

Executive

11 February 2016

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

FINANCIAL STRATEGY 2016/17 to 2020/21

Summary

1. This report presents the financial strategy 2016/17 to 2020/21, including detailed revenue budget proposals for 2016/17, 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 2016/17 with savings proposals totalling £6.5m equivalent to 5.5% 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 increase of 1%. In addition an increase of 2% in 2016/17 in line with the Government's social care precept, which will be used exclusively to fund adult social care cost pressures
 - Revenue savings of £6.5m in 2016/17
 - A reduced Settlement Funding Assessment (SFA) of £8.0m, which includes a loss of £1.9m of specific grants which are now included within SFA
 - Additional estimated specific grant losses of £0.9m in 2016/17, relating to the Public Health Grant and Education Services Grant
 - Ensuring a financially prudent budget by addressing known budget pressures, including likely pay awards and inflationary pressures

- Growth of £1.9m in children's social care for 2016/17 to ensure continuation of proper safeguarding arrangements and adequate provision for children looked after (CLA)
- Growth of 338k for Haisthorpe House residential home which requires additional investment to ensure adequate standards for vulnerable residents.
- Growth of £400k to fund projected increase in costs in supported living schemes as a result of the Whittlestone legal judgement.
- Growth of £115k in winter maintenance to ensure the base budget has sufficient provision to cover an average winter
- Growth of £5k to support the completion of York's Local List
- Growth of £234k to fund additional Community Safety Hub officers to cover additional enforcement around dog fouling, street drinking, licensing infringement and noise enforcement. a reactive service for street services to deal with fly-tipping, graffiti, litter and weeds
- Growth of £100k to increase investment in mental health services
- One off investment of £350k to fund completion of the Local Plan
- One off investment of £60k to fund a strategic flood risk assessment
- One off investment of £70k to increase the contingency budget, further details of which are set out in the report
- A net revenue budget of £117.9m, which will be funded by:
 - i. Council tax income of £77.1m
 - ii. Government grant of £14.9m
 - iii. Retained business rates of £24.3m
 - iv. One off income of £1.6m
- 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 decrease of 1.0% to be applied to all 'social housing rents' for 2016/17, as required by legislation. This is shown in table 13 and described in paragraphs 110 to 112.
4. Members are asked to approve the average rent increase of 0.9% to be applied to all rents which fall outside the definition on 'social housing rents' for 2016/17, as described in paragraph 113.

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.

5. Members are asked to consider the appropriate levels of council tax that they wish to see levied by the City of York Council for 2016/17. 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
6. 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 £117.900m
 - A council tax requirement of £77.072m
 - The revenue growth proposals as outlined in the body of the report
 - The 2016/17 revenue savings proposals as outlined in annex 2
 - The fees and charges proposals as outlined in annex 4
 - The Housing Revenue Account (HRA) budget set out in annex 5 and the HRA savings proposals set out in annex 6

- The dedicated schools grant proposals outlined in paragraphs 114 to 122

Reason: To ensure a legally balanced budget is set

7. The effect of approving the income and expenditure proposals included in the recommendations would result in a 3% increase in the City of York element of the council tax, 2% of which would relate to the social care precept. It is intended that the total council tax increase including the parish, police and fire authority precepts, will be agreed at the full Council meeting on 25 February 2016.

Background

National Context and Funding Issues

8. York has the 13th lowest band D council tax, the 2nd lowest spend per head of population and the 9th lowest government funding per head of any unitary council in England. Annex 9 includes the relevant background data from all unitary authorities.
9. All aspects of the public sector are continuing to face challenging times. In recent years the Council has had to deal with large reductions in funding, combined with a range of significant pressures.
10. The 2015 comprehensive spending review (CSR) was announced on 25 November 2015 which set out government spending plans to 2019/20.
11. The provisional local government finance settlement for 2016/17 was announced on 17 December 2015. The settlement funding assessment (SFA), comprises revenue support grant (RSG) and a business rates baseline.
12. The provisional SFA for 2016/17 is £39.2m. This corresponds to a loss of £8.0m or 17%, compared to the funding received in 2015/16. Provisional figures were provided for the year 2017/18 to 2019/20 which confirms 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. Further details of the CSR, the provisional settlement and medium term outlook are provided later in the report.

15. In relation to council tax, the proposals in this report are predicated on a council tax increase in 2016/17 of 1%, plus an additional increase of 2% in line with the Government's Social Care precept. Further information on council tax and the social care precept is included later in the report.

Local issues and challenges

16. Locally demand for council services continues to increase, with an ageing population and increased complex needs in respect of elderly care. Rising costs such as landfill tax and inflation are driving costs up, and there is continued pressure on many of the council's income budgets. There are also significant challenges in the health sector, including challenging financial positions for health partners which are in turn a significant financial risk to the Council.
17. There are also potential risks associated to welfare reform, in particular in relation to council tax support, which is now funded locally. Whilst devolution of business rates presents opportunities for the council, there are also associated risks with business rates appeals.
18. 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.

