



# **QUARTERLY MEETING**

**20 February, 2013**

## **BOOKLET TWO**

**Revenue Budget for 2013/14 and  
Medium Term Financial Strategy**

**Appendix 2**

## NORTH YORKSHIRE COUNTY COUNCIL

### UPDATED VERSION OF REPORT TO EXECUTIVE

5 February 2013

### REVENUE BUDGET FOR 2013/14 AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2014/15

Joint Report of the Chief Executive and the Corporate Director – Strategic Resources

<b>EXECUTIVE SUMMARY</b>
--------------------------

#### Context

1. This report makes recommendations to the County Council regarding
  - Revenue Budget 2013/14 and
  - Council Tax for 2013/14 and
  - MTFS for 2014/15

#### Key Points

2. The Executive are asked to determine whether or not they wish to accept the Council Tax Freeze Grant. In-line with the Executive's steer of 22 January 2013 the report has been prepared on the basis that the Grant will be accepted (**Recommendation 15.2**)
3. Two significant areas of increased spending have been incorporated into the Revenue Budget for 2013/14 - £3m on a recurring basis to reflect the number of adults eligible for support from HAS; and £2m on a one-off basis to improve road conditions (**paragraph 7.6**).
4. The Revenue Budget and MTFS continue to reflect additional funding for delivery of the Waste Strategy and the subsequent position of the Pending Issues Provision (PIP) (**paragraphs 8.4 to 8.9**).
5. Based upon the Provisional Local Government Finance Settlement a Revenue Budget shortfall of £10.9m and a further £12.0m has been identified in 2013/14 and 2014/15 respectively (total of £22.9m in 2014/15) (**Section 7**).
6. Savings proposals totalling £18.3m have been identified over the period 2013/14 to 2014/15. It is proposed that further savings proposals are worked up and considered by the Executive and then County Council in the summer / early autumn in order to secure an on-going balanced budget (**Section 7 and Appendix J**).

7. In the interim, it is proposed that General Working Balances (GWB) are earmarked to provide for the budget shortfall of £4.6m over the period 2013/14 to 2014/15. A total of £6.2m would be needed over the two years. The further proposals developed as outlined in 6 above will reduce the dependency on GWB in the event that they can deliver savings before 2015/16. (**Section 7**)
8. The primary changes made to the draft pay policy statement 2013/14 are set out and to be considered by the Executive for recommendation to County Council (**paragraphs 9.11 to 9.17**).
9. The report sets out latest position on changes to Local Government Funding as a result of the Localisation of both Council Tax Benefits and Business Rates. Both changes impact upon the County Council's budget as set out in **paragraphs 9.18 to 9.39**.
10. An assessment is made of the financial challenges beyond 2014/15 in **Section 10**. It is clear that further savings will be required beyond 2015 and they are likely to be of a similar scale to what has been experienced thus far.
11. An assessment has been carried out on the level of GWB it is proposed that the target figure of a minimum of 2% of the net revenue budget be maintained pending a review by the Corporate Director, Strategic Resources during 2013/14 (**paragraph 12.22**). At the same time it is proposed that a review be carried out of Reserves / Balances (**paragraph 12.17**)
12. The Corporate Director, Strategic Resources is obliged to offer a view on the robustness of the estimates used in the Revenue Budget 2013/14 and the associated level of balances / reserves. The Corporate Director, Strategic Resources is satisfied that the report satisfies such a requirement with a proviso that steps are taken during the remainder of 2013 to ensure the necessary level of additional recurring savings are produced and implemented within 2015/16 at the latest (**paragraph 12.24**).
13. A series of technical issues and associated matters are identified in **Section 9**. A series of risks have been considered within **Section 11**.

RICHARD FLINTON  
Chief Executive  
County Hall  
08 February 2013

GARY FIELDING  
Corporate Director, Strategic Resources  
County Hall

# NORTH YORKSHIRE COUNTY COUNCIL

## UPDATED VERSION OF REPORT TO EXECUTIVE

5 February 2013

### REVENUE BUDGET FOR 2013/14 AND MEDIUM TERM FINANCIAL STRATEGY 2014/15

#### 1.0 PURPOSE OF REPORT

- 1.1 For the Executive to make recommendations to the County Council regarding the Revenue Budget 2013/14, the Council Tax for 2013/14 and the Medium Term Financial Strategy for 2014/15.
- 1.2 To update the Executive on the latest changes to Local Government Funding as a result of the 'Localisation of Council Tax Benefits' and 'Localisation of Business Rate's from 1 April 2013.

#### 2.0 CONTEXT

- 2.1 In 2010 the Government announced its Comprehensive Spending Review (CSR) which set out its financial plan for a four year period, 2011/12 to 2014/15. This CSR saw significant reductions in government grant funding to councils and a £69m savings programme over the four year period was subsequently established by the County Council which addressed the anticipated shortfall at that point in time. 2013/14 is therefore the 3<sup>rd</sup> year of that existing 4 year savings plan.
- 2.2 The savings required by the County Council were then increased further when the government effectively re-opened the CSR with proposals in the summer of 2012 to top-slice local government funding in order to fund other initiatives (including nursery places for 2 year olds and City Region Deals). This came at a time when some of the most radical changes in recent times were being made to local government funding with the introduction of localised business rates and council tax benefits (**paragraphs 9.18 to 9.39**).
- 2.3 In October 2012 the government also announced the intention to offer a further Council Tax Freeze Grant for 2013/14. This grant is worth 1% and a referendum trigger point of 2% was also announced. The County Council had planned for a 3.5% increase so a further funding shortfall has to be addressed in 2013/14 and assumptions changed for future years.

- 2.4 On 5 December 2012 the Chancellor of the Exchequer made his Autumn Statement which, as anticipated, set out a revised outlook for economic growth. The Statement suggested that the period of austerity would extend into 2017/18 and further government savings were to be made within the existing CSR period including a 2% further cut in local government funding in 2014/15.
- 2.5 The Local Government Provisional Finance Settlement, which was issued thereafter on 19 December 2012, quantified the financial impact of the top-slices and reductions in government grant funding for both 2013/14 and 2014/15. This was the subject of a detailed Executive report on 22 January 2013 (**Appendix A**).
- 2.6 This report therefore sets out how the County Council intends to address the aggregate funding shortfall in 2013/14 and 2014/15 as a result of those government funding reductions and other contributing factors.

### **3.0 BACKGROUND TO REVENUE BUDGET AND MTFS**

- 3.1 In addition to providing a spending plan for the financial year, the preparation of an annual **Revenue Budget** is a legal requirement in order to set a Council Tax precept.
- 3.2 A **Medium Term Financial Strategy** (MTFS) is not a legal requirement, but given the scale of financial challenges and risks / uncertainties it is important that shorter term decisions are seen in the context of a longer term position. It also ensures that:-
- resources are aligned to achieve corporate objectives over the medium / longer term and
  - the Revenue Budget, Capital Plan and Treasury Management Strategy are appropriately aligned
- 3.3 The objectives of the MTFS, as previously established by the County Council are as follows:
- to support the achievement of the vision and corporate objectives expressed in the Council Plan
  - to meet and respond to the perceived needs and priorities of local people
  - to maintain and improve service quality and the Council's improvement planning priorities so as to secure high performance which is sustainable over the medium term
  - to manage and minimise the risks to local services and customers
  - to achieve effective use of all land and property assets
  - to maintain unallocated general revenue balances equivalent to a minimum of 2% of the net Revenue Budget
  - to contain any rise in the Council Tax to a reasonable level

Given the future financial prognosis these objectives become ever more challenging over the next 2 years plus.

#### **4.0 KEY ISSUES LEADING UP TO 2013/14 BUDGET**

##### **Introduction**

4.1 The MTFs approved in February 2012 was in the context of a second year of a 2 year funding settlement from government. There was therefore little surprise in the final settlement and the most significant consideration was in relation to the acceptance or otherwise of a second year council tax freeze grant (albeit on a one-off basis for 2012/13). The MTFs approved by the County Council in February 2012 therefore:-

- re-affirmed the savings plan in 2013/14 and 2014/15 to deliver £36.9m and £15.5m respectively
- accepted the one-off council tax freeze grant for 2012/13 and
- identified a recurring shortfall of £2.7m in 2013/14 and a further £1.7m in 2014/15 which was to be found from General Working Balances initially (£6.1m required over the two year period).

The updated MTFs therefore starts from the position of a recurring deficit of £4.4m with a savings plan of £16.9m over the next 2 years.

4.2 Whilst the financial position has become ever more challenging, there are investment needs; changes in priorities; new responsibilities; and other changes which need to be reflected. Examples include:-

- responsibility for public health from April 2013
- changes in the health sector and further expectation on integrating health and social care
- rising levels and pressures on adults and children's social care
- the impact of severe weather on the conditions of the highways network
- the ever present drive to improve efficiency across the Council.

##### **Provisional Local Government Settlement**

4.3 DCLG released details of the 2013/14 Provisional Local Government Settlement on 19 December 2012. These allocations were subject to consultation until 15 January 2013 and the final settlement is anticipated in February 2013, but no earlier than the week commencing 4 February 2013.

- 4.4 The Provisional Settlement was the subject of an in-depth report which was considered by the Executive on 22 January 2013 (a full copy of which is attached as **Appendix A**). This report therefore seeks only to summarise the key points which impact upon the Budget and MTFs and to provide additional information where it is available.

### **Headline NYCC Figures of Provisional Settlement**

- 4.5 There are Government Funding reductions of £10.1m (5.9%) in 2013/14 and a further £12.1m (7.6%) in 2014/15. Thus the cumulative loss per annum from 2014/15 is £22.2m.
- 4.6 Based on the 2010 spending review national control total reductions and subsequent announcements these reductions are £1.5m more than expected in 2013/14 and £0.4m lower in 2014/15 - a cumulative £1.1m per annum more than expected.
- 4.7 Analysis by the Sparsity Partnership for Authorities delivering Rural Services (SPARSE) shows that formula funding reductions for rural authorities and shire counties (NYCC in particular) are higher than elsewhere in the country. For formula based funding NYCC's reduction is 7.9% compared with an all Counties average of 6.8% and an average for all authorities of 4.5%.
- 4.8 Under normal circumstances only very minor amendments would be expected between Provisional and Final Settlements but there has been a high degree of lobbying of government from all types of councils as a result of this year's Provisional Settlement. Helpfully there has been some indication from government that they accept that rural councils have suffered disproportionately in the Provisional Settlement. This issue is picked up in more detail later in **paragraph 9.40 to 9.42**.

### **Members Involvement**

- 4.9 As noted earlier, many of the key funding announcements from government have been made in a short period between August and December 2012. As a result, a series of Members Seminars have been held as follows:-
- 14 November 2012 – outline of the emerging financial position given proposed top-slice and council tax freeze grant implications
  - 5 December 2012 – interactive session where groups of cross party Members discussed savings ideas with Corporate Directors and other senior officers

- 9 January 2013 – update on Provisional Funding Settlement and initial assessment of savings position

Each of the Overview & Scrutiny Committees has also held a session with the relevant Portfolio Holder and / or Corporate Director to explore savings proposals and other related issues.

- 4.10 **A copy of this detailed report will also be circulated to all Members as part of the papers for the County Council meeting on 20 February 2013.**

## **5.0 COUNCIL TAX (CT)**

- 5.1 Council Tax (CT) Freeze Grant offers have been made by the Government for 2011/12 and 2012/13, with the County Council having taken up both offers.
- 5.2 In 2011/12 the grant was equivalent to a 2.5% increase in CT if authorities froze their CT levels in that year. The scheme was voluntary but every local authority in the country took up this grant offer with the sum payable to the County Council being £6.149m. To avoid the 'cliff edge' impact on local authority budgets in subsequent years, the Government agreed to continue to pay this grant (at the same cash level) for each year of the Spending Review period up to 2014/15.
- 5.3 A second grant offer for the current year 2012/13 was announced in October 2011 with the grant being 2.5% for local authorities. The key difference between the 2011/12 and 2012/13 offers was that the latter offer was grant payable for one year only in 2012/13. Thus it is not built into the baseline for subsequent years with authorities taking up the grant, including the County Council having to manage the 'cliff edge' impact of the grant in 2013/14. The grant payable to NYCC is £6,164k. Because of this 'cliff edge' impact, not all authorities took up this 2012/13 offer.
- 5.4 In October 2012 the Government announced a third year offer but this is only equivalent to a 1% increase in CT for those authorities that freeze their CT for 2013/14. Unlike 2012/13, however, this will be reflected in baseline funding levels for the rest of the spending review period to ensure there is no 'cliff edge' impact. There is no certainty however as to what will happen from 2015/16 following the next CSR, but it is likely to be 'swallowed up' within the overall envelope of government funding and the reductions expected.
- 5.5 This latest 1% offer is worth about £2.5m per annum to the County Council, which is £6.1m less than the £8.6m that would have been raised from the 3.5% CT increase for 2013/14 (had it been possible) included in the MTFs approved in February 2012. This planned 3.5% increase for 2013/14 (and 2014/15) was higher than the 2.5% included in the previous year's MTFs to substantially



manage the 'cliff edge' impact of the 2012/13 grant offer described in **paragraph 5.3** above.

5.6 The alternatives to accepting the grant offer would be:

- a) Increase CT by 2% (see **paragraph 5.11**) which would still be substantially less than the 3.5% reflected in the approved MTFs and thereby foregoing the 1% grant from Government; or
- b) Increase CT by a percentage higher than 2% which would automatically trigger a referendum (see **paragraph 5.11**). The potential costs, risks and likelihood of a successful outcome associated with a public referendum render this option unviable.

