

**Cabinet**

**14 February 2012**

Report of the Cabinet Member for Corporate Services

## **FINANCIAL STRATEGY 2012 - 2017**

### **Summary and Background**

1. This report presents the financial strategy 2012-2017, including detailed revenue budget proposals for 2012/13 and 2013/14, and asks Members to recommend to Council approval of the proposals. The financial strategy delivers a balanced budget over a 2 year period with savings proposals totalling £19.7m (equivalent to 16% of the net budget over 2 years) and a proposed council tax increase of 2.9% in 2012/13. There are separate reports on the agenda covering the capital budget and the treasury management strategy.
2. Key issues included in the proposals are as follows;
  - Revenue savings of £19.7m over the two years, which includes
    - i. £10.9m due to service reviews, efficiency and procurement
    - ii. £1.5m from the full year effect of prior year savings
    - iii. £3m relating to service/budgetary reduction
    - iv. £0.9m of grant related savings
    - v. £3.4m from increases in income
  - Growth of £1.5m in adult social care for 2012/13
  - Growth of £0.5m in Looked After Children for 2012/13
  - Creation of a Delivery and Innovation Fund of £1m in 2012/13 and planned further increased contribution for 2013/14 of £1.5m
  - Creation of an Economic Infrastructure Fund (£28.5m) – covered in detail within the capital strategy report

- Ensuring a financially prudent budget through the creation of a contingency budget and a contribution to increase general reserves
- Ensuring a financially prudent budget by addressing known budget pressures
- Ensuring all libraries and children's centres remain open
- Further reductions in senior management costs
- A range of proposals in relation to alternative models of service delivery, working with other local authorities and developing new income streams
- Reduced formula grant funding of £5.04m
- A net revenue budget of £122.235m, which will be funded by:
  - i. Council tax income of £75.678m
  - ii. Government grant of £46.557m

### National Context

3. York has the second lowest band D council tax, the third lowest spend per head of population of any unitary council in England and the twelfth lowest government grant per head in the country.
4. All aspects of the public sector are continuing to face challenging times in the light of the Government's commitment to reduce the national deficit as outlined in the Comprehensive Spending Review (CSR) published in November 2010. The CSR provided certainty for the first 2 years of the spending period, however beyond 2012/13 the position is less certain and could easily change depending on the national financial climate and the outcome of the Local Government Resource Review. Therefore, whilst this budget presents a 2 year budget, that is fully balanced, there will be a need to revisit 2013/14 budget later this year, and clearly the formal budget setting for 2013/14 will still take place in February 2013. Previous reports to Cabinet in July and December have set out the financial challenges facing the council, along with an estimate that some £22m of savings would be required over the next 2 years in order to meet these challenges. Following refinement of some of the budget assumptions (e.g. pay award, future pressures) and receipt of additional funding (PCT, adjustment to Academies funding) the revised savings requirement set out in this report totals almost £20m.

5. In relation to council tax, the Chancellor of the Exchequer has announced that central government will be offering local councils the opportunity to extend the council tax freeze for a further year. The Government have said this is a one off grant.
6. Whilst the offer pledges a grant which is equivalent to a 2.5% increase in 2012/13 (c. £1.8m in York's case), it differs from the 2011/12 offer (which guaranteed the funding for four years) in that the funding is only available for one year, creating a corresponding cost pressure for the 2013/14 budget. If the freeze grant was to be accepted, this would increase the need to make further savings in 2013/14 by a total of £1.8m. As this report presents a two year budget, clearly there would be a need to consider the implications of this if the freeze grant were to be accepted. It should be noted that current RPI is 4.8% in December 2011.
7. A motion was submitted to Full Council in December requesting the council undertakes to freeze council tax at the current level for the next two financial years. The financial impact of this would be a reduction in income of £290k in 2012/13, the additional savings outlined above of £1.8m, and (assuming no further freeze grant in 2013/14) a further £1.4m savings in 2013/14 (as the current financial plan assumed, for planning purposes, a council tax increase of 2%). This would potentially therefore result in additional savings being required of around £3.5m over the 2 year budget. Cabinet is asked to consider this motion as part of their budget deliberations.
8. During December 2011, the Secretary of State for Department of Communities & Local Government also announced that, as outlined in the Localism Bill, councils who propose council tax increases in excess of a provisional limit (this year 3.5%) will have to call a referendum to gain agreement to this increase, thus giving local taxpayers the opportunity to veto "excessive" council tax increases. The final principles on how this will operate will form part of a report to the House of Commons during February 2012. It should be noted that parish councils are exempt from the cap on council tax increases, though the limit does apply to police and fire authorities, their limit being 4%.

### Local issues and challenges

9. Locally demand for council services continues to increase, with an ageing population and an increasing number of looked after children resulting in growth in social care spending. Rising fuel costs, landfill tax and inflation are driving costs up and the economic downturn is putting pressure on many of the council's income budgets. 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 has been a critical part of the budget deliberations.

10. The council established an independent Fairness Commission in 2011 to look into how to make the city a fairer and more equal place to live. The Commission have written an independent report to the council and their findings have been used to shape the proposals within the financial strategy. In addition, an extensive consultation process has been conducted this year and is set out in this report. The consultation has significantly informed the shape of the overall budget, thereby creating a budget that represents the views of residents. A full response to the interim recommendations of the Fairness Commission is included as a separate item on this agenda.

#### Financial Overview and Financial Forecast (MTFF)

11. Reports to Cabinet in July and December 2011 outlined the potential need for the financial strategy to identify savings of around £20m across 2012/13 and 2013/14 on the assumption that the current programme of savings is delivered in 2011/12. The 3<sup>rd</sup> finance and performance monitoring report elsewhere on this agenda identifies that whilst there is currently a forecast overspend, it is expected that the council will outturn within the approved budget by the end of the financial year.
12. Against this background work has been ongoing for many months to develop the budget, and to identify savings. During this process targets have been set for each directorate and various assumptions have continued to be refined. Proper assessment has taken place in terms of the need to invest additional funds in some areas, to be clear about unavoidable costs and to create a budget that very much recognises the need to be both prudent and create capacity to deliver. These issues are covered further in this report.

