

Report of the Director of Customer and Business Support Services
(Portfolio of the Leader of the Council)

FINANCIAL STRATEGY 2015 - 2020

Summary

1. This report presents the financial strategy 2015-2020, including detailed revenue budget proposals for 2015/16, and asks Members to recommend to Council approval of the proposals. Following on from consultation with taxpayers, business and interest groups, the financial strategy delivers a balanced budget for 2015/16 with savings proposals totalling £11.9m equivalent to 9.5% of the net budget. 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;
 - A proposed Council Tax freeze in 2015/16. A Council Tax Freeze grant is available which provides funding equivalent to a 1% increase on the notional taxbase.
 - Revenue savings of £11.855m in 2015/16 comprising;
 - i. £2.984m of service prioritisation reductions
 - ii. £4.450m of reductions delivered by the Rewiring Public Services programme
 - iii. £3.271m of efficiency savings.
 - iv. £1.150m of corporate savings
 - A reduced Settlement Funding Assessment (SFA) of £7.3m and total estimated specific grant losses of £1.1m in 2015/16
 - Ensuring a financially prudent budget by addressing known budget pressures, including likely pay awards and inflationary pressures

- Growth of £1.2m in adult social care for 2014/15, following on from investment of £5m over the previous 2 years, to ensure continued priority investment in services to vulnerable people
- Growth of £250k in Children's Services and £400k in Car Parking Income to address current budget pressures
- Growth of £200k to fund a reactive service for Street Services to deal with fly-tipping, graffiti, litter and weeds
- Growth of £100k for Financial Inclusion
- Growth of £50k to maintain and enhance transparency in relation to webcasting meetings and information on the website
- Additional £50k funding business rate discounts to support economic growth, following on from the £50k approved in 2014/15
- £500k of funding to support the Councils involvement in the West Yorkshire Plus Fund
- One off investment of over £2m funded from the New Homes Bonus Grant, the details of which are set out in the report
- A net revenue budget of £119.6m, which will be funded by:
 - i. Council tax income of £72.7m
 - ii. Government grant of £21.0m
 - iii. Retained Business Rates of £24.1m
 - iv. One off income of £1.8m
- Alongside these proposals, elsewhere on the agenda the Capital Strategy Report details significant capital investment in Highways, ICT and Housing.

Recommendations

3. Members are asked to approve the average rent increase for 2015/16, as shown in table 18 and paragraphs 118 to 119, as 2.2%. This rent increase will be applied across council dwellings, hostels and Gypsy, Roma and Traveller Community sites.

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.

4. Members are asked to consider the appropriate levels of council tax that they wish to see levied by the City of York Council for 2015/16. 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 annexes 3a to 3d
 - 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
5. 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 £119.598m
 - A Council Tax requirement of £72.736m
 - The revenue growth proposals as outlined in the body of the report
 - The revenue savings proposals as outlined in Annex 3a to 3d
 - The fees and charges proposals as outlined in Annex 5
 - The Housing Revenue Account budget set out in Annex 6
 - The dedicated schools grant proposals outlined in paragraphs 120 to 128

Reason: To ensure a legally balanced budget is set

6. The effect of approving the income and expenditure proposals included in the recommendations would result in no increase in the City of York element of the council tax. 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 26th February 2015.

Background

National Context and Funding Issues

7. York has the 14th lowest band D council tax, the 3rd lowest spend per head of population of any unitary council in England and the 8th lowest government funding per head in the country.
8. 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 first outlined in the Comprehensive Spending Review (CSR) published in October 2010. As a result, in recent years the Council has had to deal with very large reductions in funding, combined with a range of significant pressures.
9. To provide some context to this, set out in annex 10 are a number of tables which show the actual and forecast levels of savings delivered by the Council and the movements in grant funding. In summary, the Council:
 - has made £16.4m of savings over the period 2007/08 to 2009/10.
 - has made a further £73.4m of savings covering the period 2010/11 to 2015/16.
 - and has therefore made a total of £89.8m of savings over the 9 years covering 2007/08 to 2015/16.
 - has since the 2010 CSR (2011/12-2015/16) experienced government grant reductions of some £36.9m, or 45%. At the time of writing, the consumer prices index has increased by 8.4% since April 2011.
10. Almost £90m in savings represents a massive shift in spending and priorities, evidenced by investment in excess of £17.2m in Adult Social Care over the same period. In light of the longer term funding outlook, and referencing evidence bases such as the Barnet 'Graph of Doom' presented in earlier reports, it is expected adult care costs could account for over 50% of the council's net budget by 2019/20.
11. The provisional Local Government Finance settlement for 2015/16 was announced on 18th December 2014. The Settlement Funding Assessment (SFA), comprises Revenue Support Grant (RSG) and a business rates baseline.

12. The provisional SFA for 2015/16 is £45.1m. This corresponds to a loss of £7.3m or 14%, compared to the funding received in 2014/15. Whilst no details were announced for any financial settlements beyond 2015/16, the clear indications are that central government support to local authorities will continue to be reduced in coming years.
13. The figures announced for York were broadly in line with the forecasts made within the council's financial strategy.
14. This report presents a budget that is fully balanced.
15. Building on the assumptions outlined in the report to Cabinet in February 2014 the savings requirement set out in this report totals £11.9m in 2015/16.
16. In relation to council tax, the proposals in this report are predicated on a council tax freeze in 2015/16.
17. The Council Tax Freeze grant provides funding equivalent to a 1% increase on a notional taxbase that excludes the cost of discounts related to council tax support. Calculations show this to equal £787k which is closer to 1.1% on the taxbase used for council tax setting purposes.
18. DCLG have stated that funding for 2015/16 freeze grant will be built into the spending review baseline. This gives as much certainty as possible at this stage that the extra funding for freezing council tax will remain available.

Local issues and challenges

19. Locally demand for council services continues to increase, with an ageing population and increased complex needs in respect of elderly care. There are also potential risks associated to welfare reform, in particular in relation to council tax support, which is now funded locally. Rising costs such as landfill tax and inflation are driving costs up, and the current economic climate continues to put 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.