It should also be noted that Ministers within DCLG have suggested that future funding levels may be re-visited where Councils elect to increase council tax thereby declining the freeze grant. A letter has now been received from Brandon Lewis MP Parliamentary Under Secretary of State at DCLG expressing concern about "a small number of councils ... considering rejecting the freeze". There is clearly a risk that those councils who decline the freeze grant are financially penalised in 2014/15 and beyond. A copy of the letter is attached at **Appendix M**.

5.7 The assumptions in this Revenue Budget / MTFs report are that the County Council will accept the 1% CT Freeze Grant for 2013/14 in line with the "steer" provided by the Executive on 22 January 2013. Given that the MTFs last year assumed a 3.5% CT increase, the 2.5% shortfall is being funded as part of the additional overall £23m savings target which is set out in **Section 7**.

5.8 The MTFs approved in February 2012 also assumed a CT increase of 3.5% for 2014/15. As a result of the CT Referendum limit for 2013/14 being only 2% (**paragraph 5.11**), it is however considered prudent to reduce the proposed increase in 2014/15 from 3.5% to 2%.

5.9 Given the history of the previous three years, there is the possibility of a further offer for 2014/15 which might be below the 2% CT Increase now being proposed for 2014/15. This is one of the risk areas identified in **paragraph 11.11**.

5.10 A freeze in 2013/14 is worth £37 for the average Band D household, in relation to the County Council's element of the overall bill when compared to the planned 3.5% increase. A freeze by all authorities reflected in overall CT bills (NYCC, District, Police and Fire) would be worth about £48. The last increase in NYCC's CT was in 2010/11 (2.94%) and the impact of the CT freeze over the three year period 2011/12 to 2013/14 would be as follows.

- RPI impact on NYCC Band D (£1,057.48) over the three year period (9%) is estimated at £95.
- Government Grant offer impact over the three year period (2.5%, 2.5% and 1%) is £65.

5.11 The principles for CT levels, beyond which a CT referendum will be triggered, were confirmed as part of the Local Government Provisional Finance Settlement on 19 December 2012, although the key figure was indicated in October. The key principle is a CT increase above 2% would be triggered. The Settlement did, however, announce a relaxation for District Councils, Police Authorities, Fire Authorities and Police and Crime Commissioners whose CT is in the lower quartile for their class of authority. For these authorities a referendum need only be held where their increase is above 2% and there is a cash increase of no more than £5 in the relevant basic amount of CT. DCLG have provided a list of authorities to whom this relaxation can apply to and the only North Yorkshire authority listed is Hambleton District Council.

**5.12 This report has been based upon the Executive's indication that they were minded to accept the Council Tax Freeze Grant in 2013/14 and then an indicative increase of 2% in council tax for the MTFS in 2014/15. This indicative increase will be reviewed in the budget cycle for 2014/15 alongside the impact of any other relevant changes including the government's pronouncements on council tax arrangements. The proposals in this report mean that a coherent financial plan has been developed for the period 2013/14 to 2014/15 which will support a council tax freeze in 2013/14 should that be the decision of the County Council on 20 February 2013.**

## **6.0 CONSULTATION**

6.1 Appropriate consultation takes place each year as part of the preparation of the MTFS. Given that significant additional savings have been identified the County Council embarked upon additional means of engaging with the public.

6.2 The following were used as means of gauging the views of the public and / or stakeholders –

- Public budget consultation meetings
- Citizens' Panel
- General public (via the web and email shot)
- Staff (via key messages and team meetings)
- Parish and Town Councils (invited to public budget consultation meetings)

In addition, certain voluntary, community and independent organisations are consulted with on directly relevant issues. This is particularly the case within HAS and CYPS where a wide range of service providers are used and there are a number of hard to reach groups.

### **6.3 Public Budget Consultation Meetings**

A series of 7 public budget consultation meetings were carried out in December and January around the County. Each of them was shared with the newly elected Police and Crime Commissioner whilst the events in Skipton, Pickering, Selby and Richmond were also joined by Craven, Ryedale, Selby and Richmondshire District Councils respectively. Despite being held in the evening, the events were not well attended but did provide an opportunity for members of the public to get a brief overview of the financial position of the 3 organisations and the majority of the sessions were focussed on questions from the public. It appears to remain the case that public engagement is easier to achieve when there are specific issues affecting specific localities or service users.

### **6.4 The Citizens' Panel**

The Citizens' Panel provides a consistent method of testing public attitudes towards proposals and a number of budget related questions were put to them. The Panel were asked for their views on council tax, general approaches to savings, and specific areas for spending reductions. The following analysis is based upon 1212 responses that were received to the Citizens' Panel (CP) questionnaire.

- Council tax – 71% of respondents were in favour of a freeze and 25% supported a 2% rise.
- General approaches to savings
  - Most popular were increased use of volunteers (78%); increased use of the internet (75%); and fewer access points/buildings (60%)
  - Least popular were stopping some services (16%); and increasing charges (38%).
- Specific areas for spending reductions – savings in non- frontline services were regarded as “given” and no views sought.
  - Respondents were most accepting of cuts in trading standards and planning (66%); and public transport subsidies and concessionary fares (65%).
  - Respondents were least accepting of cuts in winter roads maintenance (16%); support for children and families with special educational needs and/or disabilities (20%); and children’s social care (20%).

## 6.5 On-line Questionnaire

The on-line response rates were much lower than the Citizens' Panel at 136. Whilst percentages were different, there was little difference in the overall views when compared to the Citizens' Panel.

- 6.6 It should be noted that the consultation carried out was to assess overall attitude towards savings requirements and to establish if there were any clear priorities from members of the public. These events were not a substitute for consultation with the public and service users about specific savings proposals. In the event that the County Council approves the savings proposals then there will be additional consultation carried out in line with the County Council's obligations.

## 7.0 REVENUE BUDGET SAVINGS REQUIREMENT

- 7.1 The report to the Executive on 22 January 2013 principally considered the impact of the Provisional Local Government Finance Settlement. It is therefore necessary to consider the spending requirement of the County Council with reference to its funding position for the next two financial years.

- 7.2 The table below pulls together:-

- i) the funding available alongside the
- ii) increased spending needs less the
- iii) savings already in the MTFs and subsequently
- iv) the shortfall identified and how it will be addressed

Further details can be seen in **Appendix C**

	Notes	2013/14 £000	2014/15 £000	
Net Budget from previous year		363,422	374,464	
Adjustments to Funding	1	18,124	2,075	
Increased Spending Requirement	2	11,735	9,241	
Savings already in approved MTFS	3	(7,917)	(6,980)	
		<b>385,364</b>	<b>378,800</b>	
<u>Funding Available</u>				
General Funding	4	(149,271)	(136,520)	
Council Tax	5	(225,193)	(230,271)	
Shortfall to be funded		<b>10,900</b>	<b>12,009</b>	<b>22,909</b>
<u>Funded by:-</u>				
Savings Proposals	6	9,320	8,989	18,309
Use of Balances	7	1,580	3,020	4,600
<b>Funding of Shortfall</b>		<b>10,900</b>	<b>12,009</b>	<b>22,909</b>
<i>Net Budget</i>		<b>374,464</b>	<b>366,791</b>	

### Notes

1. Mainly as a result of specific grants being incorporated into general funding.
2. There are a number of factors which give rise to increased spending needs:-
  - Pay awards and inflation
  - Changes to assumptions on treasury management and other contributions to Pension Fund deficits etc.
  - Specific growth allocations to reflect
    - ↳ Increasing demand for Adult Social Care as a result of demography (recurring increase of £3m per annum in both 2013/14 and 2014/15) and
    - ↳ Additional Highways spending to improve road conditions (one-off £2m in 2013/14 only).

3. Savings that were agreed as a consequence of the MTFs approved by County Council in February 2012. These saving are effectively part of the £69m savings programme that was embarked upon in 2011/12.
4. Combination of Business Rates (9% local share and DCLG top up) and Revenue Support Grant from government.
5. Assuming a 0% increase in council tax levels in 2013/14 and a 2% increase in council tax in 2014/15.
6. **Appendix J** refers to specific proposals across the Council.
7. The proposal is that balances are used to find the initial shortfall in 2013/14 and 2014/15. This results in balances being used to the value of **£6.2m** (£1,580k x 2 + £3,020k) over the two years.

**7.3 The conclusion of the above is that, over the two years, there is an additional savings requirement of £22,909k and savings proposals of £18,309k have been identified to date. There is therefore a recurring shortfall of £4,600k. It is proposed that proposals are developed to minimise the use of balances over the next two years. However analysis on the General Working Balances has been produced for prudent financial planning purposes on the assumption that such proposals are not identified (i.e. worst case scenario). The consequences of this are further assessed in paragraphs 12.18 to 12.23. (It should be noted that a further £800k of savings are expected in 2015/16 as a result of implementation of the proposals set out in Appendix J. This will have the effect of reducing the on-going savings requirement to £3,800k).**

**7.4** Developments have taken place since August 2012 up to the Provisional Settlement leading to the identification of the cumulative shortfall of **£22.9m**. The table below identifies the contributing factors:-

Component	£m	£m
<u>Council Tax Yield</u>		
2013/14 CT freeze grant at 1% compared with 3.5% increase assumed	6.3	
2014/15 CT increase assumption reduced from 3.5% to 2%	3.8	
		10.1
<u>Government Funding Reductions</u>		
Increased reduction assumed due to top slices	1.0	
Further 2% cut as per Chancellor's Autumn Statement	2.5	
Net assumed loss on Early Intervention Grant	5.7	
Further loss on Provisional Settlement	1.1	
<u>Final Settlement improvement</u>	-0.1	
		10.2
<u>Recurring shortfall as per Feb 2012 MTFS</u>		4.4
<u>Other</u> (e.g. inflation, Treasury Mgt)		(1.8)
<b>Cumulative Shortfall in period 2013/14 to 2014/15</b>		<b>22.9</b>

- 7.5 The timings of events that have led up to identification of, and the scale of, the additional savings mean that it was inevitable that there would be a need to carry out further work to deliver savings proposals to the full value of the recurring shortfall. It should also be noted that, over 2013/14 to 2014/15 there was already a recurring shortfall of £4.4m in the existing MTFS. In order to ensure that the County Council secures a balanced budget without depending upon on-going use of balances it is proposed that **a further set of proposals are brought forward to the Executive in the early stages of the new County Council and that they are then considered at a full County Council meeting in the summer or early autumn of 2013.** This may reduce the reliance on balances during 2013/14 to 2014/15 as described in **paragraph 7.3.**

7.6 As identified above in the notes there are two significant areas of increased spending which are included as “growth” items. These are:-

**a) Increasing demand for Adult Social Care (Demography)**

For the last two years the County Council has included an additional £3m for each and every year to reflect the increasing number of older people who are eligible for support from the County Council. HAS continue to both manage demand as much as possible and then seek to secure the most effective arrangements to meet that demand. As a result, efficiencies are being delivered which supplement the growth budget to meet total demand. The future of social care funding retains a high profile at national level but, at present, there is little evidence to suggest that this increase in demand and cost will not continue. As a result, an additional £3m has been built in to the Budget / MTFS for both 2013/14 and 2014/15.

**b) Additional Highways spending to Improve Road Conditions**

The extremes of weather over recent years have had a significant impact upon roads across parts of the County. A one-off contribution of £2m was made in 2012/13 and it is proposed that a further one-off sum of £2m is provided in 2013/14. It is intended that this funding would be combined with the additional £3.9m announced by government for 2013/14 (see **paragraph 11.4 of Appendix A**). This approach will maximise the impact and effectiveness of repairs against key priority areas. This investment will help maintain our major asset and help reduce our on-going reactive maintenance costs.

**Savings Proposals**

7.7 A series of savings proposals have been produced from across the Council and are set out in detail in **Appendix J**.

The savings proposals are summarised by directorate and year as follows:-



Directorate	2013/14 £000	2014/15 £000	Total £000
BES	2,455	2,321	4,776
Central Services	1,594	1,094	2,688
CYPS	2,221	1,924	4,145
HAS	3,050	3,650	6,700
<b>Total</b>	<b>9,320</b>	<b>8,989</b>	<b>18,309</b>

As mentioned in paragraph 7.3 it should be noted that one of the savings proposals for HAS (**Item 2 of Appendix J / Sheet 4** – Supporting People) is anticipated to deliver £800k of further savings in 2015/16. This, when delivered, will reduce the need for further savings proposals to £3,800k (£4,600k less £800k).

7.8 A number of the savings proposals will require further detail to be worked up including an action plan that addresses consultation and legal requirements (relating to the wider public, users and staff) as well as practical delivery issues.

## 8.0 RELATED ISSUES THAT IMPACT ON THE MTFS

### General Working Balance

8.1 The County Council has a policy of maintaining its General Working Balance (GWB) at a minimum level equivalent to 2% of the annual net Revenue Budget. The value of the GWB is, of course, impacted by in-year under / over spends. Based on the Q2 Performance and Budget Monitoring Report submitted to the Executive on 20 November 2012 there is a projected net in year increase of £10m in 2012/13 with the position shown in the table below

Item	£000	£000	
Total GWB at 31 March 2012		36,107	
- Earmarked for Directorate carry forward		-22,899	
= unallocated GWB at 31 March 2012		13,208	
+ Budgeted contribution to GWB 2012/13		+ 2,501	} + £10m
- Additional spending approved by Executive in April 2012		- 2,400	
+ Forecast in year variations 2012/13			
- Corporate Miscellaneous saving	+ 4,780		
- Directorate savings proposed to be added to the GWB	+ 5,519		
- Less BES net overspend proposed to be charged against the GWB	- 400	+ 9,899	
= <i>Forecast balance at 31 March 2013</i>		23,208	
<i>Minimum 2% target at 31 March 2013</i>		7,268	

8.2 There is, of course, always the uncertainty associated with the weather (i.e. flooding, storms, snow, frost etc.). Although this winter has been relatively mild to date there are still two months to go before the year end. Any prolonged spells of bad weather would overspend the Winter Maintenance budget and reserve and may require a “top-up” contribution from the GWB.