#### **Principles that have shaped the budget**

13. At a time of significant reductions in grants it is absolutely essential to set a prudent, stable and achievable budget. For the first time the council has set out a two year budget which will enable longer term investments and savings to be developed and implemented, providing a stable, sustainable financial basis for the delivery of services to customers. Whilst year 2 (2013/14) will need to be revisited in light of any potential change in assumptions, the 2 year budget set out is fully balanced based

upon known factors and a prudent approach to assumptions regarding potential additional costs.

14. Considerable consultation has been undertaken to explore the opinions and preferences of residents, partners and businesses and all this information has been used to shape the budget proposals.
15. This budget round has been extremely challenging, following on from savings of £21m in 2011/12. To meet these challenges the council will ensure that the services we provide are cost effective and efficient, good quality and that they address the needs of the residents of York at a time when every pound spent must deliver real value. Of the £19.7m savings proposed, almost £11m are coming from detailed service reviews, efficiency, and better procurement.
16. Included in the proposals are a number of examples of new and innovative ways of delivering services, including the establishment of a local authority company, savings accruing from the shared internal audit company (Veritau), new models of working in highways, potential shared services in a number of areas, a social enterprise in relation to libraries which delivers savings but ensures existing libraries stay open. Further reductions in senior management costs are included, including a further reduction to assistant director posts which will save £160k in year 2.
17. However with funding cuts of this magnitude it is not possible to meet all of this through efficiency and there still remain difficult decisions to be made. Many of the service reviews, whilst seeking to achieve efficiency, will potentially mean difficult choices in how services are delivered. This budget has been driven by the priorities set out in the Council Plan and in particular it sets out how we have sought to focus on the twin priorities of growing the economy and protecting vulnerable people.
18. York's economy is fairing well in difficult times. The York economy is the engine room of the city, creating vitality, jobs and prosperity. The council's own finances are significantly reliant upon a thriving economy, and this is increased even more with the partial re-localisation of business rates from 2013/14. As set out in more detail in the capital strategy there are many financial implications for the council if the economy were not to be successful. It is important that the benefits of a successful economy are shared by all and that nobody is left behind. It is therefore essential to invest in our economy at this time. A solid and growing economy in the city is essential to all of our aspirations. The capital budget report also on this agenda outlines proposals to establish an Economic Investment Fund of £28.5m over 5 years will be set up to

grow the economy, to pump prime developments and encourage investment in the city. Further details on this are included in the capital report elsewhere on this agenda.

19. The council spends a significant amount of its budget on protecting vulnerable people through our social care services. This budget proposes specific additional growth in adult social care of £1.5m and £0.5m on looked after children. We have placed vulnerable people at the heart of our thinking in considering what savings can be made. This does not mean that there will be no impact – such significant budget cuts will inevitably affect all services and all residents to some extent. However, we have taken long term approaches to the development of future services that will ensure we can still respond to the needs of the most vulnerable members of our communities now and in future. We are already focussing on prevention and early intervention to prevent escalation of needs and costs for adults and children. There are no closures of children’s centres contained within the proposals.
20. In order to build our communities it is essential to work effectively with the voluntary and community sector (VCS) and though all council services and grants must deliver efficiencies and contribute to the savings targets, care has been taken to ensure that the budget reductions to the VCS are lower than the overall reduction in council budgets. Looking across all council spend with the VCS, overall budgets are being reduced by 8% over two years compared to total council savings equivalent to 16% of the councils budget. Work is underway to ensure that this funding actively contributes to the delivery of the council’s priorities.
21. In these challenging times, protecting the needs of the most vulnerable people in York requires us to make difficult decisions and balance a range of competing needs. To protect services for children, for older people, and for disabled people, we need to generate income wherever it is appropriate to do so.

### **Budget analysis**

22. The budget setting process has taken into account the following issues, (which are considered in more detail in following paragraphs);
  - i. Consideration of the 2011/12 position, the likely outturn and identified pressures.
  - ii. Consideration of reductions in grant.

- iii. 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.
- iv. Ensuring that the budget is robust and prudent and is based upon the strategic financial advice of the Director CBSS as s151 officer.
- v. Ensuring there is a strong link between the capital and revenue budgets and that the delivery of priorities fully considers the two budgets hand in hand.

### 2011/12 position

- 23. As outlined earlier in the report and in a separate report elsewhere on this agenda, the latest finance and performance report identifies a forecast overspend with an expectation that this will be contained within the approved budget by the end of the financial year.
- 24. The most significant pressures in 2011/12 have occurred due to increasing service demand for independent residential & nursing care and direct payments along with an increase above forecasts in the number of children under the care of the council. Across some areas there are shortfalls in income. A detailed analysis of these pressures has been conducted and additional resources have been allocated (as set out below) for areas where it was considered essential to invest.

### Reductions in grant

- 25. The provisional funding settlement for 2012/13 was announced in December and confirmed the expected reduction in funding via the formula grant of £5m. In previous years York has been subject to a top slicing of this grant to ensure all authorities received a minimum increase. However, because of changes to a number of the formulae used to calculate the grant, the distribution changed significantly in 2011/12 and York now finds itself in a position of being in receipt of protection in the form of damping funding. The 2012/13 allocation includes £0.779m in floor damping funding. York receives £227.01 of formula grant per head of population compared with the unitary average of £355.77 (Blackpool UA receives the highest at £558.52 per head).
- 26. In the tables that follow, the reduction in grant of £5m is shown in arriving at the overall financial position. Set against this, we have provided for additional funding of £500k which will come from two sources (i) there is to be an adjustment in terms of funding changes that have been made

for academies which will see an increase in grant funding for the council in 2012/13 and (ii) additional income from the PCT.

#### Full year effects of previous council decisions

27. **Removal of one off expenditure items** – £1,039k of items that were agreed for a one year period only and therefore are not required in 2012/13.
28. **Waste PFI project** - £750k to create necessary budget capacity, as approved by Council in December 2010. This is a contractual commitment that has already been approved by members.
29. **Full year effect of various growth items** – £375k covering a range of smaller proposals where the full year effect was higher than the amount agreed for 2011/12, including the effects of the 2011 June Council amendment (£288k) and creating base funding for local elections (£70k).