Financial Overview and Medium Term Financial Forecast (MTFF)

20. The council will have to deliver savings of £11.9m in 2015/16. The savings target has reduced from £12.7m since February 2014 and this is explained in further detail later in the report.
21. The third finance and performance monitoring report elsewhere on this agenda identifies that whilst there are currently a number of pressures in 2014/15, it is expected that the council will outturn within the approved budget by the end of the financial year.
22. Against this developing background, work has been ongoing for many months to develop the budget, and to identify savings to meet the £11.9m target. During this process, proposals for 2015/16 that were identified this time last year have been assessed 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 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

23. At a time of significant reductions in grants and rising demand it is absolutely essential to set a prudent, stable and achievable budget. The council has set a 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.
24. In response to a momentous shift in expenditure and major reductions in government funding, the council is taking steps to enable itself, residents and communities to work together as equal partners to meet their future needs and priorities.
25. In terms of the Financial Strategy, the council recognised two key actions that would better equip ourselves to meet future challenges:
 - i) There should be better alignment of budgets with council priorities by shifting emphasis from broad reductions across all areas of spend.
 - ii) Increased demand alongside a reducing funding base necessitates a more transformational approach.

26. Therefore the budget strategy for 2015/16 set out plans for a three strand process comprising:
- i) Council Wide Efficiency: general reductions across all areas aimed at continual cost reductions, increased income, and with a focus on avoiding front line reductions.
 - ii) Prioritisation: expenditure reductions based upon the overall assessment of the service relative to the council's key priorities, and the changing nature of service delivery. This recognises that in many areas service provision will have to reduce significantly, in light of the financial challenges facing the council.
 - iii) Rewiring Public Services: to ensure that priority services are fit for the future and meet the current and future needs of residents. The focus will be on delivery of services in a fundamentally different way.
27. The councils' Rewiring Public Services Programme has been working with residents to identify the services that matter most to them and to understand their priorities for spending the council budgets. Officers have spent time at shopping centres and supermarkets to speak to residents about the council's budget and the choices being made. They have also spent time on the bus network capturing people's views.
28. The key messages from the events were that the council:
- i) should concentrate on its statutory duties,
 - ii) needs to deliver an appropriate level of service that balances the residents needs with the available budget.,
 - iii) needs to be mindful about how it demonstrates value for money particularly with regard to large projects.
29. Residents recognise that the council has saved a considerable amount over the last five years and is reaching the point when not everything can be funded. As more difficult decisions are made it is crucial that budgets are used to meet core priorities that residents have.
30. The events also highlighted that services related to street cleansing, anti social behaviour, health, social care and education and skills were of the highest priority.
31. These views have been used to help shape the prioritisation strand of the 2015/16 proposals, and more details on all of the consultation events can be found in annex 8.

32. In terms of investment, the council spends a significant amount of its budget on protecting vulnerable people through its social care services. In 2014/15, the gross cost of adult care was £69.7m compared to total council tax income of £71.8m. This budget proposes specific additional growth in adult social care of £1.2m in 2015/16.
33. We have placed vulnerable people at the heart of our thinking in considering what savings can be made and that is why these care services will not be subjected to prioritised reductions in 2015/16. This does not mean that there will be no impact – such significant budget reductions 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.
34. 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.
35. In recent years the council has significantly reduced its senior management, and transformed its core back office functions. These have saved some £12m. Further savings will be made in coming years, but the scale of reductions are such that the majority of savings have to fall in other areas.
36. Alongside the revenue budget, set out in the separate capital strategy report are proposals for further major investment in a variety of schemes. These continue the councils approach to prioritise investment in the economy, housing, transport, and to invest to save. In addition, the council is making 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/Children's Services and Customer Services.

Budget analysis

37. The budget setting process has taken into account the following issues, (which are considered in more detail in following paragraphs);
 - i. Consideration of the 2014/15 position.
 - ii. A review of the original 2015/16 assumptions set out in the report to Cabinet in February 2014.

- 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. Consideration of reductions in grant funding.
- v. Ensuring that the budget is robust and prudent and is based upon the strategic financial advice of the Director of CBSS 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.

2014/15 position

- 38. 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 with the expectation that these will be contained within the approved budget by the end of the financial year.
- 39. The most significant pressures in 2014/15 have occurred due to increasing service demand for independent residential & nursing care and direct payments along with pressures on budgets related to children under the care of the council. 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.
- 40. As detailed in paragraph 51 specific growth is included in 2015/16 to deal with the ongoing pressures.

Review of 2015/16 assumptions

- 41. The outline 2015/16 budget was set out in the report to Cabinet in February 2014. These assumptions have been reviewed and updated to reflect the latest information, overall funding position and progress of savings delivery. As a result of this review growth proposals and all savings have been assessed. Some savings proposals previously included in last years two year budget for 2015/16 have been removed and replaced by alternative proposals based on refreshed priorities. Members are reminded that this is consistent with the approach used in previous budgets.
- 42. The savings removed from the 2015/16 budget proposals, totalling £2,859k, are listed in annex 2a.

43. Annex 2b lists the new proposals that replace those removed in annex 2a. The replacement proposals total £909k.
44. The difference of £1,950k between removed and replacement savings proposals relate to a £1.7m delay on delivery of Adult Social Care savings, the removal of £200k subsidised bus reductions and a further £50k removal of a replacement saving relating to subsidised bus reductions, as described below.
45. In the February 2014 budget report, a £3m saving relating to Adult Social Care was assumed. Work is underway to deliver these savings, but only £1.3m will be achievable in the 2015/16 timeframe. The remaining £1.7m will be delivered in 2016/17. Therefore, in 2015/16 one off funding is required, further details of which are provided in Paragraph 66.
46. It was agreed at 6th January 2015 Cabinet to remove the £200k saving proposal for the reduction of bus subsidies. In addition a further £50k replacement proposing to further increase the bus subsidy reduction was removed as a result of that decision.

Full year effects of previous council decisions

47. **Waste Scheme** - £750k is the final additional provision required to create the budget capacity to fund the council's commitment to the Waste Scheme (Allerton Park). The council agreed to proceed to financial close in October 2014 and the facility is programmed to be operational in 2017/18.

