

<b>Meeting:</b>	Council
<b>Meeting date:</b>	12 February 2026
<b>Report of:</b>	Debbie Mitchel, Director of Finance
<b>Portfolio of:</b>	Councillor Katie Lomas, Executive Member for Finance, Performance, Major Projects, Equalities and Inclusion

**Decision Report: Recommendations of Executive on the Council’s Financial Strategy 2026/27 to 2030/31, Capital Budget 2026/27 to 2029/30, Capital Financing and Investment Strategy and the Treasury Management Strategy Statement and Prudential Indicators for 2026/27 to 2030/31**

**Subject of Report**

1. This report presents to Council the recommendations of Executive for approval in respect of the revenue budget proposals for 2026/27, the Capital Budget for the period 2026/27 to 2029/30, the Capital Financing and Investment Strategy and the Treasury Management Strategy for the period 2026/27 to 2030/31. This report should be read in conjunction with the reports presented to Executive on 27 January 2026.

**Benefits and Challenges**

2. The budget proposals outline some significant investment into social care to enable the Council to continue delivering vital support to our most vulnerable residents. This essential funding will deliver a financially sound budget, that reflects current pressures, whilst also ensuring a safe and effective service can be delivered across all statutory care services.
3. The Capital Budget report elsewhere on this agenda details the additional investment being made into a range of schemes including:
4.
  - i) £585k for improvements to the Crematorium.
  - ii) £200k in upgrades to fire protection in council hostels.

- iii) £625k fleet replacement programme
- iv) £2,320k in repairs and modernisation of council homes.
- v) £37m in anticipated additional funding over four years for Highway and Transport investment subject to decisions from the York and North Yorkshire Combined Authority.

5. The challenges continue to be increasing demand across all services, especially within social care, and the cost of delivering capital projects.
6. The Local Government Finance Settlement, which incorporates the impact of the Fair Funding Review, shows an increase in core spending power of just 0.7% in 2026/27 and 0.1% in the following 2 years of the settlement. This is after an assumed maximum increase in council tax.
7. The impact of the Fair Funding review leaves York with a reduced share of national funding and reduced funding due to the council's council tax levels being lower than the government assessment. This leaves the council facing significant funding gaps in future years. We face exceptional challenges to deliver our Financial Strategy, one that will affect residents, partners, members, and officers alike. The scale cannot be underestimated. Over the next few years, the level of savings required will be significant, and it is likely that some services will reduce — and, in some cases, stop altogether. We know these decisions will not be easy, and the impact on residents and our communities will be real. It is crucial we approach this together, with honesty, transparency, and a focus on what's important to support our most vulnerable communities. By focusing on priorities, maintaining strong financial management, with robust cost control measures, we can protect the services that matter most, support the people who rely on them, and ensure the council is best placed for a resilient and sustainable future.
8. Whilst the local and national financial position for local government is clearly very strained, considerable work is ongoing to secure inward investment into the city to ensure that the Council's priorities can still be achieved.
9. The budget proposals include continued investment in transformation to deliver the changes needed in the short, medium and longer term to ensure the continued financial resilience of the Council. As well as investment in staff to support and deliver change, additional funding is included to allow for investment in

technology and other innovation that will deliver improvements in council operations and efficiency savings.

10. The revenue budget report considered by the Executive detailed consultation that had occurred to that date. Since the Executive meeting there has been a further meeting with City Centre Traders particularly in respect of the cost of parking and the potential impact of this on footfall in the city centre. This consultation led to constructive recommendations to help achieve transport policy objectives to boost sustainable travel modes and reduce car journeys whilst continuing to support the city centre and officers will continue to engage with the local business community to explore these ideas in more detail.

### **Policy Basis for Decision**

11. The Financial Strategy aims to ensure that, as far as possible, resources are aligned to the Council's priorities. It is vital that the Council sets a robust budget each year. Alongside the income generation and other savings included in Annex 2 to this report, the Council's transformation programme is key to the delivery of a balanced budget. The cross-cutting transformation programme will coordinate activity that ensures the Council has a sustainable and more efficient operating model, prioritising the delivery of statutory services alongside those initiatives that will contribute to the achievement of the Council Plan.

### **Financial Strategy Implications**

12. The reports outline the budget proposals for the year ahead and ensures the Financial Strategy is delivered.

### **Recommendation and Reasons**

#### **Revenue Budget**

13. Executive recommends that Council:
  - i. Approves the budget proposals outlined in the Financial Strategy report and in particular;
    - The net revenue expenditure requirement of £187.009m
    - A council tax requirement of £127.181m
    - The revenue growth proposals as outlined in paragraphs 75 to 77

- The 2026/27 revenue savings proposals as outlined in annex 2
  - The fees and charges proposals as outlined in annex 3
  - The Housing Revenue Account (HRA) 2026/27 budget set out in annex 5
  - The Dedicated Schools Grant (DSG) proposals outlined from paragraph 168
  - The Flexible Use of Capital Receipts Policy set out in annex 7, including delegation to the Director of Finance to determine the costs that can be charged to the transformation programme
- ii. Notes that the effect of approving the income and expenditure proposals included in the recommendations would result in a 4.99% increase in the City of York Council element of the council tax, 2% of which would relate to the social care precept.