8.3 It is recommended that the County Council continues with its policy of maintaining its GWB at the minimum level equivalent to 2% of annual net Revenue Budget. This matter is addressed in greater detail in **Appendix I** and **paragraphs 12.18 to 12.23**.

### **Waste Strategy**

8.4 The provision of additional funds for the Waste Strategy has been a feature of the MTFS for several budget cycles. A detailed financial model has been developed to reflect all aspects of the overall Waste Strategy, and takes into account inflation; the annual increase in Landfill Tax; the increasing costs over time of recycling, waste treatment (as delivered by the PFI scheme) and residual waste disposal. The long term recurring costs are now estimated as follows -

Financial Year	Year on Year Drawdown £000	Base Budget £000	% increase	
			Year on Year	Cumulative
MTFS period	2012/13	26,725		
	2013/14	+ 3,025	+ 11.3	+ 11.3
	2014/15	+ 2,040	+ 6.9	+ 19.0
<b>Sub Total</b>		<b>+ 5,065</b>		
	2015/16	+ 5,500	+ 17.3	+ 39.5
	2016/17	+ 3,545	+ 9.5	+ 52.8
	2017/18	+ 2,600	+ 6.4	+ 62.5
<b>Total Increase</b>	<b>2012/13 to 2017/18</b>	<b>+ 16,710</b>		

8.5 The above Table identifies that by 2014/15, the estimated additional funding requirement is £5,065k whilst over the extended period to 2017/18 it is £16,710k. The overall cost of the Waste Strategy over this extended period has not fundamentally changed, but the pattern of year on year funding requirements has changed to reflect the latest timetable for the PFI scheme.

8.6 The Table above in **paragraph 8.4** extends beyond the MTFS to reflect the anticipated life cycle of the Waste PFI scheme. As part of the 2008/09 budget cycle the Pending Issues Provision (PIP) was created which provides for the recurring base budget (before inflation) to fund the PFI scheme (and other associated costs within the Waste Strategy). The PFI facility is scheduled to be fully operational by 2017/18 and it is anticipated that the costs will be fully met from the PIP (plus inflation) without additional call upon the County Council's budget.

#### **Pending Issues Provision**

8.7 In addition, to providing long-term funding for the Waste Strategy, the element of the PIP not yet required by the Waste Strategy is available to fund non-recurring items. As **Appendix K** shows, significant allocations have been made to date from the PIP by the Executive. In particular, the PIP has been used recently to fund

- the introduction of re-ablement in HAS
- Bright Office schemes in Craven, Harrogate and Selby
- the transition of ICT systems to a Microsoft infrastructure

- top up funding for the Bedale bypass
- redundancy fund
- One Council initiatives costs

8.8 The projected funding position through to 2017/18 reflecting allocations agreed by the Executive to date, together with updated sums required to fund the Waste Strategy (**paragraph 8.4 to 8.6**), is shown in **Appendix K** with a summary being as follows:-

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Funding Available</b>	£000	£000	£000	£000	£000	£000
initial budget allocations	14,394	14,394	14,394	14,394	14,394	14,394
+subsequent inflationary increases	3,856	5,356	6,856	8,356	9,856	11,356
- allocations to Waste Strategy	-7,367	-10,392	-12,432	-17,932	-21,477	-24,077
+transfer from Community Fund	300					
+funding carried forward from 2011/12	4,610					
+HAS Reablement recycled in 2012/13	2,476					
<b>=funding available</b>	<b>18,269</b>	<b>9,358</b>	<b>8,818</b>	<b>4,818</b>	<b>2,773</b>	<b>1,673</b>
- allocations previously agreed by Executive including some re-phasing between years	-9,673	-1,018	-1,380	-1,964	-997	0
<b>=total PIP remaining to be allocated at</b>	<b>8,596</b>	<b>8,340</b>	<b>7,438</b>	<b>2,854</b>	<b>1,776</b>	<b>1,673</b>
			<b>£30,677k</b>			

8.9 Based on the allocations and earmarked provisions set out in the table in **paragraph 8.8** above there is currently £30.677m available for one off issues in the period to 2017/18. This is until such time as the Waste Strategy draws down its full and final requirement, currently scheduled for 2017/18. It is important to bear in mind however when considering the availability of this £30,677k that the

funds for each year making up the total as shown in the table above do not actually exist until the relevant financial year.

### **Schools Funding**

- 8.10 As in previous years, the Council will continue to receive a specific ring-fenced grant – the Dedicated Schools Grant (DSG) – which funds all school-related responsibilities, included delegated budget shares.
- 8.11 From 2013/14 changes have been made to this grant to include additional responsibilities (such as the requirement to fund 2-year old nursery education and the transfer of all Post-16 High Needs funding to LAs), but there has also been a large top-slice to account for hospital education which will impact disproportionately on all schools. This means that with funding rates remaining for the 3<sup>rd</sup> year at 2010/11 levels, schools and other DSG-funded budgets remain under pressure.
- 8.12 A further issue is that the DSG – for which we currently only have a “best estimate” – will be recalculated regularly throughout the year to take account of future Academy conversions and changes in Early Years numbers. For this reason it is recommended that Executive agrees that the Corporate Director – Children and Young People’s Service is authorised to take the final and any subsequent decisions, as result of continuing amendments to the DSG, on the allocation of the Schools Budget, in consultation with Executive Members (**paragraph 15.2 d**).
- 8.13 Changes to budgets at individual school level are also caused by the government’s funding reforms which are looking to nationalise school funding. These changes have been well-documented although they will be minimised in 2013/14 as a result of transitional arrangements. A full Department for Education review of the changes is about to begin and North Yorkshire has been included as a partner in this review.
- 8.14 Greater detail on DSG and schools related funding can be found within the report on the Provisional Settlement that was considered by the Executive on 22 January 2013 (**Section 9 of Appendix A**).

### **Health and Social Care Funding**

- 8.15 The Council is facing an ever increasing demand for social care support for adults as the population grows older and also with the increasing numbers of younger adults with complex learning and physical disabilities. Nationally this pressure is estimated at a 3% increase in demand year on year. The Council has provided increased budget provision of £3m per annum for this increased demand for each

of the last 2 years despite the large scale of savings required. Increasingly the Council is working with partners in health to help meet the needs of frail older people as they seek to retain their independence for longer and has been successful in managing demand through the use of services such as reablement and telecare.

- 8.16 The government has directed grant funding towards this area, some of which has been used to help transform the ways in which both health and social care are delivered in North Yorkshire. In the Provisional Local Government Funding Settlement it was announced that a further £2.3m and £0.4m was allocated to North Yorkshire in 2013/14 and 2014/15 respectively. It is also worth noting that this resource incorporates new funding for the additional responsibilities arising through from the Caring for our future White Paper. Nationally this is estimated at £100m and increasing by a further £200m over this 2 year period. The NHS Commissioning Board are required to agree proposals, for determining where this expenditure is directed, with the Local Authority and conjunction with CCGs and the Health and Wellbeing board. These plans needs to have regard to the Joint Strategic Needs Assessment, the Joint Health and Wellbeing Strategy and the financial implications of the White Paper. It is anticipated that a sum in the region of £1m to £2m could be secured in order to assist in meeting further demands upon adult social care and / or contributing towards the on-going growth budget which has been funded by the Council's revenue budget.
- 8.17 For the purposes of the 2013/14 budget it has been assumed that £1m will be secured; any shortfall on this will effectively increase the call on the use of balances. Any greater amount would reduce the potential to invest further in integrated community services that will reduce the demand for health and social care.

## **9.0 TECHNICAL ISSUES AND ASSOCIATED MATTERS**

- 9.1 Within the proposed Budget / MTFs package, and as part of the Budget process generally, there are a number of technical issues and associated matters that need to be addressed in this report:-

### **Calculation of Council Tax Requirement and Basic Amount of Council Tax**

- 9.2 The County Council has a duty as a major precepting authority in accordance with Section 42A of the Local Government Finance Act 1992 (as amended by Section 75 of the Localism Act 2011) to calculate its Council Tax requirement each year. Additionally in accordance with Section 42B of the Local Government Finance Act 1992 (as amended by Section 75 of the Localism Act 2011) it must also calculate the basic amount (Band D equivalent) of Council Tax for each financial year.

There is a formal requirement for this calculation to be included in the Budget report. Full details are therefore provided in **Appendix E**.

- 9.3 A full exemplification of the 2013/14 net budget requirement, Council Tax requirement and resulting Band D is shown in **Appendix B** which is based upon the Provisional Local Government Finance Settlement and information provided by District Councils on taxbase and business rates income. This statement also shows equivalent MTFs figures for 2014/15.
- 9.4 **Appendix E** also shows the formal calculation for 2013/14 including the Council Tax levels for each Council Tax Band A to H.

### **Capital Plan**

- 9.5 An updated Capital Plan (for the period up to 31 March 2016) will be submitted to the Executive on 26 February 2013 as part of the Quarter 3 Performance Monitoring report for 2012/13.
- 9.6 The revised Capital Plan will be based on the version approved by Executive on 20 November 2012 but updated to incorporate –
- the implication of capital approvals announced as part of the 2013/14 Provisional Local Government Finance Settlement
  - additions of variations to schemes that are self funded (i.e. through grants, contributions, revenue contributions and earmarked capital receipts)
  - re-phasing of expenditure between years
  - virements between schemes resulting from variations in scheme costs (e.g. arising from a tender process) and on-going reassessment between priorities within a Directorate's finite central total
  - additional schemes and provisions approved by the Executive
  - various other miscellaneous refinements
- 9.7 Although a detailed Capital Plan is not being submitted to this meeting (see **paragraph 9.5** above), the expenditure / financing requirements of the Plan are available in sufficient detail to enable the reports referred to below in **paragraph 9.9** to be submitted to this meeting.
- 9.8 Accordingly, the financing costs (interest and principal) required to finance this updated Capital Plan are reflected in the 2013/14 Revenue Budget package within Corporate Miscellaneous – see **Appendix L**. Financing costs for the subsequent years are also reflected within the MTFs papers (see **Appendix D**).

9.9 Members will be aware that the way in which the borrowing requirements for the Capital Plan of the County Council are now managed and financed is directly linked to:

- the **Prudential Indicators**
- the **Treasury Management** arrangements

Because of these close links, reports on both of the above are also included on this Agenda and need to be recommended to the County Council as part of the “Budget set”.

9.10 Because of the direct links between the size of the Capital Plan and the impact of consequential financing costs on the Revenue Budget / MTFS, the Treasury Management report referred to in **paragraph 9.9** above reflects the principle, agreed several years ago, to cap the level of capital financing costs as a proportion of the annual Net Revenue Budget. The level set at 11% will continue to accommodate the impact of the Capital Plan but will place a constraint, unless Members consciously reset this limit by the use of locally determined Prudential Borrowing. As indicated in the separate Treasury Management report, the level will automatically be reviewed annually as part of the Budget / MTFS process.

### **Pay Policy Statement 2013/14**

#### *Introduction*

9.11 The first pay policy statement was published in April 2012 in accordance with the Localism Act. It needs to be produced annually and can be amended in year on resolution by full County Council. It does not require schools staff to be included.

9.12 This report sets out the primary changes made to the draft pay policy statement for 2013/14 for agreement by full County Council.

#### *Changes*

9.13 There have been limited changes from the statement covering 2012/13 as follows:

- Removal of one Assistant Chief Executive – Policy, Performance and Partnerships
- Creation of Director Strategic Projects funded by NYNet (fixed term to April 2015)
- Reduction in 2 Assistant Director posts

#### *New appointments - Approval of salary packages in excess of £100k*

9.14 The pay policy statement details the pay arrangements and salaries for Chief Officers. An appointment will not be made to an alternative or varied pay and remuneration package without a recommendation being submitted by the Chief



Officers Appointments and Disciplinary Committee to full County Council and agreed by it.

- 9.15 The transfer of Public Health from NHS Trust to NYCC will be implemented in April 2013. This will result in a new post of Director for Public Health which is likely to be graded at Assistant Director level subject to job evaluation and is a Public Health Consultant with a salary equivalent to the Assistant Director pay range.

*Amendments to pay policy*

- 9.16 There is no expectation that this policy will need amending during the period it covers (April 2013 to end of March 2014). However if circumstances dictate that a change of policy is necessary and appropriate during the year then a revised draft policy will be presented to full County Council for consideration.