#### Unavoidable cost increases, priority areas and creating capacity

30. The following paragraphs set out the areas where additional investment is being made;
31. **Pay and increments** - £772k is included for contractual pay increments as the council's staffing budgets align to the recent pay and grading exercise. No provision is included for any pay award in 2012, as indications are there will be a pay freeze.
32. **Pension costs** - £826k for increase in pension fund costs. This includes both the unavoidable increases in contributions to the North Yorkshire Pension Fund and also provides provision for redundancy / pension strain costs as a result of the potential job losses arising from the budget proposals.
33. **Treasury management and capital costs** - £1,072k which includes the revenue costs of the current approved capital programme, plus any implications from the separate capital budget report elsewhere on the agenda.
34. **The Delivery and Innovation Fund** of £1,000k in 2012/13, and £1,500k in 2013/14, will be used to support the delivery of council priorities, support areas requiring one off investment, support major project delivery and also to facilitate the development of new and innovative ways of working. The money being put into the budget will be used to make contributions to the fund and the fund will operate in accordance



with the same financial approval mechanisms as the venture fund (this allows for investment up to £100k to be agreed by the Director of CBSS and the leader of the council) and amounts above this to be subject to Cabinet approval. Regular monitoring of the fund will be provided to Cabinet in the financial monitor reports. No specific allocations are proposed in the budget report at this stage.

35. As highlighted earlier in this report, **existing areas of service delivery** have also been assessed and areas identified where there is a need for additional investment to deliver council priorities, to ensure budgets are prudent and to protect vulnerable people. The specific allocations are as follows;

- Adult social care **£1,500k** – demand for services continues to grow as the elderly population increases.
- Children’s social care **£500k** – the number of looked after children continues to increase.
- Quality bus contract **£100k** – investment in feasibility work to deliver a quality bus contract across the city.
- Review of subsidised services **£50k** - investment to progress partnership working with bus operators and to deliver a quality contract scheme.
- Contractual price increases (City Strategy) **£100k** – unavoidable contractual price increases on traffic systems, subsidised bus services and service contracts.
- Levies increases (City Strategy) **£17k** - increase in levies from Internal Drainage Boards.
- Building Control (unachievable income) **£150k** - the current level of building control income is approximately £150k below budget. It is not possible to raise fees as the service cannot make a profit. It is necessary therefore to reduce the income target.
- Increase in funding to Welcome to Yorkshire of **£16k**
- Fuel prices (CANS) **£150k** – growth to meet the recent price increases on fuel.
- Commercial waste Income **£250k** – although the commercial waste service makes a significant surplus to the council, it does not meet

its budgeted level. This is partly due to the very competitive market place. It is necessary therefore to reduce the level of budgeted income.

- Scrutiny Management Committee **£5k** – increase in funding available to support scrutiny reviews.

#### Ensuring a prudent budget

36. **Contingency fund (£250k)** – given the financial risks facing the council, in particular in relation to the wider economic situation, it is recommended that provision is made for a contingency and that this is increased in the medium term to ensure the councils financial stability.
37. **Increase in general reserves (£250k)** – linked to increasing the contingency, it is recommended that provision is made to increase overall reserves in the medium term. This will provide a sound financial platform for the authority, and ensure it continues to maintain its overall financial health and is able to deal with any unforeseen events effectively. The Director of CBSS has recommended a minimum level of reserves at £6.1m, which is £54k higher than the current minimum. As such £54k of the recommended provision to increase reserves will be needed to ensure reserves are at the recommended minimum, with the remaining £196k of headroom above the minimum level. In the medium term these are increased further so there is a degree of flexibility.
38. A further sum of £3.739m has been set aside for additional service expenditure pressures in 2013/14 but without allocation to specific directorates, which is based on prudent estimates of further increases in demand for priority council services (such as adult social care), as well as creating capacity to cover the potential costs related to changes in the council tax benefit system.

#### Expenditure Pressures Summary

39. The expenditure pressures described above are set out in the following table;

<b>Expenditure Changes</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Full year effects of previous council decisions		
- Removal of one off expenditure items	(1,039)	0
- Waste PFI	750	750
- Other previous Council decisions	375	70

Unavoidable cost increases, priority areas and creating capacity		
- Increments and pay costs	772	922
- Increase in pension fund costs	826	908
- Treasury management & capital costs	1,072	1,380
- Delivery and Innovation Fund	1,000	1,500
- Adult Social Care	1,500	-
- Children's Social Care	500	-
- Quality Bus Contract	100	-
- Review of Subsidised Services	50	-
- Contractual Price Increases	100	-
- Levies Increase	17	-
- Building Control - Unachievable Income	150	-
- Welcome to Yorkshire Funding	16	-
- Fuel Prices	150	-
- Commercial Waste Income	250	-
- Scrutiny Changes	5	-
Ensuring a prudent budget		
- Contingency fund	250	500
- General reserve contribution	250	500
- Growth to be allocated	-	3,739
<b>Total Expenditure Changes</b>	<b>7,094</b>	<b>10,269</b>

Table 1 – Summary of expenditure pressures

### Funding Changes

40. Although the CSR set out a 4 year recovery plan the government has only set out 2 years of funding for local government. Therefore, whilst the 2012/13 figures in table 2 below can be assumed to be final figures, there could be changes to the forecast figures for 2013/14.
41. Table 2 shows the various components that make up the council's net funding changes, that is council tax and money provided by central government in the form of formula grant. It is important to note that the council tax income in year 2 is notional and has been determined by the Director of CBSS for planning purposes. The precise assumptions will need to be revisited during the forthcoming financial year.
42. A number of changes have to be made to reach the available funding for 2012/13. £1.657m of one-off funding that is no longer available in 2012/13 has to be removed (£0.657m from the general reserve used to fund highways projects, £1.0m Collection Fund surplus).

43. The next section of Table 2 shows the £5.040m formula grant reduction the council will receive from central government as part of the programme of Local Government funding cuts, initially announced in December 2010 and confirmed in December 2011. It should be noted that as part of the confirmation of the funding reduction, central government also announced that it will be delivering the £1.829m Council Tax Assistance Grant, which the council will receive until 2014/15 for setting a 0% council tax in 2011/12.
44. Additional income totalling £500k has been identified. £300k of this is associated to funding changes related to schools that have become academies and the remaining £200k is related to upcoming funding and responsibility transfers from the PCT.