Unavoidable cost increases, priority areas and creating capacity

48. The following paragraphs set out the areas where additional investment is being made;
49. Pay and pensions costs - **£1,700k** is included for pay costs in 2015/16. An assumption of 1% had been made for a pay award in 2014/15. Therefore an additional 1.2% is required in 2015/16, which reflects the 2.2% national pay award. Capacity is also created to provide recurring funding for the Living Wage for permanent and casual employees. A further **£650k** in 2015/16 is included to cover increased pension costs following the most recent triennial valuation of the pension fund.
50. Treasury management and capital costs - **£890k** in 2015/16 which includes the revenue costs of the current approved capital programme, plus any implications from the separate capital budget report elsewhere on the agenda.

51. 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;

- Contractual price increases **£800k** – set aside for unavoidable contractual price increases in 2015/16, such as energy costs, Concessionary Fares and Adult Social Care.
- Commercial waste income **£100k** – in addition to investment of £200k over the previous 2 years, whilst the commercial waste service makes a significant surplus to the council, it does not meet its budgeted level. This is largely due to an increasingly competitive market place compared to historic income levels. It is necessary therefore to reduce the level of budgeted income further in 2015/16.
- Business Rates discounts **£50k** – to provide funding in 2015/16, in addition to £50k provided in 2014/15 (financed from business rates growth) for creating a business rates discount fund, which will be used to support economic growth. Further details were set out in the report considered by Cabinet on 7th January 2014.
- Strategic Transport Fund **£500k** – investment in 2015/16 for the West Yorkshire Plus fund. The details of the fund were reported to Cabinet in May 2013 and the council's contribution for the fund in 2015/16 is anticipated to be between £450k and £500k. The first year's contribution to the fund was financed by Economic Infrastructure Fund and this investment will allow for the contribution to be included in the council's base budget.
- Street Services **£200k** - to fund a reactive service for Street Services to deal with fly-tipping, graffiti, litter and weeds.
- Financial Inclusion **£100k** – to provide additional funding to financial inclusion initiatives.
- Transparency **£50k** - to maintain and enhance webcasting of council meetings and to further develop transparency on the council's website.
- Adult social care **£1,200k** – following an investment of £5m over the previous 2 years, demand for services continues to grow as the elderly population increases and high complex needs are

experienced and so further investment is required for 2015/16. The service has implemented a range of cost control measures which seek to mitigate the increased costs, however an alternative model is required to ensure the service is fit for purpose in the coming years.

- Children's Services **£250k** – although significant work has been undertaken in this area to address budget pressures, the Looked After Children (LAC) budget requires investment to align budgets to actual spend.
- Parking Income **£400k** - The current income being achieved remains significantly below budget. Unless a significant adjustment is made in respect of charging, this position is considered likely to continue in the future.
- Theatre Royal Loss of Income **£23k** – Loss of income due to the sale of the Theatre Royal, as agreed in the 6th January 2015 Cabinet Report

One off Growth

52. In addition to the ongoing expenditure pressures set out above one off growth totalling £212k is required. This will be financed by one off funding which is covered later in the report in Paragraph 66.
53. Local Plan **£200k** - Work on the Local Plan will be ongoing in 2015/16 and therefore additional budget of £200k is required to support delivery.
54. Members Induction **£5k** –In May 2015 local elections are taking place and it is likely that a substantial number of newly elected Members will be returned. It is the Council's duty to provide appropriate training and support to its Elected Members. Annually, it provides a budget of up to £5k to do this, but, exceptionally, in election years more is required. It is proposed to allocate a one-off commitment of £5k in 2015/16 for the induction of newly elected and returning Members.
55. Sheriff's Event **£7k** –Every year Sheriffs and Former Sheriffs gather for a weekend convention as part of a long historical tradition, helping to maintain civic ties between cities. In 2016, it is York's turn to host. To showcase York to the visiting dignitaries and guests and provide appropriate hospitality, the Council is proposing to make a contribution of £7k towards the hospitality and supporting activities. Other cities hosting the weekend have similarly supported visiting Sheriffs in previous years.

Expenditure Pressures Summary

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

Expenditure Changes	2015/16 £'000
Full year effects of previous council decisions	
- Waste Scheme	750
Unavoidable cost increases, priority areas and creating capacity	
- Pay Costs	1,700
- Increases in Pension Fund Costs	650
- Funding the Capital Programme	890
- Prices Contingency	800
- Commercial Waste	100
- Business Rates Discounts	50
- Strategic Transport Fund	500
- Street Services	200
- Financial Inclusion	100
- Transparency	50
14/15 Expenditure Pressures	
- Adult Social Care	1,200
- Children's services	250
- Parking Income	400
- Theatre Royal Loss of Income	23
One off Growth	
- Local Plan	200
- Members Induction	5
- Sheriffs	7
Total Expenditure Changes	7,875

Table 1 – Summary of expenditure pressures

Funding Changes

57. Table 2 shows the two main components that make up the council's net funding changes, that is, council tax and money provided by central

government in the form of SFA. SFA comprises RSG and a business rates baseline. The 2015/16 figures in Table 2 can be assumed to be final figures.

58. The first line of Table 2 shows the net £7.336m reduction in SFA that the council will receive from central government as part of its continued programme of Local Government funding cuts, and is inclusive of a 2% RPI uplift in the business rates baseline. The 2015/16 SFA figure includes funding for Local Welfare Provision which was previously received as a specific grant.
59. The second line of Table 2 shows the additional funding available via council tax in 2015/16. The table shows that an estimated £968k additional Council Tax will be collected in 2015/16 due to an increase in taxbase. The taxbase is calculated by the Director of CBSS each year and represents the total number of Band D equivalent properties in the city. In 2015/16, this has grown by approximately 831 properties due to a number of factors including new homes and changing patterns in the types of discounts taxpayers are able to apply for.
60. In summary, for 2015/16 the council has net reduced funding available of £6,368k compared to that received in 2014/15.

	2015/16
Funding Changes	£'000
- Net Reduction in SFA	7,336
- Net Change in Council Tax	-968
Net Funding Changes	6,368

Table 2 – Funding changes

Other Changes in Income

61. Table 3 summarises other changes in income. Council Tax Freeze grant provides funding equivalent to a 1% increase on a notional taxbase that excludes the cost of discounts related to council tax support. Calculations show this to equal £787k which is closer to 1.1% on the taxbase used for council tax setting purposes.
62. The second line of Table 3 shows the loss in specific grants. The most significant reduction in specific grants will be applied to the Education Services Grant which funds central services provided to schools, a reduction of £638k. This figure also includes a reduction of £376k Local Welfare Provision grant, which is now included in the SFA settlement in

2015/16. Benefits administration has also been affected. In total, these grants will be reduced by £1,111k in 2015/16.