*Transparency*

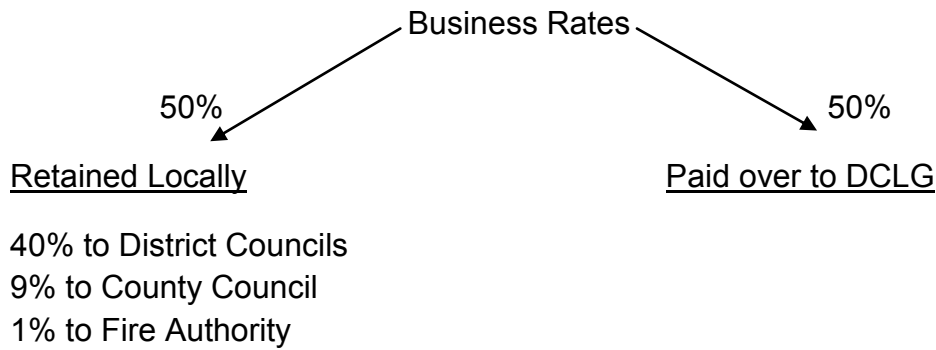
- 9.17 All the information provided in the attached pay policy statement has been fully disclosed and accessible to the public for a number of years via the website and published data and information

**Localisation of Local Government Funding**

- 9.18 A significant feature of the 2013/14 Local Government Finance Settlement is the introduction from 1 April 2013 of the Localisation of Business Rates and Council Tax Benefits. A report on these two significant changes to the Local Government Finance System was submitted to the Corporate and Partnerships Overview and Scrutiny Committee on 26 November and is included within **Appendix A**.
- 9.19 The forecast impact of both these significant changes is incorporated into the 2013/14 Budget and the 2014/15 MTFS proposals covered in this report with key points being as follows:

***Localisation of Business Rates (BR)***

- 9.20 Up to 31 March 2013 BR are collected by Billing authorities based on a nationally set rate and paid into a national pool which is then redistributed to councils, along with revenue support grant, as part of the four block formula based grant model.
- 9.21 From 1 April 2013 BR continues to be set at a national rate but will be distributed differently as illustrated in the Table below:-



Based on information provided by Districts, the proposed budget includes £18.8m for 2013/14. Future year's income will depend on actual levels of BR collected by the Districts.

- 9.22 The current 'four block grant model' used for determining annual grant allocations is being used for the last time to determine 'start up funding baselines' for each council. This is to ensure that no council is any worse off at the start of the new system than if the system had not been introduced. Formula based start up funding for NYCC is £148.1m in 2013/14 and an indicative £136.1m in 2014/15.
- 9.23 To fund local authorities at their formula based 'start up funding baseline' for 2013/14 a series of 'tariff' and 'top up' payments between councils and the government have been established. Because NYCC's 9% locally collected BR baseline of £18.2m is well below the £148.1m baseline a top up of £41m (as calculated by DCLG) is being paid in 2013/14. In future years this top up sum will be increased annually by RPI.
- 9.24 The final figure in the government funding equation is the payment by DCLG of Revenue Support Grant (RSG). For NYCC in 2013/14 this is £88.9m made up of:

Item	£m
NYCC funding baseline	148.1
Less 9% of District BR baseline	(18.2)
Less BR top up from DCLG	(41.0)
= RSG	88.9

This RSG payment will be flexed in future years to fit the national control totals that arise from future spending review periods. In the foreseeable future this is expected to equate to a reduction.

- 9.25 There is a safety net to protect councils from significant negative shocks to their future BR income. This will be funded by a levy on councils that are deemed to experience disproportionate financial benefit from their BR growth.
- 9.26 Councils can form pools which aggregate level payments and BR growth amongst member authorities. It is up to the pool to decide how to distribute BR revenue. Pooling offers councils opportunities to share both the risks and rewards of the BR system over a wider area and to co-operate to maximise the potential for growth. At present there is no proposed pooling arrangement that involves the County although Harrogate Borough Council are currently within the Leeds City Region pool.
- 9.27 A full re-set of the system is not proposed until 2020.

#### ***Localisation of Council Tax (CT) Benefits***

- 9.28 Support for CT Benefits up to 31 March 2013 is based on national policy with rules set by central government. CT billing authorities administer this national scheme on a local basis but reclaim the costs from the government through the Department of Works and Pensions.
- 9.29 Support for CT is being localised from 1 April 2013 and government funding to Councils is being reduced by 10%. This forms part of the Government's wider commitment to reduce benefit dependency and worklessness.
- 9.30 The District Councils in North Yorkshire have to design, implement and run a local scheme to provide CT support in their area. These schemes have to be consulted on with major preceptors (such as the County Council) and the public ready for implementation from 1 April 2013.
- 9.31 Final schemes must be adopted by 31 January of each year and if a local scheme is not in place by this date, a national default scheme (essentially the current CTB scheme for working age recipients) is applied. There is therefore a strong financial incentive to avoid the imposition of the default scheme, as this will limit council's ability to adjust benefits / discounts to manage the 10% funding reduction.
- 9.32 There is freedom to design local schemes for working age claimants only. The current nationally set level of benefits for pensioners must be reflected in local schemes, which also need to have regard to the most vulnerable. The impact of the cut on working age claimants is therefore much greater than 10% due to the protection of pensioners if Councils are seeking to fully cover the funding cut by

this means. In North Yorkshire about 55% of the claimant cost relates to pensioners.

- 9.33 CT benefits now become fully integrated into the CT system with support being offered as a reduction, or discount on CT bills. This means that local decisions about discounts will need to be taken as part of the CT setting process.
- 9.34 The Government are providing a grant to councils to support the localisation which is based on historical levels of benefits reduced by 10%. As a result the grant does not take into account any future increase in demand due to the economic downturn together with other factors that will increase costs such as bad debts.
- 9.35 As benefits become CT discounts, the total CT yield also reduces and this impacts on the billing authority and major precepting authorities such as the County Council. Grant is being paid to these authorities in line with their shares of the CT in each area. As a result 69% of the risk exposure falls to the County Council.
- 9.36 NYCC's grant for 2013/14 is £22.7m and is part of the overall BR Localisation start up funding baseline of £148.1m referred to in **paragraph 9.22** above. This grant is based on:

Item	Total £m	NYCC share £m
Estimate of CT Benefits Cost 2013/14	36.6	25.3
Grant @ 90% level of estimated costs	32.9	22.7
Loss of Funding	3.7	2.6

- 9.37 The funding cut impact on NYCC is therefore £2.6m. Following consultation with the Districts in the summer, all North Yorkshire Districts resolved to fully cover the cut in funding through a combination of local proposals involving
- a) Reduced support for all working age claimants and tightening up on other benefits (All DCs except Harrogate)
  - b) The balance would be bridged using recently introduced freedoms on some CT discounts and exemptions such as second homes and empty properties (All DCs).
- 9.38 As local schemes across the country were being consulted upon, the Government became concerned that significant cuts to the level of benefits were being proposed by many authorities – initial indications suggested that some North Yorkshire DCs may have cut benefits by up to 30%. In October the government therefore announced transitional funding for authorities who restricted their cuts in

benefits to no more than 8.5%. This funding is for one year only and is worth £897k for all North Yorkshire councils with the County Council element being £617k. All NYCC Districts subsequently reviewed their earlier proposals and have now redesigned their local schemes with an expectation of qualifying for this funding.

- 9.39 NYCC Districts have not yet finalised their local schemes or are in the latter stages of doing so. Based on the CT base figures provided and reflected in this report, it is apparent that each has succeeded in more than covering the funding cut for all affected authorities (DCs, NYCC, Police and Fire). This is to be welcomed, particularly given the administrative burdens and tight timescales that they have been faced with and the very late developments including the Transitional Grant offer mentioned in **paragraph 9.38** above. A large part of this achievement is due to tightening up on various CT discounts and exemptions (**paragraph 9.37 (b)**) rather than radical cuts to existing levels of benefits.

### **Final Settlement Announcement**

- 9.40 The Provisional Local Government Finance Settlement announcement for 2013/14 (also providing indicative figures for 2014/15) was made on 19 December 2012. This was much later than in previous years when it has usually been made in late November or very early December. The consultation period for this announcement ended on 15 January 2013 and the final announcement following consideration by the Government to the consultation responses will not be until February 2013.
- 9.41 This report is therefore based on the provisional figures announced on 19 December 2012. Based on recent years, changes reflected in the final settlement, if there are any at all, are likely to be limited. Following the County Councils response to the consultation, along with those from SPARSE and other rural authorities, an improvement to NYCC's figures would however seem justified. A statement by The Leader of the House of Common on 17 January 2013 indicated that Ministers agreed with evidence showing that rural areas are comparatively underfunded and that a correction would be made, which is welcomed. At this stage there is, however, no detail.
- 9.42 Assuming that the final announcement is made before County Council on 20 February 2013 and that there are no significant variations for the authority for either 2013/14 or 2014/15, it is proposed that any variations are made to the residual contribution required from the General Working Balances in each year. Although this would change the net budget requirement recommendation (**paragraph 15.2 c)**) the two key 2013/14 budget recommendations to County Council in this report for net Council Tax requirements (**paragraph 15.2 a)**), and basic amount of council tax (**paragraph 15.2 b)**) would remain unchanged.

## 10.0 BEYOND 2014/15

- 10.1 The CSR of 2010 provided a financial planning framework for a 4 year period (2011/12 to 2014/15). The Council's MTFS has therefore worked within these parameters but we are now approaching Year 3 of those four years and there is no further precise information available to provide a meaningfully detailed financial plan beyond that period. The MTFS contained within this report therefore provides detailed information for 2013/14 and 2014/15 only at this stage.
- 10.2 Despite the lack of precise information there is a need to form a view as to the financial position for the medium term (i.e. beyond the next 2 years). Without at least a high level view it will not be possible to ensure that planning and decisions are sustainable.
- 10.3 Following the Chancellor's Autumn Statement of 5 December 2012 we do know, however, that public expenditure in 2015/16 and 2016/17 will continue to decrease at the same rate as the CSR of 2010. We were also told that detailed spending plans for 2015/16 will be published in the first half of 2013 and that health, schools and overseas development will continue to be protected from further reductions. The Chancellor suggests that there will be a sustained period of austerity up to and including 2017/18 and many economic commentators believe this is a "best case" scenario.
- 10.4 Given the limited knowledge indicated above a high level assessment has been produced for the four years following 2014/15. It includes an assessment of:-
- Pay and price increases
  - Known additional spending requirements (e.g. increase in pensions costs for employers due to abolition of contracted out arrangements for both employers and employees)
  - Council tax increases at 2% per annum (or equivalent yield in the event of further freeze grants)
  - No increased employers contribution to the North Yorkshire Pension Fund
  - A continuing £3m per annum for Adult Social Care
  - Various other assumptions such as interest rate movements, Local BR growth, New Homes Bonus, loss of academy funding, RPI uplift to BR top up etc.
- 10.5 The assumed reduction in government funding is speculative. Assuming a similar trajectory over a 4 year period would equate to something like a further 30% reduction over the period 2015/16 to 2018/19. Given the previous funding reductions, the base government funding position has reduced so, whilst the percentage may be similar, the absolute reduction will be less.

10.6 The table below draws together the above assumptions:-

Item	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
<b>Additional Costs</b>				
Inflation	6.7	6.9	6.9	5.4
2% pay awards provision	2.8	2.9	3.0	3.0
Increased employers NI costs re contracted out			2.3	
HAS Adult Care	3.0	3.0	3.0	3.0
Other	-1.0	-1.4	-0.5	-0.5
	<b>11.5</b>	<b>11.4</b>	<b>14.7</b>	<b>10.9</b>
<b>Additional Funding</b>				
2% Council Tax increase each year + taxbase	5.2	5.3	5.4	5.5
Localisation of BR	1.6	1.7	1.8	1.8
2014 CSR (assumed 30% loss on £120m over years = 7.5% pa)	-9.0	-9.0	-9.0	-9.0
Other	-0.4	-0.3	-0.3	-0.3
	<b>-2.6</b>	<b>-2.3</b>	<b>-2.1</b>	<b>-2.0</b>
<b>Net shortfall</b>	<b>14.1</b>	<b>13.7</b>	<b>16.8</b>	<b>12.9</b>
<b>Cumulative</b>	<b>14.1</b>	<b>27.8</b>	<b>44.6</b>	<b>57.5</b>

As a result of the above, there is anticipated to be a further recurring shortfall of circa £57m over that 4 year period. It is unlikely that government funding reductions will be profiled as smoothly as in the Table above, particularly given the general election date of 2015, but further refinement will only be possible following the detailed spending plan expected in the early half of 2013. As with the 2010 CSR, there may well be a high degree of frontloading (i.e. higher levels of cuts in the early years).

10.7 Some of the assumptions that underpin the above cannot be regarded as definitive but, even allowing for a high degree of tolerance, it is clear that:-

- i) **further savings will be required beyond 2015 and they are likely to be of a similar scale to what has been experienced thus far; and**
- ii) **decisions made in the Budget / MTFS over the next two years need to be made in the context of this challenging prognosis.**

## **11.0 RISK ASSESSMENT**

11.1 There are always a number of key risk factors that need to be considered in determining the Budget / MTFS for the County Council. Given the context of existing savings programmes; changes to funding; localisation of benefits and business rates; further funding reductions, the number and severity of risks is considered to be of a significantly higher magnitude. The following list identifies some of the key risks but it should not be regarded as exhaustive.

### **North Yorkshire Pension Fund (NYPF)**

- 11.2 NYCC is the administering authority for the NYPF on behalf of 78 employers, including the County Council. Every three years a full Triennial Actuarial Valuation is undertaken to determine the appropriate employer contribution rates for each individual employer, to finance the long term (i.e. staff pension) liabilities accruing in the Fund. The most recent Valuation, based on employee data at 31 March 2010, established employer contribution rates for the three years 2011/12 to 2013/14.
- 11.3 NYCC currently accounts for employer contributions within each service area by applying a rate of 19.2% to pensionable pay. This rate includes an element of contribution towards the deficit, as well as accounting for the cost of pension benefits accrued within each year. The contribution towards the deficit must meet the requirement established by the Actuary at the last Triennial Valuation but mainly due to falling staff levels this will not be the case. There is therefore a provision within Corporate Miscellaneous of £2.1m in 2013/14 and 2014/15 to cover this shortfall. The level and on-going need for this provision will be reviewed after the next valuation.
- 11.4 The next Triennial Valuation is scheduled for 31 March 2013 and the resulting employer contribution rates will come into effect for the three years from 2014/15.
- 11.5 An Interim Actuarial Valuation takes place at each year end between the Triennial Valuation dates which are informal and have no impact on employer contribution rates. They do however provide useful information to the Fund and its employers including a forecast of possible employer contribution rates resulting from the next Triennial Valuation.
- 11.6 The results of the Interim Valuation at 31 March 2012 were released to employers in September 2012. They took into account the improvement in the value of assets held by the Fund since 31 March 2010 of 16%, which was broadly in line with expectations, and the increase in the value of liabilities over the same period of 34%, which was not. The increase in liabilities was primarily due to the dramatic fall in Gilt yields which are used as a proxy discount rate to value liabilities. Lower yields result in higher liability values and vice versa.