### Council Tax

45. The final section of table 2 shows the additional funding available via increases in council tax in 2012/13. Applying a 2.9% increase in the Band D council tax at the 2011/12 tax base yields additional income of £2.120m. For comparison, the RPI in December 2011 was 4.8%. On 14 December 2011, under powers delegated to him by Members in 2003, the Director of CBSS approved an increase in the tax base, that is the weighted number of Band D properties in the area which forms the basis of the calculation for total council tax income, from 67,041.43 to 67,420.75. This calculation yields an additional £0.426m and a total increase in income from council tax of £2.546m. It is for members to determine the overall council tax level, having due regard to all of the issues in relation to the council tax freeze grant and overall levels of council tax.
46. In summary, for 2012/13 the council has net reduced funding available of £3.651m compared to 2011/12. As highlighted earlier in the report, funding figures for 2013/14 should at this stage be considered to be provisional for a number of key reasons. The level of council tax will most likely change given that variations in the tax base occur every year as new properties are added and properties that receive discounts no longer do so. Furthermore, central government's proposed changes to the council tax benefit system will in their current form have a significant impact on the tax base as the delivery of the grant from central government will no longer be part of the Collection Fund, and as a result no longer form part of the council tax calculations. Finally, the implementation of localised business rates from 1 April 2013 may further impact the presentation of net funding available as the methodology for calculating the baseline is finalised. This report prudently assumes

neither an increase nor decrease in this baseline from the 2012/13 formula grant allocation.

<b>Funding Changes</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
<b>Removal of one-off funding</b>	<b>1,657</b>	<b>0</b>
<b>Funding Changes in year</b>		
- Reduction in Formula Grant	5,040	0
<b>Total Funding Changes in year</b>	<b>5,040</b>	<b>0</b>
<b>Additional Corporate Income</b>		
- Academies funding	(300)	0
- PCT funding	(200)	0
<b>Total Additional Corporate Income</b>	<b>(500)</b>	<b>0</b>
<b>Additional Council Tax</b>		
- Council Tax rate	(2,120)	(1,514)
- Council Tax base increase/improved performance	(426)	0
<b>Total Additional Council Tax</b>	<b>(2,546)</b>	<b>(1,514)</b>
<b>Net Funding Changes</b>	<b>3,651</b>	<b>(1,514)</b>

Table 2 – Funding changes

47. Taking into account these funding changes and their impact on the council's net budget, table 3 summarises the funding available from council tax and formula grant for 2012/13 and 2013/14 (provisional).

	2012/13 £m	2013/14 (Provisional) £m
Council Tax	75.678	77.192
Formula Grant	46.557	46.557
<b>Net Budget</b>	<b>122.235</b>	<b>123.749</b>

Table 3 – Net budget composition for 2012/13 and 2013/14

48. The following table shows the budget position after taking account of the expenditure pressures and changed funding set out in tables 1 and 2.

<b>Summary</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
<b>Total expenditure changes</b>	<b>7,094</b>	<b>10,269</b>
<b>Total net funding changes</b>	<b>3,651</b>	<b>(1,514)</b>
<b>Budget gap</b>	<b>10,745</b>	<b>8,755</b>

Table 4 – Budget position summary

### **Savings and Income Generation**

49. To meet the challenge of identifying around £20m of savings, work has been ongoing for many months. There have been fundamental reviews of all areas of activity, and all options for achieving increased income, better procurement, service reconfiguration, and alternative service delivery have been considered. Whilst the proposals include savings which seek to balance the budget for 2013/14 these are based upon a number of assumptions, some of which may need to be revisited.
50. Within the proposals there are some £1.5m of savings from prior year decisions. These savings are available due to the considerable progress made over the past few months, in particular in relation to the work that has been reported to Cabinet in relation to Elderly Persons Homes Reconfiguration, and the procurement of a new provider for reablement service.
51. Service reviews, better procurement and improved efficiency are contributing £10.9m. In some areas these will be relatively painless savings, which accrue through pure improved efficiency and savings on procurement. There are also a range of proposals for alternative service delivery models. In other areas there are major service reviews, either ongoing or which need to take place in 2012/13. It is recognised that in some cases these may require difficult choices to deliver savings.
52. Additional income is contributing some £3.4m. These include opportunities for new charging/trading, improved performance in income collection following the consolidation of all income collection across the council, and a range of fees and charges increases.

53. Some £2.9m has been categorised as a direct service reduction. Given the difficult financial position, whilst all attempts have been made to seek to avoid such reductions, it has been necessary to prioritise some areas of service.
54. A further £900k is attributed to changes in relation to grant funding.
55. The following table shows the overview of savings for each directorate. Detailed proposals are contained in Annex 2.

<b>Savings</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Customer & Business Support Services	928	935
Communities & Neighbourhoods	3,194	2,725
Adults, Children & Education	4,925	3,789
Office of the Chief Executive	138	115
City Strategy	1,560	1,031
Corporate savings	0	160
<b>Net total of savings</b>	<b>10,745</b>	<b>8,755</b>
Savings Attributable to Council Tax Income	200	0
<b>Total savings</b>	<b>10,945</b>	<b>8,755</b>

Table 5a – savings proposals by directorate

<b>Savings</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Service Reviews, Efficiency and Procurement	-5,477	-5,478
Full Year Effect of Prior Year Savings	-953	-612
Service/Budgetary Reduction	-1,873	-1,015
Grant Related Savings	-667	-261
Increases in Income	-1,975	-1,389
<b>Total savings</b>	<b>10,945</b>	<b>8,755</b>

Table 5b – savings proposals by category

56. The proposed savings have been categorised into one of the above headings, reflecting the primary nature of the individual saving. It is recognised however that some savings may cut across more than one category and could be a mix of service reduction/efficiency. The analysis seeks to provide a broad overview of the nature of the total savings proposals.

## **Fees and charges**

57. Detailed proposals for fees and charges are attached at annex 3. The proposals have taken account of such factors as current retail price

indices, 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 2.