Medium Term Financial Strategy

19. By 2019/20, the Council will be self funded from council tax and business rates. Therefore, a successful economy is critical to the council's financial future, with strong and growing business rates.
20. Inevitably, savings will need to be found during that period to deal with further reductions in funding and growth pressures.
21. As part of the budget strategy, there has been consideration of the likely savings required over the next four years, and services are developing plans which will change the way services are provided, and deliver budget reductions over that period.
22. Annex 3 sets out the strategic direction towards achievement of savings proposals for each directorate over the 4 year period from 2016/17 to 2019/20. This includes the directorate approach to protecting priority

areas, safeguarding key statutory services and further details of the type of savings or efficiencies under consideration for the medium term.

23. The medium term strategy will focus on a transformational approach, particularly in the area of adult social care and a significant amount of savings will be delivered by restructuring services.

Principles that have shaped the budget

24. At a time of significant reductions in grants and rising demand it is absolutely essential to set a prudent, stable and achievable budget. In response to a shift in demand led expenditure pressures and reductions in grant 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. We are a council recognising at a time of significant budget reduction that keeping children safe and resourcing services appropriately is an absolute priority.
26. The council has been working with residents and businesses to identify the services that matter most to them and to understand their priorities for spending the council budgets.
27. In order to collect a variety of views, an online consultation delivered through the council website has been open during December and January, and has been promoted through social media, resident and business forums and through all council publications and communication channels. The survey has been open to businesses and residents but in order to further our understanding of business views, it is our intention to continue to engage with the York Economic Partnership where we will have access to the key business stakeholders in the city.
28. The key messages from the consultation to date, were;
 - 224 Residents (56%) were more in favour of increased council tax levels than providing fewer services
 - 192 Residents (48%) were more in favour of increased fees and charges than providing fewer services
 - The majority of current service users would be willing to pay more for planning services (63%), community centres (56%), and adult education courses (59%)

- The majority of current service users would not be willing to pay more for parking (61%), waste collection (54%), use of public toilets (61%), and home care fees (71%)
 - Residents prioritised the following areas to have their funding increased; Road and footpath maintenance, adults social services, housing and homelessness; children's social care services, and public health.
 - Residents prioritised the following areas to have their funding decreased; Sport and leisure facilities, theatres and museums, stimulating the economy, libraries, and funding for public transport.
29. All views and data gathered during the consultation will in due course be published on the York's open data platform www.yorkopendata.org
30. In terms of investment, the council spends a significant amount of its budget on protecting vulnerable people through its social care services. In 2015/16, the gross cost of adult social care was £70.7m compared to total council tax income of £72.7m.
31. The scale of the budget reductions required will inevitably affect all services and all residents to some extent. In considering what savings can be made we have taken long term approaches to the development of future services, which are provided in further detail in annex 3. This approach will help to protect the needs of the most vulnerable people in York.
32. The 2% increase in council tax raised from the social care precept will be used entirely to fund adult social care services. The 2% generates additional income of £1.5m. Growth in this budget for adult social care includes £388k for additional investment in Haisthorpe House, £400k to cover additional costs in supported living schemes as a result of the Whittlestone legal judgement and a significant share of the £800k prices contingency and £1,440k pay award.
33. 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 continuing to make a significant investment in ICT, recognising that the need for high quality technology will be crucial to delivering services in the most effective manner in the future, particularly in relation to adult and children's services and customer services.

Budget analysis

34. The budget setting process has taken into account the following issues, (which are considered in more detail in following paragraphs);
- i. Consideration of the 2015/16 position.
 - ii. Consideration of unavoidable cost increases, priority areas, how to create the capacity in priority areas and creating the capacity to allow for service improvement and innovation.
 - iii. Consideration of reductions in grant funding.
 - iv. Ensuring that the budget is robust and prudent and is based upon the strategic financial advice of the Director of 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.

2015/16 position

35. 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.
36. The most significant pressures in 2015/16 have occurred due to underlying budget pressures in children looked after (CLA). There are also pressures within adult social care supported living schemes and an overspend in some areas of residential and nursing care placements. A detailed analysis of these pressures has been conducted and additional resources have been allocated for areas where it was considered essential to invest.
37. The Better Care Fund (BCF) is a £12m pooled budget between CYC and Vale of York Clinical Commissioning Group (VYCCG), and is a government initiative to transform local health and social care services so that they work together to provide better joined up care and support. A significant proportion of the pooled budget is earmarked to be spent on protecting adult social care services. There are significant challenges in the health sector, and this brings with it significant financial risks for the Council.

