

**Executive**

**15 December 2022**

Report of the Chief Finance Officer  
Portfolio of the Executive Member for Finance & Major Projects

## **Financial Strategy 2023/24 to 2027/28**

### **Summary**

1. The Financial Strategy 2023/24 to 2027/28 will be presented to Executive on 9 February 2023 and Full Council on 23 February 2023.
2. The purpose of this report is to provide background information for the overall Financial Strategy, to outline some of the key challenges, proposals for budget consultation and a timeline for future reports and the overall decision-making process.

### **Recommendations**

3. The Executive are asked to:
  - Note the financial challenges being faced by the Council and high level financial assumptions that feed into the forecast budget gap.
  - Note the budget consultation process as outlined in paragraphs 20 to 28.
  - Note the decision making process and timeline outlined in the report.
  - Reason: To ensure that the Council has a robust, balanced budget.

### **Background and analysis**

#### National context

4. On the 17<sup>th</sup> November the Chancellor's Autumn Statement announced the Government's spending plans for 2023/24 and a number of announcements were made that are relevant to local government finances.

5. The Chancellor confirmed that additional flexibilities would be available around council tax with the limit for increases now being set at 2.99%. A further 2% precept in respect of Adult Social Care is also available, meaning an overall increase of 4.99% is allowed without a referendum.
6. Additional funding has been announced for Adult Social Care, to be allocated through ringfenced grants and the Better Care Fund to ensure people can be discharged from hospital on time. At the same time, it was announced that some aspects of adult social care charging reform will be delayed to 2025 at the earliest. The funding expected for these reforms will still be allocated to local government to support the pressures being seen across both adults and children's social care. The funding will be allocated through ring fenced grants and it is therefore unlikely that this funding will be available to support other budget pressures outside social care. Further details are awaited on the detailed allocations and any conditions that may be attached to the funding.
7. Full details of the specific authority funding allocations will not be announced until the provisional settlement which is expected sometime in the week commencing 19<sup>th</sup> December 2022. Therefore, the assumptions included in this report remain estimates and subject to change in the New Year.

#### Local context

8. As previously reported to Executive in both the Finance & Performance Monitor 2 and Addressing the Cost of Living Crisis reports at November Executive, we are facing unforeseen financial pressures and demand for our services, which is having an impact on our budgets both in the current year and in the next year.
9. The 2022/23 budget was set just as the country was emerging from the Covid-19 pandemic and the crisis in Ukraine was beginning. Since that time, we have seen rising energy, fuel and food prices, inflationary increases in contracts, supplies and other expenses that are making it difficult for the council to balance its budget, resulting in an in year financial pressure totalling £7.7m.
10. Many of these increases in costs are expected to continue, at least in the short to medium term, and this therefore creates further budget pressure in 2023/24. We need to ensure that we include sufficient growth in the budget to cover these known cost pressures.

11. The budget in 2023/24 will need to be increased to cover inflationary increases on a range of contracts and direct costs. An assumption is being made that the cost of the pay award will again be broadly similar to that in 2022/23.
12. Based on the financial assumptions outlined in this report the initial forecast budget gap was estimated at £15m. Following the announcements made in the Autumn statement we have been able to revise our estimates but there remains a forecast budget gap of some £10m. As outlined in the Addressing the Cost of Living Crisis report to Executive in November, given the significant additional costs being faced by all councils across the country since 202/23 budgets were set, it is clear that further funding is needed from Government to allow councils to meet these financial challenges whilst continuing to deliver for residents.
13. The Council will clearly need to identify how this gap can be bridged. This could be through a range of measures, including
  - Reviewing the cost of schemes in the capital programme
  - Service efficiencies and reductions
  - Reviewing fees and charges, including the level of Council Tax increase that could be applied
14. This is an estimate based on the financial assumptions being used for 2023/24 budget planning purposes only. All budget decisions will be made at Executive and Full Council in February 2023.
15. It is clear, however, that the Council continues to face long standing financial challenges, particularly with regard to uncertainty over national funding streams and growing demand for Council services, especially within adult and children's social care.
16. Specific details of future year's savings proposals will be covered in future budget reports, due in the New Year and following the publication of the financial settlement for local government. The eventual scale of savings that are required will be driven by the outcomes of the future spending reviews and economic recovery, alongside the extent to which service demands affect the council. Looking beyond 2023/24 is difficult at this time, given the wide range of uncertainties.