### Council Tax and the Collection Fund

58. The existing components of the current (2011/12) band D council tax for a CYC resident are shown in the Table 6. It should be noted that these figures exclude parish precepts which are an additional charge in some areas.

	<b>£</b>
City of York Council	1,090.85
North Yorkshire Police Authority	204.55
North Yorkshire Fire Authority	62.10
<b>TOTAL</b>	<b>1,357.50</b>

Table 6 - Make Up of 2011/12 Council Tax

59. As referred to earlier in this report, the recommendation made in these papers is that from April 2012 the CYC element of the council tax will increase by 2.9%, resulting in a band D council tax of £1,122.48. Table 7 below shows the impact on each property band of the proposed 2.9% increase on the basic CYC element of the council tax.

	<b>2011/12 Basic Tax by Band</b>	<b>2012/13 2.9% Increase</b>	<b>Annual Increase</b>	<b>Weekly Increase</b>
<b>Band</b>	£'s	£'s	£'s	£'s
<b>A</b>	727.23	748.32	21.09	0.41
<b>B</b>	848.44	873.04	24.60	0.47
<b>C</b>	969.64	997.76	28.12	0.54
<b>D</b>	1,090.85	1,122.48	31.63	0.61
<b>E</b>	1,333.26	1,371.92	38.66	0.74
<b>F</b>	1,575.67	1,621.36	45.69	0.88
<b>G</b>	1,818.08	1,870.80	52.72	1.01
<b>H</b>	2,181.70	2,244.96	63.26	1.22

Table 7 – Impacts of proposed 2.9% increase on CYC basic council tax

60. 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, a prudent assumption has been made to not declare a surplus and therefore no income from this is included in the budget assumptions.

## Precepts

61. In addition to the council tax to be charged by the City of York, the overall charge must include the precepts from the Police Authority, Fire 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 23 February.
- The Police Authority will be meeting on 13 February 2012 to determine its precept and council tax charge
  - The Fire Authority will be meeting on 8 February 2012 to determine its precept and council tax charge.
62. Table 8 demonstrates both the cash and percentage increase in 2011/12 for these which resulted in a total band D council tax for a York property of £1,357.50.

	2010/11	Increase	2011/12	
	Charge		Increase	Council Tax
	£	(£)	(%)	
CYC	1,090.85	0.00	0.00	1,090.85
Police	204.55	0.00	0.00	204.55
Fire	62.10	0.00	0.00	62.10
<b>Total</b>	<b>1,357.50</b>	<b>0.00</b>	<b>0.00</b>	<b>1,357.50</b>

Table 8 - Headline Council Tax Figures for City of York Area

63. There are 31 parish councils within the City of York Council area. All of these have notified the council of their precepts for 2012/13. There are wide variations in the parish precept increases from a reduction of 5% to an increase of 25% in the individual precepts.

## National Non Domestic Rates (NNDR)

64. In April 2011 the two NNDR multipliers were 43.3p in the pound for normal properties and 42.6p in the pound for smaller properties (based upon the total rateable values of all properties held by a single owner). It has been provisionally announced that in April 2012 the multipliers will increase to 45.8p (by 5.8%) and 45.0p (by 5.6%) respectively.

## Reserves

65. Table 9 shows the position on the general fund reserve which, it is anticipated, will be £6.046m by the end of 2011/12. Reserves stood at £11.4m in 2008 and have reduced in recent years. The projected reserves at the end of 2011/12 are based on the assumption that Members agree no usage of reserves as part of the final recommendations to Council. It should be noted that the figures below also assume that there will be no requirement to fund an overspend against the 2011/12 budget and that the recommended £250k reserve contribution is agreed.

	<b>2011/12 Projected Out-turn</b>	<b>2012/13 Budget</b>
	<b>£'000</b>	<b>£'000</b>
<b>General Fund Total at end of year</b>	<b>6,046</b>	<b>6,296</b>
Prudent Minimum Reserves	6,100	6,100
<b>Headroom (+)/Shortfall (-) in Reserves</b>	<b>-54</b>	<b>+196</b>

Table 9 - Projected General Reserves

66. 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 Director of CBSS that a level of 5% of the net budget, or £6.1m is an appropriate figure meaning that the current level of the reserve is £54k below the minimum threshold. This report contains a recommended £250k reserve contribution which, should it be accepted, will create £196k of headroom above the minimum level.

## Medium term planning

67. As part of the overall budget strategy, consideration is given to major financial risks and projections over the medium term (up to 5 years) in order to influence the shorter term decision making outlined in this report. In line with this, the following Table 10 outlines the council's medium term financial plan, including this report's recommendations, summarised into broad categories.

	2012/13 In this report	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m	£m
<u>Expenditure</u>					
Pay & Pensions	1.60	1.83	2.02	1.83	1.84

T. Management & Capital	1.07	1.38	1.18	0.97	1.00
Waste	0.75	0.75	0.75	0.75	0.00
Contingency & Reserves	0.50	1.00	1.25	0.00	0.00
Delivery & Innovation	1.00	1.50	1.50	0.00	0.00
2011/12 C Tax Grant					
Fallout	0.00	0.00	0.00	1.83	0.00
Other Pressures	3.83	3.81	3.00	3.00	3.00
<b>Total Expenditure</b>	<b>8.75</b>	<b>10.27</b>	<b>9.70</b>	<b>7.63</b>	<b>5.84</b>
<b>Income</b>					
Council Tax	2.55	1.51	1.54	1.58	1.62
General Grant	-5.04	0.00	0.00	0.00	0.00
Other Income	0.50	0.00	0.00	0.00	0.00
<b>Total Income</b>	<b>-1.99</b>	<b>1.51</b>	<b>1.54</b>	<b>1.58</b>	<b>1.62</b>
<b>Savings Identified</b>	<b>-10.74</b>	<b>-8.76</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Budget Gap</b>	<b>0.00</b>	<b>0.00</b>	<b>8.16</b>	<b>6.80</b>	<b>4.22</b>

Table 10 – Outline Medium Term Financial Plan

68. In projecting expenditure pressures beyond 2013/14, the same principles applied in creating the two year budget recommended in this report have been employed, that is:

- investment continues to be made in council priority areas,
- ensuring adequate financial capacity is created for unavoidable costs,
- continued prudent allocation of resources to secure the longer term financial health of the council.