63. The third line of Table 3 shows £800k retained income from the localisation of business rates, based on estimated growth in 2015/16. Members are reminded that of every pound of business rates growth, the council only keeps c.25.5p after shares have been paid to Central Government and the Leeds City Region business rates pool.

	2015/16
Other Income Changes	£'000
- Council Tax freeze grant	-787
- Losses in specific grant	1,111
- Business Rates Growth	-800
Net Changes in income	-476

Table 3 – Other Changes in Income

64. A further round of New Homes Bonus funding was announced in December 2014, totalling £626k per annum, the use of which is considered later in the report.

One off Investment (And Funding)

65. As described in Paragraph 45 the delay in delivery of the £1.7m Adult Social Care savings target has reduced the savings target in 2015/16. In addition one off growth is required totalling £212k, relating to delivery of the Local Plan, Members induction and Sherriff's event, as set out in Paragraphs 52 to 55.
66. One off investment of £1,912k is available to fund these pressures as summarised in Table 4 below.
67. There is a Collection Fund surplus from 2014/15 of £1.28m, relating to Council Tax. The council tax collection fund surplus for the full year 2014/15 is estimated on 15th January 2015, based on current year actual figures. The surplus is a result of an increase in taxbase, compared to estimates made last year. The Collection Fund surplus is only available as one off funding.
68. The balance of general fund reserves is covered later in the report. A reduction in reserves of £500k is available as one off funding, whilst maintaining reserve balances at a prudent level.

69. There is currently £409k unallocated 2014/15 New Homes Bonus. The remaining funding required of £132k is available from this source. Further details on New Homes Bonus and the use of unallocated funding are provided later in the report in Paragraph 81.

One off Investment	£'000
Pressures	
- Adult Social Care savings	1,700
- Local Plan delivery	200
- Other one off growth	12
Total One off pressures	1,912
Funded by:	
- Collection Fund Surplus	-1,280
- Reduction in Reserves	-500
Additional Income:	
- New Homes Bonus 14/15	-132
Total One off Funding	-1,912

Table 4 – One off Investment

Net Budget Composition

70. Taking into account funding changes summarised in Table 2 and One off funding available as included in Table 4, Table 5 below summarises the funding available from council tax, business rates, government funding and one off funding for 2015/16.

	2015/16 £'000
Council Tax	72,736
RSG	20,980
Business Rates Baseline	24,102
Total	117,818
One off funding:	
Collection Fund Surplus	1,280
Reduction in Reserves	500
Net Budget	119,598

Table 5 – Net budget composition for 2015/16

Savings and Income Generation

2015/16 Efficiency Proposals

71. Directorates have identified over £3.2m in efficiencies to contribute towards the 2015/16 savings target. These proposals, outlined in annex 3a, include increases in income, reductions in administration costs and removal of vacant posts. Table 6 summarises the efficiency savings to be delivered by each directorate.
72. The broad approach to efficiency in 2015/16 has been to set each directorate a target of 2%. However this has been revised in two particular cases to reflect the overall budget approach as follows;
- Customer and Business Support Services – reflecting that most of the services are not ones that are capable of significant disinvestment (i.e. they are required to support the effective running of the organisation) a higher efficiency target has been set out, reflecting general savings/income across all areas of the directorate.
 - Health and Wellbeing – a significantly reduced target has been proposed, reflecting the scale of transformational savings the directorate needs to deliver.

Savings	2015/16 £'000
- Children's Services, Education and Skills	-428
- City and Environmental Services	-497
- Communities and Neighbourhoods	-715
- Customer and Business Support Services	-1,109
- Health and Wellbeing	-465
- Office of the Chief Executive	-57
Total	-3,271

Table 6 –2015/16 Efficiency Proposals

Prioritisation

73. Prioritisation which will deliver over £2.9m of budget reductions in 2015/16. This strand of the budget strategy will seek to reduce budgets in areas of spend which do not match the council's priorities. These savings will not be easy and will lead to a reduction in employees in some cases. Narrative on the principles behind prioritisations and a summary of the proposals for this strand can be found in Annex 4. Annex

3b provided a breakdown by directorate and this is summarised below in Table 7.

Prioritisation Savings by directorate	2015/16 £'000
- Children's Services, Education and Skills	-69
- City and Environmental Services	-900
- Communities and Neighbourhoods	-1,096
- Customer and Business Support Services	-894
- Health and Wellbeing	0
- Office of the Chief Executive	-25
Total	-2,984

Table 7 – Prioritisation Reductions by Directorate

Rewiring Public Services

74. The Rewiring Public Services programme report will deliver £4.4m in savings in 2015/16. Table 8 below summarises the reductions by directorate. A detailed breakdown of each saving is included in annex 3c.

Prioritisation Savings by directorate	2015/16 £'000
- Children's Services, Education and Skills	-1,147
- City and Environmental Services	-820
- Communities and Neighbourhoods	-433
- Customer and Business Support Services	-750
- Health and Wellbeing	-1,300
- Office of the Chief Executive	0
Total	-4,450

Table 8 – Rewiring Public Services Summary by Directorate

Directorate Savings Summary

75. Table 9 below shows the analysis of savings across each directorate.

	Efficiency	Priority	Rewiring	Total
2015/16 Savings	£'000	£'000	£'000	£'000
- Children's Services, Education and Skills	-428	-69	-1,147	-1,644
- City and Environmental Services	-497	-900	-820	-2,217
- Communities and Neighbourhoods	-715	-1,096	-433	-2,244
- Customer and Business Support Services	-1,109	-894	-750	-2,753
- Health and Wellbeing	-465	0	-1,300	-1,765
- Office of the Chief Executive	-57	-25	0	-82
Total	-3,271	-2,984	-4,450	-10,705

Table 9 – Savings and Income Summary by Directorate

Corporate Savings

76. In order to deal with ongoing budget pressures and the reduction in grant funding, further savings options totalling £1,150k are now included which were not considered in the budget assumptions in the February 2014 report.
77. The Delivery and Innovation Fund (DIF) was created in February 2012 at £1m. Prioritisation savings proposals were agreed last year to reduce the value of the DIF to £500k in 2015/16. New savings proposals in this report seek to remove the remaining £500k.
78. The 2014/15 budget includes a contribution to reserves of £650k. This contribution is removed in 2015/16 and is included as a corporate saving, as this is no longer required to maintain general fund reserve balances at a prudent level. The balance of general fund reserves is covered later in the report.