38. Paragraphs 43 to 45 sets out specific growth which is included in 2016/17 to deal with the ongoing pressures.

Unavoidable cost increases, priority areas and creating capacity

39. The following paragraphs set out the areas where additional investment is being made;
40. Pay costs - **£1,440k** is included for pay costs in 2016/17. An assumption of 1% had been made for a pay award in 2016/17. Capacity is also created to provide recurring funding for the Living Wage for permanent and casual employees.
41. Business Improvement District (BID) Levy - **£28k** to cover the additional levy on business rates relating to Council properties.
42. Member Allowances - **£74k** was recommended by an Independent Remuneration Panel and was approved by Council in December 2015.
43. 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 2016/17, such as energy costs, concessionary fares and adult social care.
 - Community Safety Hub Officers **£234k** – to fund officers to cover additional enforcement around dog fouling, street drinking, licensing infringement, noise enforcement and a reactive service for Street Services to deal with fly-tipping, graffiti, litter and weeds.
 - Local List **£5k** – to support the completion of York’s Local List in 16/17, including administrative and officer support for the newly established Local List sub-group of the York Environment Forum.
 - Neighbourhood Plan Assistance **£33k** – direct funding support to communities who wish to develop a Neighbourhood Plan.
 - Children’s social care **£1,930k** - although significant work has been undertaken in this area to address budget pressures, the children looked after (CLA) budget requires investment to align budgets to

actual spend as identified on the budget monitoring report elsewhere on this agenda.

- Mental Health Services **£100k** – additional investment in mental health services.
- Adult social care **£788k**- budget pressures identified in 2015/16 require further investment in this area, as identified in the budget monitoring report elsewhere on this agenda. Haisthorpe House residential home requires additional investment of £388k to ensure adequate standards for vulnerable residents. The Whittlestone legal judgement has resulted in a £400k projected increase in costs in supported living schemes.

44. There is no growth this year in respect of the impact of the capital programme. The overall growth in the capital programme proposed, combined with low interest rates, and the updated capital programme position, means that a reduction of £250k is proposed as a corporate saving.

One off Investment

45. In addition to the ongoing expenditure pressures set out above one off growth totalling £480k is required. This will be funded from New Homes Bonus grant.
- Local Plan **£350k** - Work on the Local Plan will be ongoing in 2016/17 and therefore additional budget of £350k is required to support delivery.
 - Drainage – Strategic Flood Risk Assessment **£60k** – To comply with the national Planning Framework Policy a review and update is required.
 - Increase in Contingency **£70k** – Due to potential costs arising due to flooding, and risks associated with adult care funding, it is appropriate to provide an increased contingency as a one off supplement for 16/17. This is critical in terms of the setting of a prudent budget. This will increase the contingency from £449k to £519k.

Expenditure Pressures Summary

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

Expenditure Pressures	2016/17 £'000
Unavoidable cost increases, priority areas and creating capacity	
- Pay Costs	1,440
- Prices Contingency	800
- Business Improvement District	28
- Members Allowances	74
- Winter Maintenance	115
- Local List	5
- Neighbourhood Plan Assistance	33
- Community Safety Hub Officers	234
- Mental Health	100
15/16 Expenditure Pressures	
- Children's Social Care	1,930
- Adult Social Care	788
One off Investment	
- Local Plan	350
- Drainage	60
- Contingency	70
Total Expenditure Changes	6,027

Table 1 – Summary of expenditure pressures

Grant Funding Changes

47. Table 2 shows the components that make up the Council's change in grant funding.

48. The first line of Table 2 shows the £6.049m reduction in SFA that the council will receive from central government as part of its continued programme of Local Government funding cuts. SFA comprises RSG and a business rates baseline. The 2016/17 figures can be assumed to be the final figure and is inclusive of a 2% RPI uplift in the business rates baseline.

49. The second line of Table 2 shows a further reduction in funding as a result of the Government's inclusion of some specific grants into the SFA settlement. This figure includes £787k Council Tax Freeze grant and £1.1m Care Act Funding, which is now included in the SFA settlement in 2016/17.
50. The third line of Table 2 shows the loss in other specific grants. The most significant reduction in specific grants will be applied to Public Health Grant, estimated at £600k. There is a reduction of £268k to Education Services Grant which funds central services provided to schools. In total, specific grants are estimated to reduce by £868k in 2016/17.
51. In summary, for 2016/17 the council has reduced grant funding available of £8,844k compared to that received in 2015/16.

Funding Changes	2016/17 £'000
- Reduction in SFA	6,049
- Reduction in SFA - inclusion of specific grants	1,927
- Reduction in specific grants	868
Net Funding Changes	8,844

Table 2 – Grant Funding changes

Council Tax Funding Changes

52. Table 3 shows the net changes to council tax funding.
53. The first line in Table 3 shows the 3% increase in council tax which will generate additional income of £2.2m on the existing taxbase.
54. A further £2.2m council tax is generated due to an increase in taxbase as shown in the second line of Table 3. 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 2016/17, this has grown by approximately 1,800 properties due to a number of factors including new homes and changing patterns in the number and types of discounts taxpayers are able to receive or apply for.
55. The third line is the collection fund surplus from 2015/16 of £1.633m, relating to council tax. The council tax collection fund surplus for the full year 2015/16 is estimated on 15 January 2016, 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.