69. Over the medium term, the funding streams of the council's net budget will undergo significant change related to the outcomes of the 2010 Localism Bill. Firstly, the associated Local Government Resource Review has recommended the localisation of business rates to local councils (see background papers) which is expected to come on line in April 2013/14 (year 2). This plan assumes that the baseline for the council will be the 2012/13 formula grant, in line with government guidance, however this may be subject to change. Beyond year 2, the plan prudently assumes no growth in the business rate yield, however there will be scope for the council to drive local growth and as a result increase its income base. From April 2013, the council will also be responsible for delivering its own local council tax benefit system,

including reducing current expenditure by 10%, and provision is made for covering the costs of this as part of the Other Pressures line in the table. From year 2 onwards, a provisional council tax rate of 2% is assumed for planning purposes, however as with all pressures outlined in the table this will be revisited as part of the 2013/14 budget process.

### **Housing Revenue Account (HRA)**

70. 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. Thus the terms “ring fenced” or “landlord account” are now referred to, as transfers between the HRA and General Fund are normally prevented. 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.
71. The HRA budget at annex 4 results in an in-year deficit of £690k. Together with the budgeted brought forward working balance of £9,500k this leaves a working balance of £8,810k on the account. This balance is broadly in line with that forecast in the HRA business plan and a further report to Cabinet over the summer months will set out further detail of the proposed investment strategy for the HRA. At this point the overall working balance will be reviewed to ensure a prudent reserve is maintained on the account.
72. Elsewhere on this agenda a separate report outlines the significant changes being introduced in HRA financing when the Localism Bill dismantles the current system of HRA subsidy and replaces it with a new system of self financing. A key component of this new system is that the council is required to take on borrowing of £122m. This is covered in detail within the separate report. The budget attached at annex 4 takes full account of the new system, along with a proposed average rent increase of 7.4%.

### **Dedicated Schools Grant (DSG) and the schools budget**

73. The DSG is ring-fenced for funding the provision of education for pupils in schools (maintained, pupil referral units (PRUs), private, voluntary and independent (PVI) nurseries or externally purchased places). As such it covers funding delegated to individual LA maintained schools and PVI providers through the LMS & Early Years Funding Formula, plus funding for other pupil provision which is retained centrally by the LA (e.g. SEN, PRUs, behaviour support, home & hospital tuition, school contingencies

etc.). It is distributed according to a formula that guarantees a minimum per pupil increase for each authority (0% in 2012/13).

74. The council itself cannot use the DSG for any purpose other than schools block funding, although with the permission of the York Education Partnership Board limited contributions can be made to the following areas:
- Combined budgets supporting every child matters objectives where there is a clear educational benefit.
  - Prudential borrowing, where overall net savings to the schools budget can be demonstrated.
  - Some SEN transport costs, again only when there is a net schools budget saving.
75. There are also strict limits (central expenditure limits [CEL]) on the amount of the DSG that the council can retain centrally to either fund pupil costs outside mainstream schools, or to provide targeted allocations during the financial year to maintained schools.
76. Annex 5 sets out the budget proposals for the DSG and schools budgets, which will give £4,657 per pupil.

#### Funding Available within the DSG

77. The funding available includes the estimated 2012/13 DSG allocation of £107,350k, an early estimate of funding for post 16 pupils from the YPLA of £6,543k, the estimated level of the pupil premium for York schools of £2,376k and an estimated zero balance carry forward from 2011/12. The figures are prior to the outcome of the January 2012 pupil census, and will be further updated when this data is available.

#### Balancing the Schools Budget

78. Annex 5 shows that there is headroom available within the schools budget of £442k. This figure is still prior to a precise assessment of pupil numbers being made following the January pupil census. If final pupil numbers vary from those currently estimated the impact will be felt both in the level of DSG to be received from the DfE and in the level of funding that will need to be allocated to schools through the LMS Funding Formula. Cabinet will be provided with an update of the decisions and comments made by the York Education Partnership Board.

## **Impact assessment of the 2012/14 budget proposals**

79. The budget aims to tackle a variety of issues. Clearly it aims to be prudent and to set medium term plans which are set out in the report. However, a financial plan is also about how resources are allocated and what impact that allocation has upon a range of issues. The following sections explore the consultation feedback, sustainability and the equalities impact.

### **Feedback from Consultation**

80. An integral part of the development of the 2 year financial strategy has been to undertake extensive and focused engagement with a diverse range of stakeholders, and to include new forms of engagement such as meeting the voluntary sector and Cabinet members holding a public engagement session. This approach of discrete consultation streams delivering specific and relevant feedback on budget priorities has ensured that decisions on the strategy have been informed by the views of key groups across the community.

81. Attached at annex 6 is a briefing note provided to members which outlines the how each consultation stream was organised and highlights the key points raised at the feedback sessions. Key elected members were present at most of the consultation sessions to hear the views directly from the participants.

82. The specific consultation streams undertaken as part of the development of this budget strategy were:-

- Meetings with representatives from the Voluntary Sector
- Use of an on-line budget consultation tool – YouChoose
- Meeting with Business Leaders from across the city
- A meeting with the Youth Council

- An open public engagement session in the Mansion House
- Meeting with Equalities Advisory Group

83. As part of ongoing consultation the council established an independent Fairness Commission and a more detailed report of its finding is covered in a separate report elsewhere on this agenda. The specific recommendations of the commission that relate to the budget include;

- Raising council tax by 3.5% to 6%
- Explore highways expenditure as an area for achieving savings
- Reviewing expenditure by ward committees
- Protecting services to the most vulnerable and disadvantaged groups where possible

84. In accordance with constitutional practice Scrutiny Management Committee (SMC) considered at its meeting on 28 November 2011 what level of budget it considered appropriate in the coming year to support scrutiny reviews. The Committee took into account existing levels of spend in 2011/12, some areas of likely spend in 2012/13 and the councils overall financial position. In the light of those considerations the Committee agreed to recommend that for 2012/13 an increase of £5k is requested in the current level of funding for supporting scrutiny reviews, making a total budget of £20k available. This increase is funded specifically from savings being made to the councils democratic process in relation to the merger of Effective Organisation and SMC.