Overall Savings and Income Generation

79. Table 10 below summarises the total savings and income generation delivered; £11,855k in total.

	2015/16
Savings and Income Generation	£'000
Efficiency	-3,271
Prioritisation	-2,984
Rewiring Public Services	-4,450
Corporate Savings	-1,150
Total Savings and Income Generation	-11,855

Table 10 – Savings and Income Generation Summary

Summary of Budget Changes

80. The following table shows the budget position after taking account of the expenditure and funding changes outlined.

Summary	2015/16 £'000
Total expenditure pressures (Table 1)	7,875
Total net funding changes (Table 2)	6,368
Total changes in net income (Table 3)	-476
Total one off income (Table 4)	-1,912
Total savings and income generation (Table 10)	-11,855
Budget gap	0

Table 11 – Budget position summary

Additional Investment from New Homes Bonus

81. Table 12 below summarises the available New Homes Bonus (NHB) funding.

New Homes Bonus	2014/15 £'000	2015/16 £'000	Total £'000
- Unallocated NHB	409	1,788	2,197
- Allocated to one off pressures (Table 4)	-132	0	-132
NHB available	277	1,788	2,065

Table 12 – New Homes Bonus available

82. A total of just over £2m unallocated New Homes Bonus is available from 2014/15 and 2015/16. £132k is required to fund one off growth, as already covered in the report. Therefore the remaining £2.065m is available to fund one off investment initiatives, which are set out in further detail below.

83. York Financial Assistance Scheme (YFAS) **£400k** – To increase the budget by £200k in 2015/16 and 2016/17 to assist residents facing financial hardship as a result of recent changes to the welfare system.

84. Voluntary Sector Capacity Building **£200k** – This strategic fund will develop the voluntary sector's capacity to develop innovative solutions to priorities addressed across a number of wards and in solutions that the sector itself initiates. It is proposed to bring detailed criteria for this back

to Cabinet. Continued involvement of the voluntary sector in administering the fund will ensure that best use is made of the available funding. Funding agreements will be maintained with the core infrastructure organisations (CVS, CAB and the Welfare Benefits Unit) broadly at previous levels, with small efficiency savings being required.

85. Adult Social Care Community Fund **£300k** – Linked to voluntary sector capacity building described above, this will divert demand from Adult Social Care by building additional capacity in the community and voluntary sector. The potential for a more joined up approach with the CCG's community wellbeing funding will also be explored.
86. ASB Hub Enforcement **£300k** – Based on funding additional officers to cover additional enforcement around dog fouling, street drinking, licensing infringement and noise enforcement.
87. Reducing Bus Fares for Young People **£100k**
88. Dealing with Dementia **£100k** – Investment in improved dementia services.
89. Primary Mental Health Provision **£100k** – Investment in tackling mental health issues
90. Environmental Improvement Fund **£250k** – This fund would be available to wards to pump prime the process of wards developing local solutions. Devolved to wards this will promote community led solutions in the area of public realm and open spaces. The funding might be used for helping a community group to take on management of a piece of local open space, undertaking a local clean up, getting a community space in good order so that the community can manage it or changing the planting or other arrangements to make a space more attractive and easier to maintain in the future.
91. Energy Efficiency **£35k** – To develop a proposal to explore the potential for sustainable, renewable energy across the council's estate and to deliver localised energy services that generate and sell low cost energy to help alleviate fuel poverty and potentially create revenue streams for the council.
92. Winter Maintenance Fund **£280k** – The winter maintenance base budget is set on the assumption of a number of grits for an average winter. It is considered prudent to establish a winter maintenance contingency fund to cover additional expenditure in the case of severe weather. This fund would ideally be maintained and enhanced in future years.

93. The investments are summarised below in Table 13.

Investment from New Homes Bonus	2015/16 £'000
- York Financial Assistance Scheme	400
- Voluntary Sector Capacity Building	200
- Adult Social Care Community Fund	300
- ASB Hub Enforcement	300
- Reducing Bus Fares (Young People)	100
- Dealing with Dementia	100
- Mental Health Provision	100
- Environmental Improvement Fund	250
- Energy Efficiency	35
- Winter Maintenance Fund	280
Total Investment	2,065

Table 13 – Summary of Investment from NHB

Fees and charges

94. Detailed proposals for any changes to fees and charges are attached at annex 5. The proposals have taken account of such factors as current consumer 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 3.

Council Tax and the Collection Fund

95. The existing components of the current (2014/15) band D council tax for a CYC resident are shown in Table 14 below. It should be noted that these figures exclude parish precepts which are an additional charge in some areas.

	£
City of York Council	1,165.54
North Yorkshire Police Authority	208.62
North Yorkshire Fire Authority	63.33
TOTAL	1,437.49

Table 14 - Make Up of 2014/15 Council Tax

As referred to earlier in this report, the recommendation made in these papers is that from April 2015 the CYC element of the council tax will remain the same.

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 £1.28m and this is included in the budget assumptions.

Precepts

97. 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, 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 26 February.
98. Table 15 demonstrates both the cash and percentage increase in 2014/15 for these which resulted in a total band D council tax for a York property of £1,437.49.

	2013/14 Charge £	2014/15 Increase (£)	Increase (%)	Council Tax
CYC	1,143.81	21.73	1.9%	1,165.54
Police	204.55	4.07	1.99%	208.62
Fire	62.10	1.23	1.98%	63.33
Total	1,410.46	27.03	1.91%	1,437.49

Table 15 – Headline 2014/15 Council Tax Figures for City of York Area

99. 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.