56. In summary the Table 3 shows an estimated £6.0m additional income from Council Tax in 2016/17.

	2016/17
Council Tax	£'000
- 3% increase in charge	-2,182
- Increase in taxbase	-2,154
- Collection Fund Surplus	-1,633
Net Council Tax Changes	-5,969

Table 3 – Council Tax Funding changes

Business Rates Income

57. Table 4 shows £1m retained income from the localisation of business rates, based on estimated growth in 2016/17. 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.
58. The Government have confirmed that Council's will be able to keep a greater share of Business Rates in the future, although this does not come into effect until after 2016/17. This is covered in further detail later in the report.

	2016/17
Business Rates Income	£'000
- Business Rates Growth	-1,000
Change in income	-1,000

Table 4 –Changes in Business Rates Income

Savings Proposals

59. Directorates have identified over £6.2m to contribute towards the 2016/17 savings target in addition to a corporate saving of £250k. These proposals, outlined in annex 2, include increases in income, reductions in administration costs and removal of vacant posts.

60. The savings proposals included in annex 2 provide the details of the 2016/17 impact totalling £6.5m, which in some cases is a part year effect. The second column (17/18 impact) includes the remaining saving to be achieved based on the acceptance of savings proposals recommended in this budget. The Total savings column highlights the cumulative saving over years 2016/17 to 2017/18 for savings proposals approved in this budget.
61. Table 5 summarises the 2016/17 savings to be delivered by each directorate and corporate services.

Savings	2016/17 £'000
- Children's Services, Education and Skills	-1,315
- City and Environmental Services	-559
- Communities and Neighbourhoods	-1,518
- Customer and Business Support Services	-1,406
- Adult Social Care	-1,135
- Office of the Chief Executive	-300
- Corporate	-250
Total Savings Changes	-6,483

Table 5 –2016/17 Savings Proposals

New Homes Bonus (NHB) Grant

62. The New Homes Bonus was introduced to provide an incentive for local authorities to encourage housing growth in their areas. NHB funding is currently provided over a 6 year period and is not ring fenced.
63. A further round of funding was announced in December 2015, totalling £1,030k per annum. The total funding available in 2016/17 is £4.6m. £3.2m of NHB funding is already allocated as determined by previous Council decisions. These are set out in Table 6 below.
64. There is a £1.9m contribution to various schemes within the EIF programme. There are no further allocations to the EIF programme in 2017/18.
65. An allocation of £1.3m was agreed by Council in July 2015 to fund budget amendments. This included ensuring there was no further charging for green bins and increased investment in community centres

and ward grants. The majority of this funding will be required on an ongoing basis. Council have also previously approved a sum of £1.5m over a 5 year period towards support for Yearsley Pool, however this will not be required in 2016/17.

66. It is proposed that a further £1.349m of NHB funding will be used to fund ongoing expenditure in 2016/17. The remaining £70k is allocated to fund a one off increase in contingency. This will be used to fund the cost of the flood enquiry and other unbudgeted costs arising from flood related issues. Further details of the contingency budget are provided in paragraphs 88 and 89.
67. As set out in paragraph 95, consultation is currently underway to change the operation of New Homes Bonus funding from 2017/18. Should the operation or value of NHB grant change significantly, the funding of ongoing expenditure will be subject to further consideration. Any such change is likely to be implemented alongside other changes, such as a greater retention of business rates.

New Homes Bonus	£'000
- Total available 2016/17	4,648
- Previous Council Decisions	
Funding EIF schemes	-1,865
July 2015 Budget Amendments	-1,364
- Allocated in this budget (ongoing expenditure)	-1,349
- Allocated in this budget (one off)	-70
NHB remaining	0

Table 6 – New Homes Bonus Funding

Net Budget Composition

68. Taking into account funding changes summarised in Table 2 and 3, Table 7 below summarises the funding available from council tax, government funding and business rates for 2016/17.

	2016/17 £'000
Council Tax	77,072
Collection Fund Surplus	1,633
RSG	14,892
Business Rates Baseline	24,303
Total Net Budget	117,900

Table 7 – Net budget composition for 2016/17

Summary of Budget Changes

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

Summary	2016/17 £'000
Total expenditure pressures (Table 1)	6,027
Total net funding changes (Table 2)	8,844
Total changes in council tax (Table 3)	-5,969
Total changes in other income (Table 4)	-1,000
Total savings and income generation (Table 5)	-6,483
New Homes Bonus funding (Table 6)	-1,349
New Homes Bonus funding (Table 6)	-70
Budget gap	0

Table 8 – Budget position summary

Fees and charges

70. Detailed proposals for any changes to fees and charges are attached at annex 4. 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 2.