- 11.7 The forecast increase in liabilities at the Triennial Valuation date will place upwards pressure on employer contributions. However there are potential mitigating factors including the introduction of the new LGPS 2014 scheme which will be less costly for employers; assets of the Fund having increased by a further 5% over the 9 months since 31 March 2012 with; liabilities being broadly unchanged over the same period. Given these mitigating factors and other variables **no provision has been made in the MTFS for 2014/15 for any increased employer contributions from 1 April 2014**. This position will be monitored closely however as information becomes available through the Triennial Valuation process.
- 11.8 **Further reductions in Government Grant** – the MTFS is based upon information derived from the 2013/14 Provisional Financial Settlement. If these assumptions are revisited then each 1% reduction is equivalent to £1.3m.
- 11.9 **Levels of Business Rates collected by North Yorkshire Districts** – the MTFS is predicated on assumptions of Business Rates collection but the County Council will receive its 9% share of what is actually collected. The County Council's exposure to adverse movements in Business Rates is relatively insulated and each 1% increase or decrease is equivalent to £190k.
- 11.10 **Localisation of Council Tax Benefits** – similarly to Business Rates, assumptions have been made about collection rates of Council Tax including those households who receive lower levels of Council Tax Benefit / discount following localisation. In the event that collection rates are lower than anticipated then the County Council will also receive a proportionately lower share. The impact of benefits costs and collection rates now falls on the taxbase and a 1% increase or decrease would equate to £2.3m.
- 11.11 **Council Tax increases in the future** – the MTFS assumes a 2% increase in Council Tax 2014/15. If the new County Council were minded to set Council Tax at a different level or a further Council Tax Freeze Grant was to be accepted then a 1% increase or decrease would equate to £2.3m.
- 11.12 **Demand levels for services** – services such as Adult Social Care, Children's Social Care, Waste and Highways are all to some extent demand related. There is a risk that demand outstrips resources. The Budget / MTFS reflects a growth element for Adult Social Care, Waste and Highways. In addition, prioritisation takes place within Directorates and is backed up by Balances and Reserves should that be necessary. Quarterly performance and budget monitoring arrangements should aid in identification of any pressures over and above existing budget levels.
- 11.13 **Inflation and Pay Levels** – Public sector pay has been capped for 3 years and there is a risk that future pay awards exceed budget assumptions. Similarly there

is a risk that inflation picks up again and exceeds MTFS assumptions. This is particularly significant in areas where there may be challenges from service providers (e.g. independent sector providers for HAS). An additional 1% pay award would broadly equate to £1.4m; a 1% increase in inflation would also broadly equate to £1.9m.

- 11.14 **Interest Rates** – the budget for 2013/14 and MTFS for 2014/15 is based on a forecast of interest rates starting to rise in the last quarter of 2014/15 and then continuing to steadily increase. Any significant deviation to this in either timing or rate of increases will impact on both investment returns and potential new external borrowing costs.
- 11.15 **Specific Grants** – whilst the total level of specific grants is reducing in line with the changes in Government Funding, there are some grants which play a significant part in funding council services, such as Health and Social Care funding and Education Services Grant. Erosion of these grants through reductions or an increasing number of schools converting to academies will have an adverse impact and will require close monitoring.
- 11.16 **General Working Balances (GWB)** – the next 2 years plus will see a significant degree of turbulence and an adequate GWB will be essential. As outlined in **paragraph 8.1 to 8.3** the GWB is anticipated to be above the 2% minimum policy level which provides a degree of comfort. The on-going situation will need to be monitored closely.
- 11.17 **Reserves / Balances** – Reserves / Balances have been reviewed (**Appendix I**) and are to be subject to a further in-depth review in 2013/14. The current assessment is that the level of Reserves / Balances is adequate and presents a low risk although any un-planned drawdown of the Reserves / Balances would require a re-assessment. It is intended that a full review take place on Reserves / Balances as identified in **paragraph 1.3 of Appendix I**.
- 11.18 **Delivery of Savings Programme** – a combined savings programme of £33.2m over 2013/14 and 2014/15, following on from delivery of £52m of savings up to March 2013, presents a constant challenge to the capacity and resilience of the County Council. A successful track record of delivery to date combined with rigorous monitoring of progress and support needs means that there is high confidence of delivery. Areas of significant difficulty will, however, need to be identified early and remedial action implemented.
- 11.19 **Cost Pressures from other Agencies** – given the scale and pace of public sector budget reductions there is a significant risk that savings made by one organisation are “shunted” on to the County Council given our obligations. This risk is most acute in Adult and Children’s Social Care. Dialogue with key partners is an essential feature in order to mitigate and identify any such risks at an early stage.

- 11.20 **Unplanned events / emergencies** – adverse weather conditions, disasters and unforeseen events will remain a constant feature. The level of GWB and wider organisational resilience help to deal with such events as much as is practically possible.
- 11.21 The above does not consider the impact of anticipated further reductions in Government Grant funding beyond 2014/15. This issue is explored in further detail in **Section 10**.
- 11.22 **Whilst the County Council has become well versed in delivering savings, the need to deliver further savings remains of paramount importance in balancing its Annual Revenue Budget. A number of other significant changes to council funding and the on-going uncertain economic position present compounding challenges which the County Council will face and need to address in order to deliver its key objectives.**
- 11.23 A number of these risks align to the **Corporate Risk Register** which is attached as **Appendix G**.

## **12.0 LEGAL IMPLICATIONS**

- 12.1 The legal duties upon the Council to calculate the budget, Council Tax requirement and the amount of Council Tax are set out in the report and particularly in **paragraph 9.2** and the remainder of this Section.

### **Equality Implications**

- 12.2 The County Council must demonstrate that it pays due regard in developing its budget and policies and in its decision-making process to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people when carrying out their activities with regard to the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex (gender) and sexual orientation. This includes compounding factors such as the rural nature of the county and the cumulative impact of proposals on groups with protected characteristics across the range of services. The impact of decisions on the County Council's activities as a service provider and an employer must be considered.
- 12.3 At the earliest possible opportunity, significant proposed changes in service provision and budget are screened to identify if there are likely to be any equality implications.
- 12.4 If equality implications are identified, the County Council uses an Equality Impact Assessment (EIA) process to support the collection of data and analysis of

impacts and to provide a way of demonstrating due regard. EIAs are developed alongside savings proposals, with equalities considerations worked into the proposals from the beginning.

- 12.5 If a draft EIA suggests that the proposed changes are likely to result in adverse impacts, further detailed investigation and consultations are undertaken as the detailed proposals are developed. Proposed changes will only be implemented after due regard to the implications has been paid in both the development process and the formal decision-making process.
- 12.6 Where the potential for adverse impact is identified in an EIA, services will seek to mitigate this in a number of ways including developing new models of service delivery, partnership working and by helping people to develop a greater degree of independent living.

## **Statutory Requirements Relating to Budget**

### **Background**

- 12.7 An analysis of the requirements of the Local Government Act 2003 as it affects the Budget setting process is provided in **Appendix H**. The key part is Section 25 which is addressed below.

### **Section 25**

- 12.8 Under the terms of Section 25 of the Local Government Act 2003 the s.151 Officer is required to report to the County Council, at the time when it is making its Precept, on two specific matters:-

- **the robustness of the estimates** included in the Budget, and
- **the adequacy of the reserves** for which the Budget provides

- 12.9 The County Council then has a statutory duty to have regard to this report from the s.151 Officer when making its decision about the proposed Budget and consequential Precept (see **paragraph 12.24** below for the Section 25 opinion of the s.151 Officer).

### **Robustness of the estimates**

- 12.10 In accordance with the principles laid out in **Appendix H**, the Corporate Director, Strategic Resources has undertaken a full assessment of the County Council's potential financial risks in the period 2013/14 to 2014/15 including:

- the realism of the Revenue Budget 2013/14 estimates for
  - price increases
  - fee / charges income
  - loss / tapering of the remaining specific grants and / or changes to their eligibility requirements
  - provision for demand led services
  - the financing costs arising from the Capital Plan. The existing policy decision to establish a cap (at 11%) on the level of capital financing charges as a proportion of the annual Net Revenue Budget provides additional assurance on this aspect of the Budget
  - the impact of current and forecast interest rates on the expected returns from investment of cash balances
  - the probability of achieving the necessary savings targets required to minimise any further likely drawdown on Reserves / Balances
  
- the realism of the Capital Plan estimates in light of
  - the potential for slippage and underspending of the Capital Plan
  - the possible non- achievement of capital receipts targets and its implications for the funding of the Capital Plan
  
- financial management arrangements including
  - the history over recent years of financial management performance
  - the impact on current financial management arrangements of the budget savings required on finance and related functions across the Council, whilst at the same time retaining a capability to help achieve the necessary saving targets across the County Council as a whole
  
- potential losses including
  - claims against the County Council
  - bad debts or failure to collect income
  - major emergencies or disasters
  - contingent or other potential future liabilities

12.11 An assessment has also been made of the ability of the County Council to offset the costs of such potential risks. The MTFs therefore reflects:

- the provision of a contingency fund in the Corporate Miscellaneous budget (albeit at a proposed lower level from 2013/14)
- specific provisions in the accounts and in earmarked reserves
- a commitment to maintain the level of the General Working Balance at its minimum 2% policy target level

- comprehensive insurance arrangements using a mixture of self funding and external top-up cover

12.12 Estimates used in the Budget / MTFS for the years 2013/14 and 2014/15 are also based on pragmatic assumptions taking into account:

- future pay and price increases across all services
- anticipated further reductions in both specific and general grants
- the impact of the economic situation on future interest rates, the Council Tax taxbase, District Council Collection Fund surpluses and deficits, (including the impact of reduced Council Tax Benefit funding) and the future levels of Business Rates collected in North Yorkshire.
- policies and priorities as expressed in the Council Plan and associated Service Plans
- the need to plan for the forecast costs of the Waste Strategy in the years beyond 2014/15
- commitments in terms of demographic changes and other factors that create demand for services (e.g. adult social care, safeguarding of children, adverse weather on highways)

12.13 Whilst these estimates for future years are based on pragmatic assumptions, some elements are inevitably subject to a degree of potential variance. The County Council operates on a basis of cash limited budgets for each Directorate. There is therefore an expectation that each Directorate will ensure that any potential overspends will firstly be offset against elsewhere within the Directorate budget.

12.14 These cost pressures and variances are monitored on a regular basis and reported, alongside other key performance information, to the Executive on a quarterly basis. The Budget process also provides an annual opportunity to comprehensively review and recalibrate the future years within the MTFS. These monitoring processes have been, and will continue to be, critical in identifying the progress of the County Council in achieving the savings targets that underpin the proposed MTFS.

### **Adequacy of Reserves and Balances**

12.15 The next two financial years pose significant financial challenge and also present an increase in the number of risks (**Section 11**) which could cause further turbulence. Whilst robust budget monitoring will assist, the availability of 'one-off' funding from Reserves and Balances is likely to be of crucial importance.

12.16 Based on this analysis, the Budget / MTFS proposals reflect:

- i) maintenance of the policy target level of a minimum of 2% for the General Working Balance (GWB) (see **paragraph 12.18 to 12.23** below)
- ii) a planning assumption to use the GWB to fund the forecast shortfall of **£1,580k** in 2013/14
- iii) a planning assumption to use GWB to fund the forecast accumulative shortfall of **£4,600k** in 2014/15.

In the case of ii) and iii) above, it is intended that savings proposals be developed and where possible reduce reliance on the GWB in advance of 2015/16.

12.17 The Corporate Director, Strategic Resources intends to carry out a full review of Reserves and Balances in 2013/14 as described in greater detail in **paragraph 1.3** of **Appendix I**.

### **General Working Balance**

12.18 The MTFS policy in relation to the GWB is to achieve, and then maintain, a level of the GWB equivalent to a minimum of 2% of the net Revenue Budget.

12.19 This policy is accompanied by a set of “good practice rules” (see **paragraph 2.5** of **Appendix I** for full details). The Executive remains committed to maintaining this target level throughout the MTFS period and recognises that the “rules” are part of the financial discipline required to ensure the County Council achieves that policy aim.

12.20 Taking into account the fact that the value of the net Revenue Budget changes each year, the likely year end figures for the GWB are summarised below.

**Appendix I Sheet 2** provides full details of the various movements on the GWB that arise from the proposals in this report.

Year End Date	MTFS Feb 2012		MTFS Feb 2013	
	£000	% of Net Revenue Budget	£000	% of Net Revenue Budget
31 March 2012	10,542	*	13,208	o
		<b>2.9</b>		<b>3.6</b>
31 March 2013	13,043		23,208	*
		<b>3.6</b>		<b>6.4</b>
31 March 2014	10,299		<b>21,628</b>	
		<b>2.8</b>		<b>5.8</b>
31 March 2015	5,880	†	<b>17,028</b>	
		<b>2.0</b>		<b>4.6</b>
31 March 2016	N/A		<b>17,028</b>	✓
		<b>N/A</b>		<b>4.7</b>

Notes:

- \* projected
- o actual
- † in practice GWB would be topped up to £7.449m (=2%) from the PIP
- ✓ would be reduced by any unfunded savings requirement from the current 2013/14 budget and 2014/15 MTFs together with any shortfall from the 2015/16 MTFs to be identified next year.