National Non Domestic Rates (NNDR)

100. In April 2014 the two NNDR multipliers were 48.2p in the pound for normal properties and 47.1p 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 2015 the multipliers will increase to 49.3p (by 2.3%) and 48.0p (by 2.0%) respectively.

101. The council is projecting provisional business rates income in 2015/16 of £101.122m, as well as retained growth of £800k above its business rates baseline.

Leeds City Region (LCR) Pool

102. Members are reminded that at Cabinet on 8th January 2013, they approved that the decision to join the LCR business rates pool would be delegated to the Leader of the Council, on the advice of the Director of Customer & Business Support Services. The decision was made on the 15th January 2013 to join the pool following consideration of the other member authorities projected business rates collection.

103. In 2013/14 the LCR pool held monies of £1.5m. To date £1m of which was distributed to the various members of the pool to cover expenditure relating to the Tour De France. The remaining monies are expected to be used to support Economic Development projects. The estimated amount available for distribution from 2014/15 growth is £3.9m.

Reserves and Contingency

104. Table 16 shows the position on the general fund reserve which, it is anticipated, will be £7.396m by the end of 2014/15. Reserves stood at £11.4m in 2008 and have reduced in recent years. The projected reserves at the end of 2014/15 are based on the assumption that Members agree no usage of reserves in 2014/15 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 2014/15 budget.

	2014/15 Projected Out-turn £'000	2015/16 Budget £'000
General Reserve at start of year	6,746	7,396
Reserve contribution in budget	650	0
In Year use of reserves	0	-500
General Reserve at end of year	7,396	6,896
Prudent minimum reserves	6,400	6,400
Headroom (+)/Shortfall (-) in Reserves	996	496

Table 16 – Projected General Reserves

105. 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 £6.4m remains an appropriate figure. However in light of the risks facing the council, in particular the scale of future reductions on top of those already made, it is considered that headroom should remain above the minimum level. This would then allow, if needed, a draw on reserves without the immediate breach of the minimum level. If reserves were maintained at minimum levels, any use would immediately require the restatement back to minimum in the following year.
106. The 2014/15 budget includes an additional contribution to reserves of £650k. This contribution is removed in 2015/16 and is included as a corporate saving.
107. In addition a £500k one off use of reserves is proposed in 2015/16. This will be used to fund one off investment, as described in paragraph 68.
108. Taking the above reductions into account, the budgeted level of reserves with £496k headroom above the minimum would be acceptable. This will maintain an element of flexibility which is essential in ensuring prudent financial management.
109. In addition to general fund reserves, the budget includes a £650k general contingency. In recent years this has always been required and this will be maintained at the current level.

Medium term planning

110. Looking ahead beyond 2015/16 is difficult to do with any great degree of accuracy at this stage. Whilst there is a general election in May 2015 which may bring with it changes in emphasis in public spending, the need to reduce the national deficit is likely to be a key priority for whoever is in power and in which case, funding reductions for local government are likely to continue for a number of years to come. Therefore, we do expect that there will continue to be further reductions in government grants, currently running at around £7-8m per annum.
111. Other factors that will affect the council will include potential increased costs in elderly care, inflationary pressures, implications of the capital programme and further potential restrictions on council tax increases. Ultimately the scale of savings that will be required in the future are likely to centre on the scale of government funding reductions, alongside the extent to which spending pressures affect the council. What is clear

however is that further savings will need to be found, as reductions in funding are almost inevitable whilst the country seeks to deal with its budget deficit. In broad terms, based upon current assumptions of public spending reductions, it is estimated that in the years 2016/17 through to 2019/20 an estimated further £35m will need to be saved (see Figure 1 below). This is equivalent to approximately 30% of current net budget.

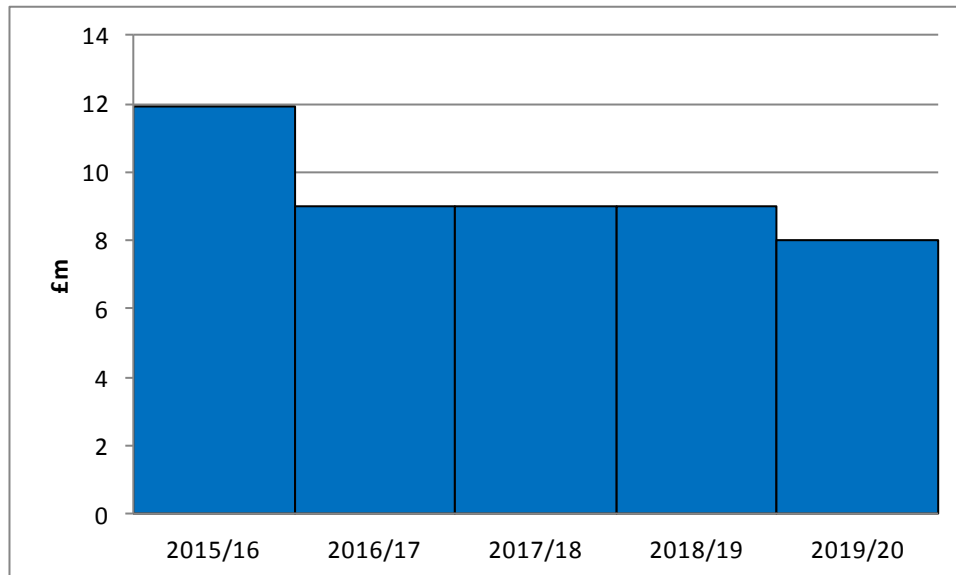


Figure 1 – Savings Requirement 2015/16 to 2019/20

112. Table 17 shows the potential impact across each directorate of a £35m saving over the next four years. Note this is provided for illustrative purposes only, to demonstrate the potential impact on services. The first column assumes that the total saving would be delivered on a pro rata basis across all directorates, based on current net budgets. This amounts to a reduction of 31% for each directorate. The second column assumes that no saving would be achieved from Adult Social Care, and illustrates the significant impact this would have on the remaining service areas, a reduction of 51% of current net budget.

113. Table 17 illustrates a potentially significant impact on services in both scenarios, but clearly demonstrates, if Adult Social Care are unable to achieve a similar proportion of savings as the rest of the Council in the future, this will have a very significant impact on the remaining services within the Council.