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

### **Capital Budget 2026/27 to 2029/30**

14. Executive recommends that Council approves the budget proposals outlined in the Capital Budget 2026/27 to 2029/30 and in particular:
- i. Agree to the revised capital programme of **£382.998m** that reflects a net overall increase of **£42.180m** (as set out in table 2 and in Annex 1). Key elements of this include:
- New schemes funded by prudential borrowing totalling £0.785m as set out in table 3;
  - Extension of prudential borrowing funded Rolling Programme schemes totalling £1.125m as set out in table 4;
  - Extension of externally funded Rolling Programme schemes totalling £37.950m as set out in table 7;
  - An increase in HRA funded schemes totalling £2.320m funded from a combination HRA balances/capital receipts as set out in table 8;
- ii. Note the total increase in Council borrowing as a result of new schemes being recommended for approval is £0.179m the details of which are considered within this report and the financial strategy report

- iii. Approve the full restated programme as summarised in Annex 2 totalling **£382.998m** covering financial years 2026/27 to 2029/30 as set out in table 13 and Annex 2.

**Reason:** To ensure a legally budget is set and that the capital programme is fully funded.

## **Capital and Investment Strategy**

15. Executive recommends that Council:
  - i. Approve the Capital and Investment Strategy at Annex A

**Reason:** To meet the statutory obligation to comply with the Prudential Code 2017.

## **Treasury Management Strategy Statement and Prudential Indicators**

16. Executive recommends that Council approve;
  - i. The treasury management strategy for 2026/27 including the annual investment strategy and the minimum revenue provision policy statement;
  - ii. The prudential indicators for 2026/27 to 2029/30 in the main body of the report;
  - iii. The specified and non-specified investments schedule (annex B)
  - iv. The scheme of delegation and the role of the section 151 officer (annex D)

**Reason:** To enable the continued effective operation of the treasury management function and ensure that all council borrowing is prudent, affordable and sustainable.

## **Background**

17. On 27 January the Executive met to consider the revenue and capital budgets and the Treasury Management Strategy. The following reports, copies of which Members have previously received, were considered.
  - i) Financial Strategy 2026/27 to 2030/31
  - ii) Capital Budget 2026/27 to 2029/30
  - iii) Capital Financing and Investment Strategy

iv) Treasury Management Strategy Statement and Prudential Indicators 2026/27 to 2029/30.

### **Options Analysis and Evidential Basis**

18. Options open to the Council are to approve Executive's recommendations or to approve any amendments that may be moved by other Members of Council.

### **Organisational Impact and Implications**

19. Implications in respect of setting the budget are contained in the Executive reports. Member's attention is drawn in particular to the legal advice of the Council's Monitoring Officer and the statutory advice of the Section 151 officer as set out in the Financial Strategy report and repeated in the following sections.

### **Legal**

20. The council is required to set a council tax for 2026/27 before 11 March 2026. 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 2026, whichever is the earlier. The decision to set the level of council tax is reserved to Council and cannot be taken by Executive or delegated to officers, although Executive has to recommend a budget to Council. These comments are intended to apply to both the Executive meeting and the subsequent Council meeting.
21. There is no statutory requirement to set a detailed budget in any particular form. They are produced as an important tool to assist the Council in setting the council tax precept and managing its finances effectively with a view to balancing its budget.
22. 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.
23. 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 she considers that a decision taken by the Council would be unlawful and likely to cause a financial deficiency.

24. 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 should also be conscious that, whilst Council is responsible for setting the budget envelope for the relevant financial year, Executive is responsible for individual spending decisions within that budget envelope.
25. Members must also bear in mind the Council's other statutory duties to have regard to certain matters when making decisions. The report identifies proposals which, if approved, may potentially have an impact on children, older adults and persons with disabilities all of which groups are statutorily protected under the Equalities Act 2010. In making their decision, Members must have due regard to their public sector equality duty and the need to eliminate discrimination, to advance equality of opportunity and to foster good relations between persons who share a protected characteristic and those who do not. Members must also take into consideration any crime and disorder implications of the decision. A failure to follow these principles could open the Council to judicial review.
26. There is legal authority for the proposition that if there is discretion left as to how budget envelope is spent, or if the envelope itself can be changed (virement etc) any relevant statutory duties (such as the Public Sector Equality Duty) can be discharged when spending decisions within the envelope are taken. The early consideration of potential equalities impact on service changes is however advised as set out in this report.