## **Sustainability**

85. The council is continuing to support the joint waste PFI project with North Yorkshire County Council. The relocation to a new building will allow the council to rationalise numerous smaller buildings that are less energy efficient in a variety of ways compared to a single purpose building. The new office accommodation will be central to the council's strategy in meeting its carbon reduction.

## **Equalities**

86. An equality impact assessment (EIA) has been completed on the overall impact of the budget proposals and this is available as a background paper. This has been developed as a result of equality impact assessments for services which are undergoing changes, and following

consultation with equality communities of interest. The impact assessment examines the benefits of recommended growth and considers risks associated with any savings proposals to ensure any negative impact for a particular group, sector or community is eliminated or counterbalanced. It does this by considering the information gathered at consultation and engagement events with equality communities of interest, including information and views gathered in events organised by the Fairness Commission, the councils Equality Advisory Group and the council Staff Equality Reference Group. Where negative impacts have been identified, possible remedial actions have been shared with the relevant Cabinet member prior to the budget recommendations being finalised.

87. The risks will be dealt with through increasing expenditure in areas beneficial to all communities of interest, with growth of £1.5m being invested in adults and children's services.
88. Specific remedial actions to lessen the impact are outlined in the EIA. As overall remedial action the strategy will;
  - Focus growth where it is expected to have a positive effect on older or disabled people and their carers, children and young people from disadvantaged backgrounds and black and minority ethnic groups.
  - Protect those who have limited financial means.
  - Stipulate that where service provision is passed on to independent providers under contractual agreements, people from the most affected communities of interest receive the same level of service as before or better in many cases.

### **Specialist Implications**

89. This report has the following implications;

#### **Financial**

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

#### **Human Resources (HR)**

91. Implications are identified against each of the individual savings proposals listed in annex 2 where appropriate. In summary the budget proposals could result in the reduction of around 100 FTE posts. Although this is in line with previous indications of potential reductions,



there could be further implications as the service reviews develop. The HR implications will be 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 redundancies, such as flexible working, early retirement and finding suitable alternative employment for at risk staff. 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.

## **Legal**

92. The Council is required to set a council tax for 2012/13 before 11<sup>th</sup> March 2012. It may not be set before all major precepts (ie precepts from the Police and Fire Authorities) have been issued or before 1st March 2012, whichever is the earlier. This decision is reserved to Council and cannot be taken by Cabinet or delegated to officers, although Cabinet has to recommend a budget to the Council. These comments are intended to apply to both the Cabinet meeting and the subsequent Council meeting.
93. 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.
94. 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.
95. 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. Members must also act prudently. Members must also bear in mind their other statutory duties to have regard to certain matters when making decisions. In particular the "equalities duty" to have 'due regard' to the need to eliminate discrimination and to promote equality when making decisions and 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.

96. 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.
97. 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.
98. 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 Director of Customer and Business Support Services as Chief Financial Officer. Members are obliged under the Code of Conduct to have regard to the advice of the Chief Finance Officer and Monitoring Officer. The Council may take decisions which are at variance with his 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 Director of Customer and Business Support Services in order to balance the budget, they must find equivalent savings elsewhere.
99. The Director of Customer and Business Support Services is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 (as amended) to ensure that the council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. He is in addition subject to the requirements set out in paragraph 94 above.

100. 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.
101. The Government has removed the power to cap local authority budgets and replaced it with a system of local referendums where the Council has set an excessive Council tax increase. For 2012 an increase above 3.5% will be considered excessive.
102. 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. If a Cabinet member has arrears outstanding for two months or more, they are prevented from taking any part in such a decision. 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.

### **Crime and Disorder**

103. There are no crime and disorder implications to this report.

### **Information Technology (IT)**

104. There are no information technology implications to this report.

### **Property**

105. There are no property implications to this report.

### **Other**

106. There are no other implications to this report.

### **Statutory Advice from the Director of Customer and Business Support Services/Comments**

## Introduction

107. 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 give my views on the budget (both 2011/12 and beyond), reserves and general robustness of the process.

## Overall Assessment

108. The proposals in this budget give a balanced budget for 2012/13 and give consideration to the financial years 2013/14 to 2016/17. The council has taken many steps to try to put itself on a firmer long-term financial position, with longer term planning and improved budget monitoring. The inclusion of two year budget proposals significantly adds to this long term planning and ensures the Council is taking a very prudent, long term approach to meeting the challenges it faces.

109. Full scrutiny of the budget proposals for 2012/13 has taken place, in terms of their deliverability, and a proper risk assessment of a range of issues has been conducted.

110. There are significant savings contained within the budget proposals, reflecting the scale of the challenge facing the council. There should be no understatement of the scale of this challenge, both in terms of next year and beyond. Clearly, there are risks in the achievement of some of the proposed savings and, in assessing the risk of savings proposed, I cannot guarantee that every single proposal will be achieved. I do however consider the overall package to be prudent, and I am assured of the robustness of the projected savings, and the extent of rigour in their calculation. They do however represent a major challenge to deliver, one that will only be achieved through full commitment across the organisation. Very careful monitoring of the progress of the savings programme will be essential. A risk assessment related to the individual savings proposals has been conducted, and discussed with senior management.

111. I consider that the overall estimates in the budget are sound and that the proposals to achieve a balanced budget are achievable, albeit demanding. The council has made provision for a number of corporate financial pressures, such as impact of capital programme, landfill tax,

pay and pensions implications. In addition the sums included in respect of contingency, and contributions to create some capacity in terms of reserves represent a very sound prudent approach. In addition, the inclusion of funding for “Delivery and Innovation” provides the capacity to assist in transformation and delivery of services, which will be crucial in responding to the financial challenges.

112. This overall package is a realistic approach in dealing with the financial pressures facing the council next year. In addition the major financial pressures being experienced during 2011/12 have been addressed through significant additional investment. In particular investment is provided for Adult Care, and Looked after Children. There is an area of risk in that no provision is included in the budget for any pay award in 2012/13, and clearly if there was to be a pay award the council would need to address this issue.