	Includes Adult Social Care £'000	Excludes Adult Social Care £'000
2016/17 - 2019/20 Potential Savings		
- Children's Services, Education and Skills	5,460	9,978
- City and Environmental Services	3,819	6,978
- Communities and Neighbourhoods	3,292	6,016
- Customer and Business Support Services	5,578	10,193
- Health and Wellbeing	15,845	0
- Office of the Chief Executive	1,006	1,837
Total	35,000	35,000

Table 17 – Future savings impact

114. Predicted reductions in grant funding suggest a scenario in approximately 4 years time, when RSG may have reduced to nil. In effect, the Council will be self funded from Council Tax and Business Rates. Therefore, critical to the council's medium term planning has been the focus on economic growth, bringing in additional income and mitigating the costs associated with declining economic activity. This remains central and has shaped both the revenue budget, and in particular the capital strategy. Future financial strategies will need to continue to place economic growth at the forefront.
115. Previous years budgets have adopted a 2 year cycle to provide more certainty for service areas and enable sufficient time to deliver savings targets within agreed timescales. Going forward, it is essential to maintain a long term focus. A longer term approach covering a 4 year budget cycle would be the recommended option from 2016/17.

Housing Revenue Account (HRA)

Budget

116. 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.

117. The HRA budget at annex 6 results in an in-year surplus of £2,650k. Together with the budgeted brought forward working balance of £12,549k this leaves a working balance of £15,199k on the account. This balance is in line with that forecast in the HRA business plan and is committed towards the repayment of the debt allocation taken on through self-financing.

Rent Increase 2015/16

118. 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. Central government policy has now changed and rent restructuring has been brought to an end. This year’s proposed rent increase is based on the current guidance from the Department for Communities and Local Government that rents should increase by the Consumer Prices Index (CPI) + 1% and the HRA business plan assumes that York will follow this policy. The expected effect on rent increases over the next 5 years is shown in Table 18 below, assuming CPI will be 2%.

Year	Estimated Average Rent Per week	Estimated Average Increase per week
2015/16	£80.60	£1.73
2016/17	£83.02	£2.42
2017/18	£85.51	£2.49
2018/19	£88.08	£2.57
2019/20	£90.72	£2.64

Table 18 – HRA Rent Increases

119. The average rent increase for 2015/16, as shown in the table, will be 2.2%. This rent increase will be applied across council dwellings, hostels and Gypsy, Roma and Traveller Community sites.

Dedicated Schools Grant (DSG) and the schools budget

120. The DSG is ring-fenced for funding the provision of education for pupils in schools (maintained, PRUs, PVI nurseries or externally purchased places). As such it covers funding delegated to individual LA maintained schools, academies 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, Behaviour Support, Home & Hospital Tuition, School Contingencies etc.). It is distributed according to a formula that guarantees a minimum per pupil increase for each LA (0% for York in 2015/16).

121. The LA by itself cannot use the DSG for any purpose other than schools block funding, although with the permission of the York Schools Forum limited contributions are being 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 have been demonstrated.
- Some SEN transport costs, again only where there is a net Schools Budget saving.

122. There are also strict limits (Central Expenditure Limits) on the amount of the DSG that the LA can retain centrally to either fund pupil costs outside of mainstream schools, or use to provide targeted allocations during the financial year to maintained schools. The recent funding reform changes have tightened these regulations, continuing to reduce LA flexibility.

123. To some degree the government has attempted to protect schools from the full effect of their spending reductions when compared to other parts of the public sector, and the remainder of local government services in particular. The key features of the Schools Settlement for 2015/16 are:

- Another one-year only settlement for 2015/16.
- Only a small number of minor additional changes to the system of allocating funding to schools and other providers (for both mainstream and high needs pupils) as part of the journey towards a full national funding formula for schools.
- A continued flat cash per pupil allocation for all of York's core school funding.
- Increased funding through the pupil premium for disadvantage,

particularly in primary schools and nurseries.

- Increased funding to extend the entitlement to 2 year old nursery provision.

Schools Budget Projection for 2015/16

124. A summary of the overall schools budget position is shown in Table 19 below. The Schools Budget proposals have been consulted on with the York Schools Forum and endorsed by the forum at its meeting on 8 December 2014.

	£000
2014/15 Approved Budget	121,472
Provision for Pay Increases	+ 55
LA Centrally Retained Budget Efficiencies	- 55
LMS Funding Formula Requirements	+ 333
High Needs SEN & Alternative Provision	+ 400
Pupil Premium for Disadvantage	+ 123
2015/16 Budget Projection	122,328
Funding Available:	
Dedicated Schools Grant	111,917
EFA Post 16 Grants	5,567
Pupil Premium	4,994
DSG Deficit b/f from 2014/15	- 150
Total Estimated Available Funding	122,328

Table 19 - Schools Budget Projection for 2015/16

125. The £55k provision for pay increases relates to centrally employed LA staff only. This will be funded by a corresponding efficiency savings requirement within central DSG funded services, resulting in no net impact on the level of funding available to support expenditure on pupils in schools and other settings.

126. The additional budget of £333k required to support the LMS Funding Formula reflects an increase in pupil numbers of 348fte (mainly in primary schools), but offset by fixed cost savings following the closure of Burnholme Community College in August 2014.

127. Additional funding of £400k is required in 2015/16 to support increased demands for expenditure on high needs SEN pupils. This reflects a general increase in numbers, increasing autism diagnoses and further pressures following the transfer of responsibility for post 16 SEN funding to the LA in 2013.

Funding Available within the DSG

128. The funding available includes the estimated 2015/16 DSG allocation of £111,917k, the existing allocation of funding for post 16 pupils from the EFA of £5,567k, the estimated level of the pupil premium for York schools of £4,994k and reduced by an estimated £150k deficit balance carry forward of DSG from 2014/15. Table 20 sets out the latest estimate of the DSG for 2015/16.

	2015/16
Early Years Pupil Numbers	1,613
DSG Per Early Years Pupil	£3,443.79
Early Years Allocation	£5.555m
5-16 Year Old Pupil Numbers	21,680
DSG Per 5-16 Pupil	£4,201.73
5-16 Year Old Allocation	£91.094m
High Needs Allocation	£15.133m
New Early Years Pupil Premium	£0.103m
NQT Induction Transfer	£0.033m
Estimated DSG Total for 2015/16	£111.917m

Table 20 – Estimated DSG Funding 2015/16

Impact assessment of the 2015/16 budget proposals

129. 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 and the equalities impact.