- 12.21 On the basis of the GWB at 31 March 2012 (£13.208m) and the projected GWB at 31 March 2013 (£23.208m) it is evident that the County Council is ahead of its policy target level of a minimum of 2%. There are however likely to be significant future pressures on the GWB in terms of the years beyond 2014/15 (**section 10**) and potential calls on the GWB in relation to the number of items set out in **paragraph 2.9 of Appendix I**. Furthermore given the number of risk factors outlined in this budget report (**Section 11**) and scale and size of savings required across the Council, the GWB is needed to provide a buffer in the event of risks transpiring and / or savings not being achieved.
- 12.22 **Noting the projected level of GWB it is proposed that the target figure for the GWB be maintained at a minimum of 2% of the net Revenue Budget pending a review by the Corporate Director, Strategic Resources during 2013/14. This review will be carried out as part of the review of Reserves and Balances (paragraph 12.17). Any proposed change to the policy would, ultimately, require approval from full County Council.**
- 12.23 Given these potential future pressures on the GWB the Corporate Director, Strategic Resources is satisfied that the good practice rules (referred to in **paragraph 12.19** above) are in place to ensure that the necessary consequential actions will be taken as and when required.

**Section 25 opinion of the Corporate Director, Strategic Resources**

- 12.24 **Taking all these factors and considerations into account the Corporate Director, Strategic Resources is satisfied that the estimates used in the Revenue Budget 2013/14 and the associated MTFs for 2014/15, as proposed, are realistic and robust and that the associated level of balances / reserves is adequate within the terms of the approved policy. This opinion has the proviso, however, that given the potential Revenue Budget shortfalls forecast in 2013/14 and 2014/15, the s.151 Officer would expect to see steps taken during the remainder of 2013 to ensure that the necessary level of additional recurring savings are produced and implemented within 2015/16 at the latest. In practice this involves a preliminary consideration of such**



**savings proposals at full County Council in the summer / early autumn of 2013 recognising the lead-in time required for implementation of proposals.**

**13.0 DELEGATION ARRANGEMENTS**

13.1 It is the responsibility of the Executive to ensure the implementation of the Budget once it is agreed by the County Council, and the Officer Delegation Scheme sets out the authority delegated to the Corporate Directors in relation to the implementation of the Budget within their service areas, subject to the Budget and the Policy framework.

**14.0 CONCLUSION**

14.1 The most immediate financial challenge ahead for the County Council is ensuring delivery of the additional savings proposals identified in this report and then working up further proposals to ensure a balanced budget is achieved on a recurring basis. This is, of course, on top of existing savings plans.

14.2 Whilst there is no accurate assessment of Local Government Finance beyond 2014/15, it is clear that there will be a prolonged period of austerity. Whilst the next two years will present challenges, further significant savings will be required in 2015/16 and beyond. Planning will now need to take place in order to prepare for this eventuality.

14.3 Given the scale of savings, it will not be possible to simply save money by delivering greater efficiency or changes to non-frontline services alone. Inevitably there will be a need to save on frontline services either through different approaches or, in some cases, simply ceasing provision of that service.

14.4 It is believed that the County Council has sound performance management and financial systems in place which will assist the County Council in monitoring the delivery of approved savings plans. These should also assist in helping to inform decisions on future savings proposals.

**15.0 RECOMMENDATIONS**

15.1 That the Executive notes the latest position on changes to Local Government Funding as a result of the

- a) Localisation of Business Rates (**paragraphs 9.20 to 9.27**) and
- b) Localisation of Council Tax Benefits (**paragraphs 9.28 to 9.39**).

15.2 That the Executive resolves whether or not it wishes to accept the Council Tax Freeze Grant. Should it wish to do so then the Executive recommends to the County Council the following:

- a) in accordance with Section 42A of the Local Government Finance Act 1992 (as amended by Section 75 of The Localism Act 2011), that a net Council Tax requirement for 2013/14 of £225,193k be approved and that a Council Tax precept of this sum be issued to billing authorities in North Yorkshire (**paragraphs 9.2 to 9.4 and Appendix E**)
- b) in accordance with Section 42B of the Local Government Finance Act 1992 (as amended by Section 75 of The Localism Act 2011) a basic amount (Band D equivalent) of Council Tax of £1,057.48 be approved (**paragraphs 9.2 to 9.4 and Appendix E**)
- c) a net Revenue Budget for 2013/14 of £374,464k be approved and that the financial allocations to each Directorate, net of planned savings, be as detailed in **Appendix D Sheet 1**
- d) that the Corporate Director – Children and Young People’s Service be authorised, in consultation with Executive Members, to take the final decision, on the allocation of the Schools Block (**paragraphs 8.10 to 8.14**)

15.3 That the Executive also recommends to the County Council:

- a) that the arrangements under which additional funds are allocated each year in respect of Adult Social Care and the Waste Strategy are approved and continue to be reviewed at least annually (**paragraph 7.6 a**) and **paragraphs 8.4 to 8.6**)
- b) that the additional one-off funding of £2m in 2013/14 is approved to improve condition of the Highways Network as outlined in **paragraph 7.6 b**)
- c) that the policy target for the minimum level of the General Working Balance be retained at 2% of the net Annual Revenue Budget pending a review during 2013/14 (**paragraphs 12.18 to 12.23**)

15.4 That the Executive recommends to the County Council the Medium Term Financial Strategy 2014/15, and its caveats, as laid out in **Section 7** and **Appendix D Sheet 2**

15.5 The Executive draws to the attention of the County Council

a) the Section 25 assurance statement (and its proviso) provided by the Corporate Director, Strategic Resources regarding the robustness of the estimates and the adequacy of the reserves (**paragraph 12.24**) and

b) the risk assessment of the MTFs detailed in **Section 11**

15.6 That the Executive notes the delegation arrangements referred to in **Section 13** that authorise the Corporate Directors to implement the Budget proposals contained in this report for their service areas.

15.7 The Executive recommends to the County Council that it approves the attached pay policy statement (**Appendix F**) covering the period 1 April 2013 to 31 March 2014. (**paragraphs 9.11 to 9.17**)

RICHARD FLINTON  
Chief Executive

GARY FIELDING  
Corporate Director, Strategic Resources

County Hall  
Northallerton  
08 February 2013

#### Background Documents

- **Quarterly Performance and Budget Monitoring Report**
  - Reported to Executive (20 November 2012)
  - **Provisional Local Government Finance Settlement 2013/14** Reported to the Executive (22 January 2013)
  - **Grant Settlement Working Papers**
  - **Budget / MTFs Working Papers**
  - **Consultation Papers**
  - **Equalities Impact Assessments**
- Contact Josie O'Dowd ext. 2591
- Contact Peter Yates ext. 2119
- Contact Gary Fielding ext. 3304
- Contact Gary Fielding ext. 3304
- Contact Josie O'Dowd ext. 2591

20 FEBRUARY 2013

**SCHEDULE OF APPENDICES TO REVENUE BUDGET 2013/14  
AND MEDIUM TERM FINANCIAL STRATEGY 2014/15**

<b>Appendix</b>	<b>Title</b>	<b>Cross Reference in main report</b>
<b>A</b>	Provisional Local Government Finance Settlement (report to Executive 22/01/13)	Paras 4.3 to 4.4; 8.14
<b>B</b>	Grant, spend and Council Tax exemplification	Para 9.3
<b>C</b>	Summary analysis of budget requirement	Section 7
<b>D</b>	Directorate Spending Analysis 2013/14 - Sheet 1 2014/15 - Sheet 2	Para 15.2 c)
<b>E</b>	Calculation of Council Tax requirement	Para 9.2
<b>F</b>	Pay Policy Statement	Paras 9.11 to 9.17
<b>G</b>	Corporate Risk Register	Para 11.23
<b>H</b>	Statutory requirements – budget setting	Paras 12.7 to 12.25
<b>I</b>	Review of County Council Balances / Reserves Forecast movement – Sheet 1 Projection of GWB – Sheet 2	Paras 12.16 to 12.24
<b>J</b>	Directorate savings summary Sheet 1 - BES Sheet 2 - CS Sheet 3 - CYPS Sheet 4 - HAS	Paras 7.7 to 7.8
<b>K</b>	PIP detailed schedule	Paras 8.7 to 8.9
<b>L</b>	Corporate Misc. Budget sheet	Para 9.8
<b>M</b>	Council Tax Levels in 2013/14 – Letter from Brandon Lewis MP (DCLG)	Para 5.6

## NORTH YORKSHIRE COUNTY COUNCIL

## EXECUTIVE

22 January 2013

**MEDIUM TERM FINANCIAL STRATEGY – PROVISIONAL LOCAL GOVERNMENT  
FINANCE SETTLEMENT 2013/14 AND 2014/15****Report of the Corporate Director – Strategic Resources****EXECUTIVE SUMMARY****Context**

1. This report details the impact of the Provisional Local Government Finance Settlement for the County Council for 2013/14 and 2014/15. **(Para 3.1)**
2. The Provisional Finance Settlement now incorporates two significant changes to the funding of Local Government –
  - Localisation of Council Tax Benefits and
  - The localisation of Business Rates **(Para 3.3)**
3. The Provisional Finance Settlement now incorporates top-slices from Government that were proposed in the summer of 2012 and further reductions in funding as outlined by the Chancellor of Exchequer in his Autumn Statement on 5 December 2012. **(Para 3.5)**
4. Whilst providing the key headlines for the County Council, this report also provides significant detail on how the County Council's funding position has been determined. It will therefore act as a reference point for future purposes and particularly the Budget Report which is due to be considered by the Executive on 5 February and County Council on 20 February 2013. **(Para 5.5)**

**County Council Position**

5. Based upon current information, the County Council sees a government funding reduction year on year of £10.1m (- 5.9%) and £12.1m (-7.6%) for 2013/14 and 2014/15 respectively. **(Para 4.6)**
6. The Provisional Finance Settlement results in a further reduction of £1.1m over the two years as compared with projections prior to the Settlement. This will therefore be incorporated into the County Council's Medium Term Financial Strategy although other changes are also to be fed in. The net result is that the County Council is still facing a savings target of circa £24m for 2013/14 and 2014/15. This is in addition to the £16.9m which was already part of the MTFs – when combined this equates to 7.8% of current gross spend (excluding schools). **(Para 5.5)**

7. The County Council has fared worse than the average council and other County Councils using analysis provided by SPARSE. The County Council has seen formula funding reductions of 7.9% in 2013/14 compared with an average of 4.5% for all authorities and 6.8% for all counties. It would appear that this is predominately as a result of “resource equalisation” (i.e. moving money from councils less dependent on Central Government Grant to those with higher dependence) and the continuation of damping. **(Para 4.2)**
8. DCLG have assessed Council’s relative positions by reference to “spending power”. This measure includes Government Funding and Council Tax. The County Council has a 2.5% reduction in spending power in 2013/14 compared with an all authority average reduction of 1.7% and 2.1% for all counties. **(Para 6.2)**

#### **Other Issues to Note**

9. 2013/14 sees the introduction of an entirely new funding arrangement and a full re-set will not take place until 2020. **(Para 3.5 (k))**
10. The Provisional Settlement confirms the arrangements in relation to Council Tax Freeze Grant (including that it will continue into 2014/15) and the arrangements for councils which wish to raise Council Tax by more than 1%. This report has been predicated on the assumption that the County Council will accept the Council Tax Freeze Grant but that remains a decision for County Council on 20 February 2013. **(Para 8.4)**
11. The Provisional Settlement, and subsequent announcements, have provided details on numerous other grants including confirmation of an additional £6m capital grant over 2013/14 and 2014/15 for highways and the announcement on funding for public health responsibilities. **(Para 10.6 (a) and 11.4)**
12. The report highlights some key issues in relation to schools funding and the changes that are taking place. These include an increase in Pupil Premium and an indication that per pupil funding rates remain broadly at 2010/11 levels. **(Section 9)**
13. The Government has indicated that it will start to look at detailed spending plans for 2015/16 in the first half of 2013. It has also indicated that total spending up to and including 2017/18 will continue to fall at the same rate as the spending review 2010. No further detail can be provided on this area as yet but high level assumptions will be made as part of a high level MTFs. **(Section 12)**

GARY FIELDING  
Corporate Director, Strategic Resources

County Hall  
Northallerton

11 January 2013

# NORTH YORKSHIRE COUNTY COUNCIL

## EXECUTIVE

22 January 2013

### MEDIUM TERM FINANCIAL STRATEGY – PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14 AND 2014/15

#### Report of the Corporate Director – Strategic Resources

#### 1.0 PURPOSE OF THE REPORT

- 1.1 To inform Members of the Provisional Local Government Finance Settlement for 2013/14 and 2014/15.
- 1.2 To provide an updated assessment of the financial position of the County Council following the Provisional Settlement.