### **Looking Ahead**

113. Looking ahead there remains a range of very significant pressures for the future. The Spending Review set out planned further reductions in government funding, and the major challenge facing the council in coming years will be to secure further savings and for cost pressures to be managed effectively. In doing so, the council will also need to provide capacity for additional investment in unavoidable costs and priorities.

114. Key to tackling these medium term challenges will be the need for the council to continue to review all areas of expenditure, and have clear medium term plans. In addition to continuing to find efficiencies, the council will need to consider the level and type of service it provides, as the scale of financial savings required in future years can not be met from true efficiency alone. Meeting the financial challenges facing the council in coming years will require the council to think very carefully about its core priorities, how it works with its partners and key stakeholders, and its overall provision of public services.

### **Reserves**

115. In terms of reserves, the proposals seek to make contributions to restore reserves to above their minimum levels. This recognises that in difficult financial times, and alongside general uncertainty regarding the economy, it is advisable to ensure sufficient reserves are in place.

116. I believe that the council will come in on budget for 2011/12 and this is reflected in the budget monitoring report presented to Cabinet at this same Cabinet meeting.
117. The recommended minimum reserves are £6.1m and assuming the current budget is achieved on budget, the estimated level of reserves at end of March is £6.046m. I strongly advise Council not to reduce levels of reserves below the minimum level, and alongside this to ensure some “headroom” between the minimum reserves and actual reserves. The budget proposals seek to do this.
118. The decision on the adequacy of the level of reserves is linked to the general robustness of the budget process and the council's systems of budgetary control and risk management. These need to ensure that the council will not be exposed to any unforeseen major financial problem requiring the use of reserves to resolve. In considering the overall budget position, I have taken assurance over the recent track record of the council to manage expenditure within budget, and the fact that in very recent times financial pressures have been identified early in the financial year and through concerted action across the council the position has been brought in line with budget. The council's strong financial management, and financial control, has been commented upon by external auditors recently.

## **Other Issues**

119. The government have announced that they will require any local authority who proposes to raise its council tax by 3.5% or more to conduct a referendum.
120. The government have also stated that they will continue with the system of Council Tax Freeze Grant in 2012/13, as they did in 2011/12. However, they have stated that this will be a one off for 2012/13 (whereas last year funding was committed for 4 years). As with last year, any authority that gets their proposed council tax increase down to 2.5% will then become eligible for the freeze grant which will then allow them to set a council tax of 2.5%.
121. It is for members to determine the level of council tax increase, and to decide whether to set a council tax increase that will trigger the council tax freeze grant, or to set a tax at a higher level. Members naturally need to consider the implications of the different options very carefully.

122. I also would highlight the separate capital programme report, and the issues that are set out within that. In particular, the capital plan has some significant implications in terms of the revenue budget in coming years, and both programmes will need to be carefully managed in terms of ensuring proper provision is made in the medium term. I would stress however that the overall balance in terms of capital investment, levels of borrowing, and revenue implications (and the impact on revenue expenditure) is something that is for Members to determine.

123. I am aware that as with all budgets there is the potential for amendments to be proposed/agreed which could change the overall package of proposals. In that respect, I would highlight that I would amend/add to my statement if a decision was proposed that lead to the council's reserves falling below the minimum level (assuming the current budget comes in line with budget). In addition, any other amendments I would consider against the scale of the overall budget and depending upon the extent of the amendment I may revise my statement. It goes without saying that amendments that may reduce contingencies, or which set further savings targets, will inevitably add to the overall risk. That is not to say that such amendments would cause me to amend my statement as I would only do this if I considered the change in risk was significant.

## **Risk Management**

124. A summary of risks attached to the budget is contained in Annex 7. They will be monitored regularly throughout the year.

## **Recommendations**

125. Members are asked to consider the appropriate levels of council tax that they wish to see levied by the City of York Council for 2012/13. 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 Director of CBSS

126. 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 £122.235m
- The revenue growth proposals as outlined in the body of the report
- The revenue savings proposals as outlined in Annex 2
- The Housing Revenue Account budget set out in Annex 4
- The dedicated schools grant proposals outlined in Annex 5

*Reason: To ensure a legally balanced budget is set*

127. Members are asked to consider the motion submitted to Full Council in December 2011 to freeze council tax for 2 years as outlined in paragraph 7.

*Reason: To ensure a legally balanced budget is set*

128. Approve that the governance/financial administration of the Delivery and Innovation Fund be in accordance with the Council's Venture Fund, specifically that the Director of CBSS (in consultation with the Leader) has the authority to make approvals of up to £100,000 and that any sums greater than this require the approval of Cabinet, and that further approval is given to reflect this decision in the Council's Financial regulations.

*Reason: To ensure appropriate governance arrangements are in place for the Delivery and Innovation Fund.*

129. The effect of approving the income and expenditure proposals included in the recommendations would result in an increase in the City of York element of the council tax of 2.9%. 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 23 February 2012.



## Contact Details

### Author:

*Ian Floyd*  
*Director of Customer and*  
*Business Support Services*

*Debbie Mitchell*  
*Finance Manager*  
*(01904) 554161*

*Andrew Crookham*  
*Principal Accountant*

### Chief Officer Responsible for the report:

*Ian Floyd*  
*Director of Customer and Business*  
*Support Services*

**Report**  
**Approved**

**Date** 3/2/12

*Keith Best*  
*Assistant Director of CBSS (Finance)*

*Tracey Carter*  
*Assistant Director, Office of the Chief*  
*Executive*

### Specialist Implications Officer(s)

*Legal – Andy Docherty*  
*HR – Mark Bennett*

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

**All**

**For further information please contact the authors of the report**

### Background Papers:

2012/14 Budget Process, Cabinet, 19 July 2011  
2012/14 Budget Update, Cabinet, 6 December 2011  
Equality Impact Assessments

### Annexes:

- 1 - Summary of budget**
- 2 - Savings**
- 3 - Fees & charges**
- 4 - HRA**
- 5 - DSG and schools budget**
- 6 - Consultation**
- 7 - Risk analysis**
- 8 – Unitary authority funding tables**