27. 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.
28. 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.
29. In considering the advice of officers, and the weight to be attached to that advice, Members should have regard to the personal duties placed upon the s151 Officer and the Monitoring Officer. The Council may take decisions which are at variance with their advice, providing there are reasonable grounds to do so. However, Members may expose themselves to risk if they disregard clearly expressed advice, for example as to the level of provision required for contingencies, bad debts and future liabilities. In addition, if Members wish to re-instate savings recommended by the Chief Finance Officer in order to balance the budget, they must find equivalent savings elsewhere.
30. The Chief Finance Officer is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit (England) Regulations 2011 (as amended) to ensure that the council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. This is in addition subject to the requirements set out above.
31. 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.
32. 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.

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

## **Statutory Advice from the s151 Officer**

### **Introduction**

34. The Local Government Act 2003 places responsibilities upon the council's Chief Finance Officer to advise the council on the adequacy of its reserves and the robustness of the budget proposals including the estimates contained in this document. This section also addresses the key risks facing the council in relation to current and future budget provision. The following paragraphs outline my assessment of the budget proposals outlined in this report, including reserves and general robustness of the process. Section 25 (2) of the 2003 Act requires the council to have regard to this assessment in approving the annual budget and setting the council tax.

### **Robustness of proposals and process**

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

- regular budget monitoring to ensure known pressures are reflected
  - involvement of directorate management teams in development of the proposals
  - regular scrutiny of the proposals by Executive members.
36. Considerable reliance is also placed on budget managers having proper arrangements in place to identify issues early, project the likely demand for services, and consider value for money and efficiency.
37. To provide assurances that the budget estimates are robust the following factors have been considered:
- overall funding available including specific grants and other funding available from central government, along with locally raised income from council tax and business rates,
  - progress made in delivering 2025/26 savings
  - whether the budget decisions outlined in this report are achievable
  - the current and anticipated budget pressures arising from services such as social care
  - the forecast impact of inflation and pay awards
  - the financial sustainability of the council and the effectiveness of the financial management arrangements in place
  - the affordability and sustainability of the capital investment plans outlined in the capital programme report elsewhere on this agenda and the revenue impact of this expenditure
38. The council has a demonstrable track record of delivering budget savings and has sound financial management procedures in place. This has been recognised by favourable audit reports in respect of financial management and processes and overall, the financial planning process is sound and effective.
39. A range of pressures have been identified and built into the budget presented in this report, including a contingency sum of £500k as in previous years.

### **Risks**

40. The report outlines the key risks to the 2026/27 budget, and these are considered further in the following paragraphs.

41. Continued increasing costs across all areas of spend remains an area of concern. Whilst inflation levels have reduced, this only means that prices are not increasing as much – they remain at the previously high levels. Given the Council's significant capital programme, rising costs are to be expected and may result in some schemes being delayed or costing more than estimated and there continue to be concerns over the rising costs of some major schemes.
42. Therefore, the number of complex capital schemes currently being undertaken remains a key risk for the Council. Where there is a gap between the initial proposal and the start of works, there is an even greater risk that costs will increase from those originally estimated. Should schemes not progress to full completion there remains a risk that costs currently assumed to be capable of being capitalised must be written off to revenue. There are also increased borrowing levels resulting in increased revenue costs of debt in coming years. This is highlighted in the medium term plan figures.
43. A further key risk in relation to the capital programme is that some major capital projects may have short/medium term cash flow impacts. For example, York Central will result in additional business rates but will require short term borrowing prior to income being received to cover the costs. As identified in previous budget reports, the Venture Fund will be used to support early years cash flow deficits on major strategic capital projects but given the current economic outlook and higher than previously expected interest rates, this borrowing will be more expensive than previously expected.
44. The current pressures being experienced within Adult Social Care are hugely concerning and the ongoing action being taken will need to continue and be given a high priority. Specific attention is drawn to the national picture regarding these services, which are recognised as being under increased pressure.
45. Whilst this council has invested in these services in recent years, the risks remain, and it is essential the council continues to make adequate budgetary growth provision to deal with the significant cost pressures these services are experiencing, along with savings programmes to mitigate pressures.
46. However, the Council cannot continue to invest at these levels indefinitely and therefore costs will have to be managed over the next year.