#### 2.0 BACKGROUND

- 2.1 The Comprehensive Spending Review (CSR) announced in October 2010 set out the Government's public sector spending plans and ambitions for the four year period to 2014/15.
- 2.2 This was followed by the 2011/12 Local Government Finance Settlement which provided firm grant allocations to local authorities for 2011/12 and indicative allocations for 2012/13. These indicative allocations for 2012/13 were confirmed last year as part of the 2012/13 Local Government Finance Settlement.
- 2.3 A second two year Settlement covering the latter two years of the CSR period 2013/14 and 2014/15 was announced by the Department for Communities and Local Government (DCLG) on 19 December 2012, which is much later than previous Settlements announced in late November / early December.
- 2.4 This two year Settlement incorporates the outcome of the Government's fundamental review of the Local Government Finance System as part of its Local Government Resources Review and in particular:
  - (a) the impact of the introduction of the Localisation of Council Tax Benefits from 1 April 2013 and
  - (b) the impact of the introduction of the Localisation of Business Rates from 1 April 2013.
- 2.5 In addition to the significant changes referred to in **paragraph 2.4** above, this Settlement also reflects a number of other changes and refinements (**paragraphs 3.4 and 3.5**).
- 2.6 Certain capital approvals have also been released as part of the Announcement.

2.7 Formal consultation on the 2013/14 Provisional Settlement ends on 15 January 2013. Discussions are ongoing with the intention of submitting a response to the consultation.

### 3.0 DETAILS OF THE 2013/14 SETTLEMENT

3.1 DCLG released details of a two year Settlement for 2013/14 and 2014/15 on 19 December 2012 which is much later than in previous years. The Ministerial Statement of the Announcement is attached in full as **Appendix 1**.

3.2 The figures announced for 2013/14 are subject to a period of consultation which ends on 15 January 2013 with final figures expected to be confirmed in early February. For legal reasons the indicative allocations for 2014/15 cannot be confirmed until next year but the Government say that they will not change them except under exceptional circumstances.

3.3 As indicated in **paragraph 2.4**, this Settlement now reflects two significant changes to the Local Government finance system from 1 April 2013. These are the introduction of both Localisation of Council Tax Benefit and Business Rates and a briefing report on these changes which was submitted to the Corporate and Partnerships Overview and Scrutiny Committee on 26 November 2012 is attached as **Appendix 2**.

3.4 In announcing the Settlement the Government have again heavily reported reductions linked to their 'spending power' calculations. These percentages are misleading however as the base for the calculations include various government funding sources and local council tax collected, thus the percentages quoted are not reductions in Government funding. This is covered in more detail in **section 6**.

3.5 The Settlement also reflects the following:

- (a) significant national funding reductions as signalled in the 2010 Comprehensive Spending Review with this Settlement reflecting reductions for 2013/14 and 2014/15
- (b) further subsequent top slicing from the national CSR control totals to reflect a range of issues and hold back funding for other initiatives such as City deals, capitalisation for equal pay and New Homes Bonus payments
- (c) a further 2% reduction in the National Funding pot for Local Government for 2014/15 following the Chancellor's Autumn statement on 5 December 2012
- (d) the further rationalisation of grant funding streams and in particular some former specific grants being rolled into the formula driven start up funding baseline
- (e) following earlier consultation various data updates and formula changes have been introduced into the 2013/14 formula driven 'start up funding baseline' (see table in **paragraph 4.6**) including population data, concessionary fares, rural sparsity factors and a change to the relative weightings of the four block grant model (resource equalisation)



- (f) the continuation of grant damping (**section 7**) which has the impact of ‘smoothing away’ any significant gains or losses at individual local authority level compared to other similar class of authority
- (g) the Government is paying a revenue grant, The Efficiency Support Grant to those (seven) local authorities in 2013/14 and 2014/15 who would otherwise see a reduction in their spending power (**section 6**) of more than 8.8% in either year. NYCC is not eligible
- (h) the Education ‘Early Intervention Grant’ (EIG) has been rolled into the general overall start up funding baseline with a net loss of £5.4m to the County Council over the two year period (**paragraphs 9.9 to 9.12**)
- (i) funding for spending on Schools Central Services such as school improvement and statutory and regulatory duties has been removed from ‘start up general funding baselines’ and is being paid back to local authorities and academies by the DfE as a new Education Services Grant (ESG). This replaces the former LACSEG (Local Authority Central Services Equivalent Grant) system for paying for central services for academies (**paragraphs 9.13 to 9.18**)
- (j) the Government confirmed their Council Tax freeze grant offer for 2013/14 together with the limits (2% for most authorities) for Council Tax increases, above which a local referendum has to be held (**section 8**)
- (k) following this Settlement a full reset of the system will not be effected until 2020 so the underlying grant formula and Business Rates Baselines that form the start up funding assessment for each authority, will be frozen until then
- (l) various other refinements

3.6 A briefing note on the Provisional Settlement provided by the LGA is attached as **Appendix 3** and provides an overview of the Settlement at national level.

3.7 Just before the Settlement Announcement on 19 December 2012 the Secretary of State for Communities and Local Government, Eric Pickles, issued a document called “50 ways to save – Examples of sensible savings in Local Government”. NYCC is actually referred to in this document in relation to procurement savings in assistive technology.

#### 4.0 **IMPACT OF SETTLEMENT ON NYCC**

4.1 The basis and presentation of the Settlement is much different to previous years because of a variety of reasons, although the starting point uses the previous formula based ‘four block grant model’ (including damping – see **section 7**). A brief note on this model is attached at **Appendix 7**. Following earlier consultation a number of changes to the ‘start up funding’ formula have been made, some of which benefit the County Council such as Concessionary Fares and Rural factors (**paragraph 3.5(e)**). The actual cash benefit however has been completely eroded after damping and resource equalisation.

4.2 Leading on from **paragraph 4.1**, ‘Sparse’ have done some detailed comparative analysis of the ‘Settlement’ figures. This analysis which is based on the formula funding (after adjustments) element of the Government’s own Spending Power calculations (**section 6**) reveals that formula funding reductions for rural authorities

and shire Counties (NYCC in particular) is higher than elsewhere in the country. This is clearly shown in **Appendix 4**. The % reduction for NYCC in 2013/14 of 7.9% is higher than the all counties average of 6.8%, predominantly rural counties of 5.9% and all authorities of 4.5%. It should be noted that these percentages are based on the Government's formula funding element of their spending power calculation after reflecting a number of adjustments and are therefore not the same as the County Council's actual cash funding reductions shown in **paragraph 4.6** and **Appendix 5**.

- 4.3 Thus, although rural authorities gained from the changes to the rural element of the grant formula, this benefit has been completely outstripped as part of the damping and resource equalisation process. The principal beneficiaries seem to be councils predominantly in the South East with NYCC being towards the extreme end of government funding reductions.
- 4.4 Resource equalisation (as referred to in **paragraph 4.3**) relates to moving money between the four blocks of the grant model at Ministerial Discretion, with each movement having a redistributive impact on different classes of authority. A brief note on the four block grant model is attached as **Appendix 7**.
- 4.5 Based on the percentage reductions in **paragraph 4.2** above, the difference between NYCC's reduction of 7.9% and the average for all authorities of 4.5% equates to £3.5m per annum.
- 4.6 The overall impact of the Settlement on the County Council is set out in **Appendix 5** and can be summarised as follows:

Item	2012/13 Standstill Baseline	2013/14 Provisional Settlement	2014/15 Provisional Settlement
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Formula funding	110,639	94,531	83,242
2011/12 Council Tax Freeze Grant	6,149	6,149	6,149
Formula based funding baseline	116,788	100,680	89,391
2012/13 specific grants rolled into general funding baseline ( <b>Appendix 5</b> )	28,861	24,708	23,975
New grant for impact (90%) on NYCC of localisation of Council Tax benefits from 1 April 2013 ( <b>Appendix 2</b> )	22,691	22,691	22,691
= Start up funding baseline	<b>168,340</b>	<b>148,079</b>	<b>136,057</b>
Other funding sources			
New Homes Bonus ( <b>paragraph 10.4(a)</b> )	849	1,258	1,658
Education Services Grant ( <b>paragraphs 9.13 to 9.18</b> )	0	9,800	9,300
<b>Total Funding</b>	<b>169,189</b>	<b>159,137</b>	<b>147,015</b>
<b>Funding Reduction</b>			
- year on year £k		<b>-10,052</b>	<b>-12,122</b>
- cumulative £k		<b>-10,052</b>	<b>-22,174</b>
- year on year % reduction		<b>-5.9%</b>	<b>-7.6%</b>

- 4.7 Thus compared with 2012/13 on a like for like basis, Government funding has been reduced by £10.1m (5.9%) in 2013/14 and by a further £12.1m (7.6%) in 2014/15 - £22.2m over the two years.
- 4.8 There are also several variables that could change these figures in the immediate future including:
- (a) the final settlement announcement for 2013/14 in early February
  - (b) the 2014/15 figures are only indicative and will be firmed up next year
  - (c) the figures include a Business Rate (BR) baseline of 9% of District Council BR income based on historical data (the split is 50% to the Government, 40% retained by Districts, 9% to NYCC and 1% to the Fire Authority). This is shown in **paragraph 4.9** but the actual sum that will be received from the Districts will be 9% of their estimated BR income
  - (d) the 2014/15 New Home Bonus figure is only an early estimate
  - (e) the New Education Service Grant (ESG) (see **paragraphs 9.13 to 9.18**) will only be confirmed by the DfE in early 2013 and for 2013/14 only
  - (f) several top slices from the national funding pot (particularly the New Homes Bonus and BR safety net) have not been fully utilised. The Government have said that funding not needed will be redistributed to authorities in proportion to their start up funding assessment. At this stage, however, there have been no announcements about such returned funding
- 4.9 As a result of the new system, from 1 April 2013 the total funding, as indicated in the table in **paragraph 4.6**, will be paid to the County via the following funding streams:

Item	Note	2013/14 £000	2014/15 £000
Business Rates System			
- 9% of District Business Rates baseline	(a)	18,165	18,723
- Government top-up (from DCLG)	(b)	40,992	42,249
= total BR System funding		59,157	60,972
Revenue Support Grant from DCLG	(c)	88,922	75,085
= Start up funding assessment for new system ( <b>paragraph 4.6</b> )		148,079	136,057
New Homes Bonus from DCLG ( <b>paragraph 10.4(a)</b> )	(d)	1,258	1,658
Education Services Grant from DfE ( <b>paragraphs 9.13 to 9.18</b> )	(e)	9,800	9,300
<b>Total Funding</b>		<b>159,137</b>	<b>147,015</b>

Notes on the above table

- (a) 9% of District Council BR – as explained in **paragraph 4.8 (c)** the sum from 2013/14 will not be these DCLG baseline figures but will be 9% of what District Councils actually collect from BR from 2013/14

- (b) Government BR top-up – the baseline figures will be increased each year in line with RPI (in September of the year before the financial year in question) until a full reset of the BR system in 2020
- (c) Revenue Support Grant from DCLG – this figure will be flexed (reduced) to fit the national control totals that arise from future spending review periods
- (d) New Homes Bonus – the 2013/14 figure is as indicated by DCLG and the 2014/15 figure is an early estimate
- (e) New Education Services Grant from DfE – this will be dependent upon pupil numbers and schools transferring to Academy status. Both years' figures shown are early estimates.

4.10 As indicated in **paragraph 3.5(d)** this Settlement continues the Government's practice of moving service specific funding 'in and out' of general formula grant. Thus further transfers have been made as part of this Settlement which becomes the 'start up funding baseline' under the Localisation of Business Rates system from 1 April 2013.

- (a) Grants rolled in using tailored distribution

This fifth block of the 'four block funding model' was introduced in 2011/12 and relates to a number of former specific grants that are now incorporated into 'general formula grant' and whose distribution would have differed significantly if they had been subject to the general grant (relative needs) formula. The basis of allocation is, therefore, usually the same distribution formula as used for the specific grant paid in 2010/11 to avoid re-distributional turbulence. NYCC's total allocation is shown in **Appendix 5** with a breakdown being as follows:-

Item	2012/13	2013/14
	<b>£000</b>	<b>£000</b>
Local transport services (road safety, rural bus subsidy and detrunking)	2,830	3,145
Supporting People	13,170	12,626
Housing service for older people	155	135
LSC staff transfer	509	459
HIV/Aids support	69	86
Preserved rights	2,991	2,889
Animal health and welfare	252	201
<b>= Tailored grants rolled into formula grant using tailored distribution</b>	<b>19,976</b>	<b>19,541</b>

- (b) Existing Specific Grants transferred into individual start up funding assessments from 1 April 2013 (see **paragraph 4.2 and Appendix 5**).

Grant	2013/14	
	£000	£000
Early Intervention Grant ( <b>paragraphs 9.9 to 9.12</b> )		15,157
Lead Local Flood Authority (£204k continues to be paid as a Specific Grant so total funding of £372k is as originally indicated)		168
Learning Disability and Health Reform		
– Main Learning Disability and Health Reform transfer	9,259	
– Blue Badges	78	
– DOLS (Deprivation of Liberty Safeguards in Hospitals)	14	
– Health watch	32	9,383
		24,708
2011/12 Council Tax Freeze Grant		6,149
<b>Total</b>		<b>30,587</b>

- (c) the localisation of Council Tax Benefits means that NYCC will now receive a new grant from 2013/14 that is being incorporated straight away into individual start up funding assessments. This is explained in more detail in **Section 3 (paragraphs 3.8 to 3.16) of Appendix 2** with NYCC's allocation for 2013/14 being £22,691k compared with an indicative figure of £22,824k notified earlier in the year
- (d) transfer out of individual start up funding assessments in relation to the funding for spending on Schools Central Services grant which is being paid back to academies and local authorities as a new Education Services Grant (ESG) based on relative pupil numbers. This is covered in more detail in **paragraph 3.5(i) and 9.13 to 9.18** and the sum deducted from NYCC's 2013/14 start up funding 'baseline' is £11,151k.