71. One of the major areas of income generated is from car parking fees and charges. Car parking charges for off street and on street parking are, in the main, being frozen. It should be noted that there is a proposed fee increase for parking scratchcard provision to hotels to bring the charge more in line with general parking charges, although still at a competitive price to avoid a detrimental impact on hoteliers.

Council Tax and the Collection Fund

72. The council tax referendum limit remains at 2%. Local authorities with responsibilities for adult social care have been given the flexibility to charge a further 2% in addition to the 2% referendum threshold. The additional 2% must be used entirely to fund adult social care.

73. Should local authorities decide to take up the offer to charge the adult social care precept they are required to provide certain information to the government and undertake a number of actions.

74. There will not be a Council Tax Freeze Grant available in 2016/17. Council Tax freeze grant relating to 2015/16 is now included in the SFA.

75. The existing components of the current (2015/16) band D council tax for a CYC resident are shown in Table 9 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	212.77
North Yorkshire Fire Authority	64.59
TOTAL	1,442.90

Table 9 - Make Up of 2015/16 Council Tax

76. As referred to earlier in this report, the recommendation made in these papers is that from April 2016 the CYC element of the council tax will increase by 3%. This includes a 2% element relating to the social care precept will be used entirely to fund adult social care.

77. 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 £1.633m and this is included in the budget assumptions.

Precepts

78. 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 25 February.
79. Table 10 demonstrates both the cash and percentage increase in 2015/16 for these which resulted in a total band D council tax for a York property of £1,442.90.

	2014/15 Charge (£)	2015/16		
		Increase (£)	Increase (%)	Council Tax (£)
CYC	1,165.54	0.00	0%	1,165.54
Police	208.62	4.15	1.99%	212.77
Fire	63.33	1.26	1.99%	64.59
Total	1,437.49	5.41	0.38%	1,442.90

Table 10 – Headline 2015/16 Council Tax Figures for City of York Area

80. 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)

81. In April 2015 the two NNDR multipliers were 49.3p in the pound for normal properties and 48.0p 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 2016 the multipliers will increase to 49.7p and 48.4p (by 0.8%) respectively.
82. The council is projecting provisional business rates income in 2016/17 of £102.649m, as well as retained growth of £1m above its business rates baseline.

Leeds City Region (LCR) Pool

83. The Business Rates Retention scheme allows groups of authorities to join together to form business rates pools. Pooling allows groups of 'tariff' and 'top-up' authorities to gain financial advantage by enabling levy payments to be paid to the pool rather than central government. City of York Council will continue its membership of the Leeds City Region Business Rates pool in 2016/17.
84. The estimated amount available for distribution from 2015/16 growth is £4.1m which is expected to be used to support Economic Development projects. It should be noted that under proposals for local authorities to retain a greater proportion of business rates, the benefits of remaining in a regional pool may be significantly reduced.

Reserves and Contingency

85. Table 11 shows the position on the general fund reserve which, it is anticipated, will be £6.896m by the end of 2015/16. The projected reserves at the end of 2015/16 are based on the assumption that Members agree no usage of reserves in 2015/16 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 2015/16 budget.

	2015/16 Projected Out-turn £'000	2016/17 Budget £'000
General Reserve at start of year	6,896	6,896
In Year use of reserves	0	0
General Reserve at end of year	6,896	6,896
Prudent minimum reserves	6,400	6,400
Headroom (+)/Shortfall (-) in Reserves	496	496

Table 11 – Projected General Reserves

86. 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.

87. 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.
88. In addition to general fund reserves, the budget includes a £449k general contingency. In recent years this has always been required.
89. As mentioned earlier in the report, due to potential costs arising due to flooding, and risks associated with adult care funding, it is appropriate to provide an increased contingency as a one off supplement for 16/17. This is critical in terms of the setting of a prudent budget. This will increase the contingency budget from £449k to £519k.

Medium term planning

Comprehensive Spending Review (CSR) 2015

90. The CSR 2015 was announced on 25 November which set out government spending plans for the length of this parliament. The key issues are set out below.
91. The government confirmed their commitment to achieve a national surplus position by 2019/20. As expected this will result in funding reductions for local government over the next 4 years.
92. The CSR confirmed that Revenue Support Grant (RSG) will be phased out by 2019/20 and will be replaced by a system which allows local government to retain 100% of business rates; although a system of tariffs and top ups will remain. Councils will have the power to reduce business rates to boost growth or give elected city region mayors the power to levy a premium on business rates to fund infrastructure projects. This devolved system will be in place by 2019/20 but it is not yet known when this will come into effect or how it will operate. Consultation will take place with local authorities in Summer 2016.
93. As part of the funding reform, additional responsibilities will transfer to local government, potentially the administration of housing benefits for pensioners and funding of public health. The announcement to allow council's greater flexibility in council tax increases as covered in

paragraph 72 will provide greater freedom to address ongoing pressures in adult social care.