#### Principles that will shape the budget process

17. The budget setting process will take into account the following issues;

- i. Consideration of the 2022/23 position.
  - ii. Consideration of unavoidable cost increases.
  - iii. How to create the capacity in priority areas and driving service improvement and innovation.
  - iv. Consideration of reductions in grant funding.
  - v. Ensuring that the budget is robust and prudent and is based upon the strategic financial advice of Chief Finance Officer as s151 officer.
  - vi. 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.
18. It is critical that the council continues to support a strong local economy, recognising the significant financial benefits in the form of retained business rates, and the creation of jobs. Ensuring that there is a strong link between the capital and revenue budgets to support the delivery of council priorities is essential.

### Decision Making Process

19. Following this report, it is proposed that the timeline for future reports is as follows:
- Executive Member Decision Session 12<sup>th</sup> January – Portfolio Holder for Finance & Major Projects will present the overall budget proposals to allow for consideration of provisional settlement to take place and early publication of detailed proposals, along with an opportunity for residents to contribute their views directly
  - Executive 9<sup>th</sup> February – Full suite of budget reports, including the results of the consultation and the Equalities Impact Assessment, presented to Executive
  - Council 23<sup>rd</sup> February – to approve the budget

### **Consultation**

20. The council is consulting with residents and businesses to identify the services that matter most to them and to understand their priorities for spending the council budgets.

21. The 2023/24 budget consultation launches in December and closes on the 9<sup>th</sup> January.
22. The consultation includes a number of question sets from previous years on council tax and the social care precept, to allow us to track and assess feedback.
23. The consultation was promoted to residents through various channels via Our City publication, social media, local media, forum groups, newsletters, published on the council's consultation page, and promoted in Council Buildings such as Libraries and Leisure Centres.
24. Our City was delivered to all households from 19<sup>th</sup> December. Paper responses are sent back at no cost to residents via Freepost to West Offices.
25. The online survey was promoted within the business community via existing business network links and distribution groups such as York Business Week, Make It York, BID, York Chamber of Commerce, York Federation of Small Businesses and asking them to pass on to their members.
26. In addition to the distribution of the survey, 3 focus groups will also be held to gather qualitative information on the overall budget situation, building on the focus group that was first trialled during the previous budget setting process.
27. At the time of writing arrangements are being made for a focus group to be consulted in December which allows a more in-depth discussion with participants. Further focus groups are expected to take place before the final Executive decision in February 2023.
28. Feedback from the Budget Consultation Focus Group and all views and data gathered during the consultation will in due course be published on the York's open data platform [www.yorkopendata.org](http://www.yorkopendata.org)

## **Council Plan**

29. The budget will continue to be developed in line with the priorities outlined in the Council Plan 2019 – 2023.

## **Equalities**

30. An impact assessment will be completed for each individual saving as required. Once the budget proposals are completed, an assessment will be made of the overall impact of the budget proposals and will be

published in the budget report to Executive in February 2023. The impact assessment will consider risks associated with savings proposals to ensure any negative impact for a particular group, sector or community is eliminated or counterbalanced. Decisions taken will also consider the impact on the Councils carbon budget alongside benefits such as improvements to service users or a reduction in energy costs.

### **Specialist Implications**

31. This report has the following implications;

#### **Financial**

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

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

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

#### **Legal**

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

#### **Risk Management**

35. An assessment of risks is completed as part of the annual budget setting exercise and details of this will be included in the February report to Executive. These risks are managed effectively through regular reporting and corrective action being taken where necessary and appropriate.

36. As the Council's Section 151 Officer, the Chief Finance Officer has a statutory responsibility for ensuring that the Council makes arrangements for the proper administration of its financial affairs. Section 114 of the Local Government Finance Act 1988 requires a report to all Council members to be made by the s151 officer, in consultation with the Monitoring Officer, if there is or is likely to be an unbalanced budget.

## Contact Details

**Author and Chief Officer  
responsible for the  
report:**

Debbie Mitchell  
Chief Finance Officer

**Report  
Approved**

**Date** 6/12/2022

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

**All**

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

Background Papers:

Finance and Performance Monitor 2 – Executive 22<sup>nd</sup> November 2022

Addressing the Cost of Living Crisis – Executive 22<sup>nd</sup> November 2022