Feedback from Consultation

130. An integral part of the development of the 2 year financial strategy has been to undertake enhanced and focused engagement with a diverse range of stakeholders. Our 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.

131. Annex 8 provides further detail on the different events and a summary of the feedback.

132. In accordance with constitutional practice Corporate Scrutiny Management Committee (CSMC) considered at its meeting on 12 January 2015 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 2014/15 and the councils overall financial position. In the light of those considerations the Committee agreed to maintain the current funding level of £5k and not request any increase.

Equalities

133. A communities impact assessment (CIA) has been completed on the overall impact of the budget proposals and this is available at annex 7. This has been developed as a result of individual impact assessments for services which are undergoing changes. 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. Where negative impacts have been identified, possible remedial actions have been shared with the relevant Cabinet member prior to the budget recommendations being finalised. Where a screening of the potential implications has identified it appropriate, a full CIA will be completed for individual proposals.

134. Specific remedial actions to lessen the impact are outlined in the CIA. The impact on vulnerable people was a significant consideration in our approach to the budget. 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.
- Protect those who have limited financial means.

Specialist Implications

135. This report has the following implications;

Financial

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

Human Resources (HR)

137. The council currently employs 3,000 non school staff. The budget proposals are likely to result in the reduction of around 120 FTE posts in 2015/16. This is in line with previous indications of potential reductions. There are likely to be a similar number of post reductions in each of the following years with the specific implications becoming clear as the work on service reviews and transformation programme develops. The type of change affecting staff in 2015/16 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.

138. 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.

139. 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

140. The Council is required to set a council tax for 2015/16 before 11 March 2015. 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 2015, 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.

141. 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.
142. 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.
143. 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.
144. 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.
145. 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.

146. 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.
147. 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 (England) Regulations 2011 (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 141 above.
148. 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.
149. 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.

Crime and Disorder

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

Information Technology (IT)

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

Property

152. There are no property implications to this report.

Other

153. There are no other implications to this report.

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

Introduction

154. 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 2015/16 and beyond), reserves and general robustness of the process.

Overall Assessment

155. The proposals in this budget give a balanced budget for 2015/16 and an overview of future years. The council has well established effective financial management, effective monitoring, and has received very favourable external audit reports in respect of its financial management. The council has managed expenditure within its overall budget in recent years, and the overall financial planning process remains sound.

156. Full scrutiny of the budget proposals for 2015/16 has taken place, in terms of their deliverability, and a proper risk assessment of a range of issues has been conducted.

157. 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 the 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. Where savings are not delivered, services are fully aware of the need to find compensating savings.

158. 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 the impact of the capital programme, waste, pay and pensions implications. In addition provision is included for a contingency sum of £650k, and I consider this an important factor in the overall budget assessment. 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 2014/15 have been addressed through significant additional investment provided for Adult Care, Children's Services and Parking Income. There is provision made for the agreed 2.2% pay award.

Looking Ahead

159. Looking ahead there remains a range of very significant pressures for the future. It is almost certain that there will be 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.

160. In previous years the Council has set a two year budget, which has significantly aided in terms of long term planning. This year's budget is for one year only, given the upcoming elections in May 2015. However, I would recommend that the Council reverts next year to setting out as a minimum a detailed two year budget strategy (supported by a longer term high level strategy) and that it indeed considers a 3-4 year detailed strategy.

161. As set out in this report, the likely scale of savings between 2016 to 2020 is around £35m. This is over 30% of the net budget. Illustrations are given in the report also of how if Adult care services were protected, how other services would be impacted. It is critical given these projections that the Council develops during 2015/16 its long term financial strategy, and that the implications, risks, and scale of the challenge are recognised. A recent survey from Zurich identified the financial challenges facing local authorities as being the single greatest risk.
162. 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

163. In terms of reserves, the proposals seek to reduce reserves to an amount of £496k 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.
164. I believe that the council will come in on budget for 2014/15 and this is reflected in the budget monitoring report presented to Cabinet at this same Cabinet meeting.
165. The recommended minimum reserves for 2015/16 are £6.4m. This is considered within the report. I strongly advise Council to ensure there is some headroom between minimum reserves and actual reserves. The budget proposals seek to achieve this.
166. 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

167. The government have stated that they will continue with the system of Council Tax Freeze Grant in 2015/16.
168. 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.
169. I also would highlight the separate capital strategy 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.
170. In recent years I outlined that there were added risks to the budget due to the changes affecting the council regarding council tax support (previously council tax benefits) and localisation of business rates. With regard to council tax support the risks include non collection, increased benefit claimants (with all the cost of such an increase falling on the council) and risks at a wider level in terms of the impact of wider benefit changes and associated knock on effects for council services. In respect of localisation of business rates, whilst this offers potential benefits, there are also risks. The details of the system still continue to be refined, and there remain a number of areas that concern local authorities. These include the fact that local authorities need to meet the cost of backdated appeals, which could be significant. In addition, clearly there are risks associated with any further downturn in the economy and especially the impact on some high street stores. Both of these issues highlight the direct financial impact on the council of the local economic situation, and the need for the council to ensure priority is given towards ensuring a successful economy.
171. 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.

Risk Management

172.A summary of risks attached to the budget is contained in annex 9. They will be monitored regularly throughout the year.

Contact Details

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Report
Approved



Date 2/02/15

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: None

Annexes:

1 – 2015/16 Budget Summary

2a – 2015/16 Removed Savings

2b– 2015/16 Replacement Savings

3a – 2015/16 Revised Efficiency Savings Proposals

3b – 2015/16 Revised Prioritisation Savings Proposals

3c – 2015/16 Revised Transformation Savings Proposals

3d – 2015/16 Corporate Savings Proposals

4 – 2015/16 Prioritisation Proposals Context

5 – Fees & Charges

6 – HRA

7 – Communities Impact Assessment

8 – Budget Consultation Background

9 – Risk Analysis

10 – Background Information