94. Additional funding will be available for the Better Care Fund (BCF) by 2019/20 which should increase budget available for adult social care.
95. Consultation is currently underway to change the operation of New Homes Bonus (NHB) funding from 2017/18. Funding may reduce from a 6 year to a 4 year period and may also be linked to delivery of a Local Plan. The expectation is that there will be a reduction in NHB of at least £800m nationally to fund social care.
96. Local authorities will have the flexibility to spend capital receipts (excluding Right to Buy receipts) from asset sales on the revenue costs of reform projects, subject to certain conditions.

Provisional Settlement

97. On 17 December the provisional local government settlement was announced which provides provisional figures over the 4 year period from 2016/17.
98. Under the current process the government will confirm the 2016/17 figures in early February 2016 and the subsequent years figures remain provisional and are subject to change the following year. In an attempt to improve stability and aid medium term planning the government have offered councils that wish to take it up a 4 year funding settlement if they publish an efficiency plan. However, it is possible that these funding determinations may still be subject to change when the final settlement is announced each year. This initiative is currently under consultation.
99. The provisional 4 year settlement indicates a reduction of £19m in SFA over the 4 year period to 2019/20. Until further details emerge in relation to business rates devolution and additional burdens it is difficult to put this figure into context. The scale of savings that will be required in the future will be driven by government funding reductions and the outcomes of the devolution agenda, alongside the extent to which spending pressures affect the council.

100. Table 12 below sets out the provisional settlement from 2016/17 to 2019/20.

	16/17 £m	17/18 £m	18/19 £m	19/20 £m
RSG	14.892	8.580	4.934	1.947
Business Rates Baseline	24.303	24.781	25.512	26.327
Total SFA	39.195	33.360	30.446	28.274

Table 12 – Provisional Settlement figures

Four Year Strategy and Approach to Savings

101. Other factors that will affect the council will include potential increased costs in elderly care, inflationary pressures, implications of the capital programme and the thresholds to increase council tax.

102. By 2019/20, the Council will be self funded from council tax and business rates. Therefore, it is critical that the Council continues to support Economic growth, recognising the significant financial benefits in the form of retained business rates, and creation of jobs.

103. What is clear however is that further savings will need to be found, as further reductions in overall funding are inevitable. Estimated savings required are in the region of £23m over the period from 2016/17 to 2019/20.

104. The financial planning process has considered the scale of the challenge over the next 4 years, and services have been reviewing opportunities for changing the delivery of services

105. Annex 3 sets out the strategic direction towards achievement of savings proposals for each directorate over the 4 year period from 2016/17 to 2019/20. This includes the directorate approach to protecting priority areas and the type of savings or efficiencies under consideration for the medium term.

106. Specific details of future years (2017/18 onwards) savings proposals will be covered in future budget reports.

Housing Revenue Account (HRA)

Budget

107. Local Authorities are required, by legislation, to keep a HRA. The Local Government and Housing Act 1989 stated that items of income and expenditure only relating to council housing must be contained within the account. Authorities have a duty to ensure that the HRA balances, to keep the budget under review and to take all reasonable steps to avoid a deficit.
108. The HRA budget at annex 5 results in an in-year surplus of £3,683k. Together with the budgeted brought forward working balance of £17,152k this leaves a working balance of £20,835k 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. The longer term forecast for the HRA is considered elsewhere on the agenda in the HRA Business Plan report.
109. In order to manage the HRA with the reduced levels of income as a result of the rent decreases for the next four years and the increased levels of sales forecast, cost savings totalling £1.5m have been identified. The savings to be achieved in 2016/17 total £560k are detailed in annex 6 of the report.

Rent Increase 2016/17

110. 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.
111. Central government policy has now changed and rent restructuring has been brought to an end. The subsequent policy of increasing rents by the Consumer Prices Index (CPI) + 1% that was applied for last year's increase was due to apply for ten years but in July 2015 further changes to social rents were announced in the Welfare Reform and Work Bill 2015. All social housing rents are required to be reduced by 1% for the next four years.
112. The expected effect on rent levels over the next 4 years is shown in table 13 below.

Year	Estimated Average Rent Per week	Estimated Average Decrease per week
2016/17	£79.80	£0.81
2017/18	£79.00	£0.80
2018/19	£78.21	£0.79
2019/20	£77.43	£0.78

Table 13 – HRA Rent decreases

113. All rents that do not fall within the definition of “social housing rents” for the purposes of the Welfare Reform and Work Bill 2015 will have the previous policy applied of increasing by CPI + 1% which will be an increase of 0.9%. This will include Gypsy, Roma and Traveller Community sites, garages and cookers, as well as any supported housing that is exempt from the rent reduction legislation.

