowing prior to income being received to cover the costs. As identified in previous budget reports, the Venture Fund will be used to support early years cash flow deficits on major strategic capital projects.

212. The current pressures being experienced within both adults and children's services are of concern and the ongoing action being taken, as outlined in the finance and performance report elsewhere on this agenda, will need to continue and be given a high priority. Specific attention is drawn to the national picture regarding these services, which are recognised as being under increased pressure. Whilst this council has invested in these services in recent years, the risks remain, and it is essential the council continues to make adequate budgetary growth provision to deal with the significant cost pressures these services are experiencing, along with savings programmes to mitigate pressures. The budget proposals properly recognise these pressures.
213. Brexit remains an area of risk that will require continued monitoring. There do not appear to have been any significant issues to date but there are clearly potential future implications, such as increased inflation or difficulties securing goods.
214. The reduction in New Homes Bonus Funding will also require careful planning to ensure expenditure currently funded from this source can be met from council tax/retained business rates. Again, provision has been made for this in future years.
215. The council has declared a climate emergency and funding has been allocated within the budget to coordinate, develop and implement the council's ten year plan to deliver a zero carbon future for York. The potential future costs (and savings) that may result from this work is still relatively unknown and will therefore require careful monitoring and further consideration in future years budgets.
216. Clearly, there are risks in the achievement of some of the proposed savings and, in assessing this risk, I cannot guarantee that every single proposal will be achieved. I do however consider the overall package to be prudent. As outlined earlier, processes are in place to ensure the robustness of the proposed savings. A risk assessment of the individual savings proposals has been conducted and discussed with senior management. Where savings are not delivered, services are fully aware of the need to find compensating savings.
217. Finally, there remains the potential for significant changes to the system of local government finance in coming years. Earlier this year, the Government announced that it would delay the move to 75% Business Rates Retention and the implementation of the fair funding review. This decision allowed local authorities to focus on meeting the public health challenge posed by the pandemic. In order to provide further stability to

the sector, the Government has decided not to proceed with a reset of business rates baselines in 2021/22 and will maintain the existing 100 per cent business rates pilots for a further year

218. The government originally launched the Fair Funding Review in 2016 and this is the second time the review has been postponed. As yet, there are not details as to when the review may be revisited. This policy is likely to change the needs assessments of local authorities and therefore the distribution of funding between different councils, adding to the uncertainty in the years ahead.

Reserves

219. CIPFA guidance states that, in order to assess the adequacy of reserves when setting the budget, chief finance officers should take account of the strategic, operational and financial risks facing the authority and that the many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level.

220. Determining the appropriate levels of balances is therefore a professional judgement based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions and other earmarked reserves and provisions.

221. Furthermore, part of the risk management process involves taking appropriate action to mitigate or remove risks, where this is possible. This in turn may lead to a lower level of reserves being required, and it would be appropriate to consider reducing the level of balances held where appropriate action to mitigate or remove risks has been successfully undertaken. As part of the year end process, a review is undertaken and any balances that are no longer required, or that can be reduced due to action taken to reduce or mitigate the relevant risks, will be reported to Executive as part of the year end outturn report.

222. The proposed 2021/22 budget does not use the general reserve to balance however, given the financial pressures currently being experienced within social care, it is expected that the general reserve will need to be called on in 2020/21. As the budget proposals also include a £2.5m Covid Recovery Fund to deal with the ongoing impact of the pandemic, it is my view that the level of reserves would still remain sufficient to deal with any further risks.

Summary

223. The continuing reduction in public spending coupled with increasing demand for services means financial planning needs to be robust. Over the past 12 months the unprecedented financial uncertainty created by Covid-19 has meant that it has been incredibly difficult to forecast with any real certainty. For future budget planning, further action will be needed to continue to focus resources on the highest priority services to reduce demand, as well as creating capacity to make investment in key front line services and essential capital investment to support and accelerate recovery from the pandemic. Therefore, the major financial challenge facing the council in coming years remains the need to secure further savings and for cost pressures, particularly those resulting from the pandemic, to be managed effectively. Given the current financial pressures referred to in previous paragraphs there will need to be continued careful monitoring of the achievement of the savings outlined in this report. Whilst the council currently has strong financial health in terms of its overall level of unallocated reserves, a period of uncertainty is to be expected and for future budgets consideration will need to be given to increasing reserves should they be used in the short term.

224. I have given careful consideration to the proposals outlined in all the budget reports on this agenda and particularly the risks associated with the proposals. Prudent and realistic assumptions have been made and the financial implications of known pressures have been included. Therefore, I am satisfied that they represent a robust budget on which the council can rely in setting council tax.

Risk Management

225. A summary of risks attached to the budget is contained in annex 10. Each risk identified relates to at least one Key Corporate Risk (KCR) which are monitored regularly throughout the year and reported to the Audit and Governance Committee.

Contact Details

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**Report
Approved**

Date 1/2/21

Specialist Implications Officer(s)

Legal – Janie Berry
HR – Trudy Forster

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the authors of the report

Background Papers:

Financial Strategy 2021/22 to 2025/26 Equality Impact Assessment (EIA)
Executive Member Budget Decision Session reports;

- Joint Decision Session - Executive Members for Environment and Climate Change, Transport and Economy & Strategic Planning 12 January 2021
- Joint Decision Session - Executive Members for Children, Young People & Education And Culture, Leisure & Communities 12 January 2021
- Joint Decision Session - Executive Leader (incorporating Policy, Strategy and Partnerships) and Executive Member for Finance & Performance 13 January 2021
- Decision Session – Executive Member for Health and Adult Social Care 13 January 2021

- Decision Session - Executive Member for Housing & Safer Neighbourhoods 12 January 2021

Budget Consultation available at www.yorkopendata.org

Annexes:

- 1 – 2021/22 Budget Summary
- 2 – 2021/22 Savings Proposals
- 3 – Fees & Charges
- 4 – Summary Consultation Results
- 5 – HRA 2021/22 Growth Proposals
- 6 – HRA 2021/22 Savings Proposals
- 7 – HRA 2021/22 Budget
- 8 – HRA 30 Year Business Plan
- 9 – Better Decision Making Tool
- 10 – Risk Analysis

Abbreviations used in this report:

- ASC – Adult Social Care
- DSG – Dedicated Schools Grant
- EYSFF – Early years single funding formula
- FTE – Full time equivalent
- HRA - Housing Revenue Account
- KCR – Key Corporate Risk
- LCR – Leeds City Region
- NHB – New Homes Bonus
- NWY – North and West Yorkshire
- RSG – Revenue Support Grant