47. To balance the 2026/27 budget there is a continued reliance on generating income, especially from car parking charges. This income therefore relies on a continued strong local economy. The figures proposed are achievable and an allowance has been made for reduced activity. However, there is a risk that activity drops off more than assumed which would result in the savings not being achieved. In addition, any future proposals to reduce the provision of Council car parks would have a higher financial impact with the increased charges.
48. The bulk of the 2026/27 savings proposed rely on the Council delivering its Transformation Programme and improving the efficiency of the Council. Change and transformation can be challenging. Councillors and Chief Officers play a key role through ensuring robust governance, sufficient capacity and capability, maintaining strategic oversight and setting risk appetite. To achieve these savings, all parts of the Council will need to work together to deliver change, creating the necessary conditions for success.
49. It will be vital to have a sound governance structure so that the investment being made in transformation delivers lasting change and ongoing budget savings. Whilst further savings may be available in future years, the proposed transformation savings cannot be stretched further beyond those sums already assumed.
50. Clearly, there are risks in the achievement of some of the proposed savings and, in assessing this risk, I cannot guarantee that every single proposal will be achieved. I do however consider the overall package to be prudent. As outlined earlier, processes are in place to ensure the robustness of the proposed savings. A risk assessment of the individual savings proposals has been conducted and discussed with senior management. Where savings are not delivered, services are fully aware of the need to find compensating savings.
51. The completion of the Fair Funding Review and the return of to a 3 year local government finance settlement does remove the uncertainty we have experienced in recent years. Whilst there has been a significant, negative impact on the financial resilience of the Council, there is now at least some certainty of the challenge ahead.

## **Reserves**

52. CIPFA guidance states that, in order to assess the adequacy of reserves when setting the budget, chief finance officers should take account of the strategic, operational and financial risks facing the authority and that the many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level.
53. Determining the appropriate levels of balances is therefore a professional judgement based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions and other earmarked reserves and provisions. Based on the range of factors and risks outlined in this report it is my view that the general reserve can remain at £7.4m in 2026/27. However, I expect this figure will need to be increased in future years in light of ongoing impact of the Fair Funding Review and the significant financial challenge the Council is facing and to mitigate against the risk of overspends and non-delivery of savings.
54. The proposed 2026/27 budget does not use the general reserve to balance and therefore reserves remain sufficient for the year ahead.

## **Summary**

55. Whilst the uncertainty of recent years has now been removed, the financial challenge facing this Council is now clear. As expected, there remains a significant budget gap in 2027/28 and 2028/29.
56. Identifying and subsequently delivering recurring budget savings remains the key to balancing the financial strategy. The medium term outlook clearly demonstrates the need for future savings to be delivered.
57. For future budget planning, further action will be needed to continue to focus resources on the highest priority services to reduce demand, as well as creating capacity to make investment in key front line services and essential capital investment. Therefore, the major financial challenge facing the council in coming years remains the need to secure further savings and for cost pressures to be managed effectively. There will need to be continued careful monitoring of the achievement of the savings outlined in this report.

58. Considering all the factors and risks outlined in this report, I continue to advise against the use of one off reserves, or any other one off funding, to delay the need to identify and deliver recurring savings without a clear strategy for how we will tackle the known financial challenges. Whilst Council is only required, statutorily, to balance the budget for the year ahead, not acting now could result in unmanageable savings requirements in future years and I would caution Council against this.
59. I have given careful consideration to the proposals outlined in all the budget reports on this agenda and particularly the risks associated with the proposals. Prudent and realistic assumptions have been made, and the financial implications of known pressures have been included. With the savings identified in this report, I am satisfied that this report represents a robust budget on which the council can rely in setting council tax.
60. 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.

### **Risks and Mitigations**

61. An assessment of risks is completed as part of the annual budget setting exercise and further details are included in annex 6 of the Executive report. These risks are managed effectively through regular reporting and corrective action being taken where necessary and appropriate.
62. As the Council's Section 151 Officer, the Director of Finance has a statutory responsibility for ensuring that the Council makes arrangements for the proper administration of its financial affairs. Section 114 of the Local Government Finance Act 1988 requires a report to all Council members to be made by the s151 officer, in consultation with the Monitoring Officer, if there is or is likely to be an unbalanced budget.

## Wards Impacted

63. All

## Contact details

For further information please contact the authors of this Decision Report.

## Author

<b>Name:</b>	Debbie Mitchell
<b>Job Title:</b>	Director of Finance
<b>Service Area:</b>	Finance
<b>Report approved:</b>	Yes
<b>Date:</b>	04/02/2026

<b>Name:</b>	Patrick Looker
<b>Job Title:</b>	Assistant Director of Finance
<b>Service Area:</b>	Finance
<b>Report approved:</b>	Yes
<b>Date:</b>	04/02/2026

## Background Papers:

Reports to Executive meeting held on 27 January 2026:

- Financial Strategy 2026/27 to 2030/31
- Capital and Investment Strategy
- Capital Budget 2026/27 to 2029/30
- Treasury Management Strategy Statement and Prudential Indicators for 2026/27 to 2030/31

## Annexes:

None