Dedicated Schools Grant (DSG) and the schools budget

114. 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 2016/17).

115. 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 ‘statutory children’s specialist services’ 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.

116. 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.

117. 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 2016/17 are:

- Another one-year only settlement for 2016/17.
- 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 York's entire core school funding.
- A minimum funding guarantee of -1.5% per pupil for school formula funding

Schools Budget Projection for 2016/17

118. A summary of the overall schools budget position is shown in Table 14 below. The Schools Budget proposals have been consulted on with the York Schools Forum and endorsed by the forum at its meeting on 14 December 2015.

	£000
2015/16 Current Approved Budget	122,686
Provision for Pay Increases	+ 75
LA Centrally Retained Budget Efficiencies	- 75
LMS Funding Formula Requirements	+ 955
High Needs SEN & Alternative Provision	+ 258
2016/17 Budget Projection	123,899
Funding Available:	
Dedicated Schools Grant	113,338
EFA Post 16 Grants	5,567
Pupil Premium	4,994

DSG Balance b/f from 2015/16	Nil
2016/17 Total Estimated Available Funding	123,899

Table 14- Schools Budget Projection for 2016/17

119. The £75k 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.
120. The additional budget of £955k required to support the LMS Funding Formula allocations to schools reflects an increase in pupil numbers of 258fte (mainly in primary schools). This increase has also enabled the Age Weighted Pupil Unit (AWPU) funding values to be increased by 1% for all key stages. For 2016/17 the Minimum Funding Guarantee (MFG) per pupil has been set at -1.5%, with the cap on gains (to help fund the MFG) being set at +1.5% per pupil.
121. Additional funding of £258k is required in 2016/17 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

122. The funding available includes the estimated 2016/17 DSG allocation of £113,338k, the existing allocation of funding for post 16 pupils from the EFA of £5,567k and the estimated level of the pupil premium for York schools of £4,994k. Table 15 sets out the latest estimate of the DSG for 2016/17.

	2015/16	2016/17
5-16 Year Old Pupil Numbers	21,680	21,941
DSG Per 5-16 Year Old Pupil	£4,201.73	£4,201.83
5-16 Year Old Allocation	£91.094m	£92.192m
3&4 Year Old Early Years Pupil Numbers	1,608	1,608
DSG Per 3&4 Year Old Early Years Pupil	£3,443.79	£3,443.79
3&4 Year Old Early Years Allocation	£5.538m	£5.538m

2 Year Old Early Years Pupil Numbers	207	207
DSG Per 2 Year Old Early Years Pupil	£4,607.50	£4,607.50
2 Year Old Early Years Allocation	£0.954m	£0.954m
New Early Years Pupil Premium	£0.103m	£0.103m
High Needs Allocation	£14.213m	£14.519m
NQT Induction Transfer	£0.033m	£0.032m
Estimated DSG Total for 2015/16	£111.935m	£113.338m

Table 15 – Estimated DSG Funding 2016/17

Impact assessment of the 2015/16 budget proposals

123. 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

124. An integral part of the development of the financial strategy has been to undertake 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.

Scrutiny

125. In accordance with constitutional practice Corporate Scrutiny and Management Policy Scrutiny Committee considered at its meeting on 11 January 2016 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 2015/16 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

126. A communities impact assessment (CIA) has been completed on the overall impact of the budget proposals and this is available at annex 7.

The impact assessment considers risks associated with savings proposals to ensure any negative impact for a particular group, sector or community is eliminated or counterbalanced. Where a screening of the potential implications has identified it appropriate, a full CIA will be completed for individual proposals.

127. The financial strategy will impact on all residents and has carefully considered the local demand for services whilst also ensuring the budget set is prudent, protects vulnerable people and has capacity to invest. The strategy could have a negative impact on the following communities;

- Age
- Disability
- Carers

128. This negative impact can be mitigated by investment targeted to these same communities. The key approaches to achieving savings whilst avoiding impacts on communities of identity include;

- Ensuring that savings are made from back office functions and universal services
- Protecting statutory services and other key services for vulnerable residents
- Increasing community involvement in service redesign and delivery
- Making services self-financing wherever practicable, including external trading
- Maximising the return from externalised service provision
- Redesign of existing services and external contracts
- Placing a focus on prevention and ceasing service provision only where this is least impact
- Streamlining services to provide focussed support and reduce areas of duplication
- Supporting carers
- Integrated working with health
- Focussing growth where it is expected to have a positive effect on older or disabled people and their carers

129. By reviewing and reshaping services for young people, particularly those in relation to prevention and early intervention, the route into identifying support will be made simpler for customers and the services more tailored to the needs to each community. This will have a positive impact on young people and promote equality of opportunity for those growing up in the city.

130. Funding for carers will continue with a project starting in May 2016 to provide more comprehensive set of support, reflecting the significant role of carers in allowing people to remain in their own homes and live independently as far as possible.
131. The changes within a new operating model for adult social care seek to reduce people's dependency on social care support through the provision of information and advice and earlier intervention to support, maintain or regain independence for those who are able. These changes are designed improve outcomes for customers, including those with one or more protected characteristic (particularly Age and Disability). For those who require ongoing support, the offer will be made more flexible and tailored to their needs.

Specialist Implications

132. This report has the following implications;

Financial

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

Human Resources (HR)

134. The council currently employs 2,800 non school staff. The budget proposals which are contained within this report highlight the likely reduction of 93 FTE posts in 2016/17. However based on the experience of previous years to achieve budget reductions of this scale is likely to mean that this figure is exceeded.
135. As implementation plans to achieve these post reductions are produced the specific staffing implications will be clear and staff consulted on the proposals. The type of change affecting staff in 2016/17 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.
136. 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.

137. 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

138. The Council is required to set a council tax for 2016/17 before 11 March 2016. 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 2016, whichever is the earlier. This decision is reserved to Council and cannot be taken by Executive or delegated to officers, although Executive has to recommend a budget to the Council. These comments are intended to apply to both the Executive meeting and the subsequent Council meeting.

139. 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.

140. 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.

141. 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.

142. 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.
143. 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.
144. 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.
145. 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 139 above.
146. 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.

147. 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

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

Information Technology (IT)

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

Property

150. There are no property implications to this report.

Other

151. There are no other implications to this report.

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

Introduction

152. 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 2016/17 and beyond), reserves and general robustness of the process.

Overall Assessment

153. The proposals in this budget give a balanced budget for 2016/17 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.

154. Full scrutiny of the budget proposals for 2016/17 has taken place, in terms of their deliverability, and a proper risk assessment of a range of issues has been conducted.
155. 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.
156. 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. In addition provision is included for a contingency sum of £519k, 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 2015/16 have been addressed through significant additional investment provided for Adult Social Care and Children's Social Care. There is provision made for the estimated 1.0% pay award.

Looking Ahead

157. 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.

158. In previous years the Council has set a two year budget, which has significantly aided in terms of long term planning. Last year's budget was for one year only. The proposals in this report set out details for next year, but also set out the strategic direction, and key issues facing services for the three years following. There has been significant consideration of the medium terms planning issues, and I am entirely satisfied with the extent to which the Council is aware of the challenges it faces, and the actions it will need to consider over coming years.

Reserves

159. In terms of reserves, the proposals seek to keep 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.

160. I believe that the council will come in on budget for 2015/16 and this is reflected in the budget monitoring report presented to Executive at this same Executive meeting.

161. The recommended minimum reserves for 2016/17 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.

162. 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.

Other Issues

163. The council tax referendum limit remains at 2% but local authorities with responsibilities for adult social care will be given an additional 2% flexibility on the current council tax referendum threshold to be used entirely for adult social care. Council Tax Freeze Grant is not available in 2016/17. Council Tax freeze grant relating to 2015/16 is now included in the SFA.

164. It is for members to determine the level of council tax increase, and to decide whether to set a council tax increase up to the 2% referendum limit or to take advantage of the government offer to set a tax at a higher level to be used for adult social care. Members naturally need to consider the implications of the different options very carefully.
165. I also would highlight the separate capital strategy report, and the issues that are set out within that. 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.
166. There is the potential for significant changes to the system of local government finance in coming years. Changes may occur in particular to New Homes Bonus, and to Business Rates. The operational details of the recent announcement on the devolution of the business rates system still need to be determined by government, and there remain a number of areas that will need to be addressed before the full implications will be known.
167. 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

168. A summary of risks attached to the budget is contained in annex 8. They will be monitored regularly throughout the year.

Contact Details

Author:

Ian Floyd
Director of Customer and
Business Support Services

Chief Officer Responsible for the report:

Ian Floyd
Director of Customer and Business Support
Services

Debbie Mitchell
Finance Manager

**Report
Approved**



Date 3 February 2016

Sarah Kirby
Principal Accountant

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:

Budget Consultation available at www.yorkopendata.org

Annexes:

- 1 – 2016/17 Budget Summary**
- 2 – 2016/17 Savings Proposals**
- 3a – Adult Social Care 4 year Plan**
- 3b – Communities and Neighbourhood 4 year Plan**
- 3c – City and Environmental Services 4 year Plan**
- 3d – Customer and Business Support Services 4 year Plan**
- 3e – Children’s Services, Education and Skills 4 year Plan**
- 4 – Fees & Charges**
- 5 – HRA Budget 2016/17**
- 6 – HRA 2016/17 Savings Proposals**
- 7 – Communities Impact Assessment**
- 8 – Risk Analysis**
- 9 – Background Information**