## 5.0 IMPLICATIONS FOR NYCC BUDGET / MTFS

- 5.1 The table at **paragraph 4.6** shows that the funding reduction reflected in this settlement is £10.1m in 2013/14 and a further £12.1m in 2014/15, ie £22.2m over the two years. This potential outcome (there are areas of clarification required and also some uncertainty on some of the figures) compares with earlier forecasts as follows:

Item	2013/14	2014/15
	<b>£000</b>	<b>£000</b>
October 2012 NYCC forecast of funding reductions		
General funding reduction	-4,400	-9,400
Early Intervention Grant reduction	-4,687	-1,000
Assumed increase on some grants (mainly New Homes Bonus)	542	400
<b>Total reduction forecast at October 2012</b>	<b>-8,545</b>	<b>-10,000</b>
Further reduction following Chancellor's Autumn Statement (2% in 2014/15)	-	-2,500
<b>= Total reduction forecast prior to Settlement</b>	<b>-8,545</b>	<b>-12,500</b>
Settlement funding reduction ( <b>paragraph 4.6</b> )	-10,052	-12,122
<b>= Variation to Settlement</b>	<b>-1,507</b>	<b>+378</b>
<b>cumulative two year funding reduction</b>	<b>-£1,129k</b>	

5.2 Thus the funding position reflected in the Settlement is £1.5m worse than forecast in 2013/14 but £0.4m better in 2014/15, resulting in a recurring additional loss of £1.1m per annum from 2014/15.

5.3 This impacts on the overall MTFS position of the County Council is as follows:

Item	2013/14	2014/15	Total
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Net MTFS funding shortfall identified in October 2012 and reported to Cabinet/Members Seminar [Grant funding, Council Tax freeze and all other internal factors]	13.4	8.3	21.7
Additional Government funding loss following Chancellor's Autumn Statement on 5 December	-	2.5	2.5
<b>= Updated forecast</b>	<b>13.4</b>	<b>10.8</b>	<b>24.2</b>
Increased funding loss on Settlement ( <b>paragraph 5.2</b> above)	1.5	-0.4	1.1
<b>Updated MTFS Shortfall</b>	<b>14.9</b>	<b>10.4</b>	<b>25.3</b>

5.4 Thus based on the funding shortfall of £21.7m previously reported, plus the Autumn Statement increase by £2.5m plus the Settlement increase of £1.1m, there would be an increased funding shortfall of £25.3m.

- 5.5 There have, however, been a number of non Government funding refinements to the MTFS since the £21.7m shortfall was initially reported to Members. Examples include inflation forecasts, updated interest rate forecasts, outcomes from the Localisation of Council Tax Benefits etc. **The net impact is that the bottom line shortfall from 2014/15 is now likely to be in the region of £24m and will be reported in more detail to the Executive on 5 February 2013 and County Council on 20 February 2013.**
- 5.6 There are, however, a number of areas of the MTFS that will potentially need refining up until the Budget report is submitted to Executive on 5 February 2013. These include:
- (a) the six potential variables relating to the provisional Settlement announcement as listed in **paragraph 4.8** which includes the Business Rates being payable from the District Councils from 2013/14
  - (b) final District Council Tax base figures reflecting their agreed Local Council Tax Benefit Support schemes
  - (c) final District Council Collection Fund surpluses / deficits.

These refinements, however, are unlikely to significantly change the two year cumulative funding shortfall of about £24m referred to in **paragraph 5.5**.

## 6.0 SPENDING POWER

- 6.1 The table in **paragraph 4.6** shows that the County Council reductions in Government funding are 5.9% in 2013/14 and a further 7.6% in 2014/15.
- 6.2 The Government, however, as part of the Settlement announcement, heavily publicise 'spending power' reductions with the figures quoted for the County Council being 2.5% in 2013/14 and 2.7% in 2014/15. These percentages are misleading, however, because they do not represent reductions in Government funding and, as indicated in **paragraph 3.4**, hide much higher percentage cuts in such funding. The base for these calculations does include Government funding sources but also locally collected Council Tax which has the impact of depressing the Government grant cut percentages.
- 6.3 Thus the County Council spending power percentages have been calculated by the Government as follows:

Item	2012/13	2013/14	2014/15
	£m	£m	£m
Locally collected Council Tax	246.5	246.5	246.5
Government start up funding assessment	157.5	148.1	136.1
Council Tax Freeze Grant	6.2	2.5	2.5
NHS funding to support social care	6.4	8.7	9.1
Other grants	1.6	2.1	2.5
<b>Total Spending Power</b>	<b>418.2</b>	<b>407.9</b>	<b>396.7</b>
Year on year reduction			
£m		-£10.3m	-£11.2m
%age		-2.5%	-2.7%
Comparative %age reductions			
National		-1.7%	-3.8%
Shire Counties		-2.1%	-2.8%
Shire Counties range			
Highest		-2.6%	-3.8%
Lowest		-0.2%	-1.3%

6.4 Nationally the Government have said that no authority will see a spending power reduction of more than 8.8% in either 2013/14 and 2014/15.

## 7.0 DAMPING

7.1 As part of establishing start up funding baselines under the Localisation of Business Rates from 1 April 2013, grant damping has been retained. This mechanism sets a grant floor percentage for classes of authority and any authority that finds itself with a reduction greater than the floor level is paid a top-up from the Government to bring that authority up to the floor level. These consequential top-up increases to 'below the floor' authorities are paid for by scaling back the grant (ie increasing the level of grant reductions) for the 'above the floor' authorities in that class so that the results are neutral across Local Government. Thus the actual grant formula is effectively overridden by the application of significant damping levels and the County Council has effectively 'subsidised' Councils who would otherwise be below the floor to the tune of £4.1m.



7.2 The 2013/14 grant floors, as calculated by DCLG, are as follows:

<b>Authority</b>	<b>Final 2012/13</b>	<b>Provisional 2013/14</b>
	<b>%</b>	<b>%</b>
Education / PSS authorities		
Band 1	-7.4	-2.7
2	-8.4	-4.7
3	-9.4	-6.7
<b>4 (includes NYCC)</b>	<b>-10.4</b>	<b>-8.7</b>
Shire Districts		
Band 1	-11.2	-5.4
2	-12.2	-7.4
3	-13.2	-9.4
4	-14.2	-11.4
Fire and Rescue Authorities Three bands in 2013/14	-3.4	-8.7 to -11.7
Police	-6.7	-1.6

7.3 The floors above have, since 2011/12, been based on maximum grant reductions rather than the previous minimum percentage increase. Consequently above the floor authorities, such as NYCC, have their grant reduction increased even further to help fund authorities whose reduction is greater than the specified floor.

7.4 Different bandings are used to ensure that the most grant dependent authorities have the least reductions. DCLG point out that some authorities have relied on central Government for 75% of their total budget, whereas others collect more Council Tax and are, therefore, regarded by the Government as being more self sufficient.

7.5 The County Council has been placed in damping band 4 for 2013/14, being classed as relatively less reliant on Government grant funding with the impact being as follows:

<b>Item</b>	<b>%</b>
Maximum grant reduction for class of authority (floor)	-8.7
NYCC's percentage formula grant reduction as calculated by DCLG before damping	-3.7
NYCC's percentage formula grant reduction as calculated by DCLG after 'scaling back' to fund maximum decreases for authorities below the floor	-7.3
Damping sum claimed back from NYCC to pay for the floor	£4,095k

7.6 **Appendix 8** shows how the County Council £4.1 damping reduction in 2013/14 has been calculated.

## 8.0 COUNCIL TAX FREEZE GRANT AND COUNCIL TAX REFERENDUMS

### Council Tax Freeze Grant

8.1 Council Tax Freeze Grant offers have been made by the Government in the last two financial years 2011/12 and 2012/13, with the County Council having taken up both offers.

8.2 In 2011/12 the grant was equivalent to a 2.5% increase in Council Tax if authorities froze their Council Tax levels in that year. Although the scheme was voluntary, every local authority in the country took up this grant offer with the sum payable to the County Council being £6.149m. To avoid the 'cliff edge' impact on local authority budgets in subsequent years, the Government agreed to continue to pay this grant (at the same cash level) for each year of the Spending Review period up to 2014/15.

8.3 A second grant offer for the current year 2012/13 was announced in October 2011 with the grant being 2.5% for local authorities. The key difference between the 2011/12 and 2012/13 offers was that the latter offer was grant payable for one year only in 2012/13. Thus it is not built into the baseline for subsequent years with authorities taking up the grant, including the County Council having to manage the 'cliff edge' impact of the grant in 2013/14. The grant payable to NYCC is £6,164k. Because of this 'cliff edge' impact, not all authorities took up this 2012/13 offer.

8.4 In October 2012 the Government announced a third year offer but this is only equivalent to a 1% increase in Council Tax for those authorities that freeze their Council Tax for 2013/14. Unlike 2012/13, however, this will be reflected in baseline funding levels for the rest of the spending review period to ensure there is no 'cliff edge' impact. There is no certainty however as to what will happen to it from 2015/16 following the next CSR, but is likely to be 'swallowed up' within the overall envelope of further funding reductions.

8.5 This latest 1% offer is worth about £2.5m to the County Council, which is £6.1m less than the £8.6m that would have been raised from the 3.5% Council Tax increase for 2013/14 included in the MTFs approved in February 2012. This planned 3.5% increase for 2013/14 (and 2014/15) was higher than the 2.5% included in the previous year's MTFs to substantially manage the 'cliff edge' impact of the 2012/13 grant offer described in **paragraph 8.3** above.

8.6 The alternatives to accepting the grant offer would be:

- (a) increase Council Tax by 2% (see **paragraph 8.13**) which would still be substantially less than the 3.5% reflected in the approved MTFs and thereby foregoing the 1% grant from Government; or
- (b) increase Council Tax by a percentage higher than 2% which would require a referendum (see **paragraphs 8.9 to 8.13**).

- 8.7 The table in **paragraph 5.3** assumes that the County Council will accept the 1% Council Tax Freeze Grant. Given that the MTFs last year assumed a 3.5% Council Tax increase, consideration will have to be given to using reserves to bridge any funding gaps to achieve the required recurring savings.
- 8.8 In terms of the impact on individual Council Tax payers, a freeze in 2013/14 would be worth £37 for the average Band D household, in relation to the County Council's element of the overall bill compared to the planned 3.5% increase. A freeze by all authorities reflected in overall Council Tax bills (NYCC, District, Police and Fire) would be worth about £48. The last increase in NYCC's Council Tax was in 2010/11 (2.94%) and the impact of the Council Tax freeze over the three year period 2011/12 to 2013/14 would be as follows.
- RPI impact on NYCC Band D (£1,057.48) over the three year period (9%) is £95.
  - Government Grant offer impact over the three year period (2.5%, 2.5% and 1%) is £65.

### **Council Tax Referendums**

- 8.9 The Localism Act included the provision and requirement for Council Tax referendums and this new concept applies from 2012/13.
- 8.10 This new process replaces the former 'Council Tax Capping Powers' whereby the Government would announce their 'capping criteria' (the level of Council Tax increase that they deemed to be excessive) after local authority budgets had been set in March of each year. Thus in setting their budgets all authorities had to be mindful of what these principles might be.
- 8.11 The main principles of the new process are as follows:
- (a) the Government will determine an annual limit (based on a set of principles) for Council Tax increases which is expected to be announced as part of the annual Local Government Finance Settlement ie before local authority budgets have been set
  - (b) the legislation allows additional principles to be set and allow different sets of principles for different categories of local authorities
  - (c) if an authority proposes to increase its Council Tax above the prescribed annual limit it will have to hold a referendum to get approval from local voters (all registered electors not only those who pay Council Tax)
  - (d) in addition to having to hold a referendum a local authority proposing to exceed the limit will be required to prepare a shadow budget based on the maximum Council Tax increase allowed by the principles
  - (e) there are various rules and procedures as to how a referendum would have to take place but there will be no minimum requirement for voter turnout and a simple majority of those voting will be sufficient to determine the outcome of the referendum

- (f) the referendum would have to take place between the final Settlement announcement at the end of January and the first Thursday in May – the usual date for local authority elections
- (g) a local authority carrying out a referendum will be required to provide factual information to Council Tax payers. Although Members can make the case for their proposed Council Tax increase, the authority will be prohibited from campaigning
- (h) if a simple majority vote against the proposed increase the authority would have to adopt the shadow budget
- (i) the Government have suggested that the cost of a referendum (including the cost of re-billing by the Districts if the referendum is lost) is likely to be in the range of £85k to £300k

8.12 The process and rules of this new arrangement are clearly designed to discourage authorities from setting Council Tax increases above the announced principles and thus having to embark on such a referendum.

8.13 The principles for Council Tax levels, beyond which a referendum will be triggered, were confirmed as part of the Local Government Provisional Finance Settlement on 19 December 2012, although the key figure had been indicated much earlier. The key principle is a Council Tax increase above 2%. The Settlement did, however, announce a relaxation for District Councils, Police Authorities, Fire Authorities and Police and Crime Commissioners whose Band D Council Tax is in the lower quartile for their class of authority. For these authorities a referendum need only be held where their increase is above 2% and there is a cash increase of more than £5 in the relevant basic amount. DCLG have provided a list of authorities to who this relaxation can apply to and in North Yorkshire only Hambleton District Council is listed.

## 9.0 **DEDICATED SCHOOLS GRANT (DSG) AND OTHER CYPS GRANT ISSUES**

9.1 In 2013/14 the DSG will be split into three blocks under new arrangements for schools funding which come into effect from 1 April 2013. These three blocks, which are indicative only, and not ring-fenced are:

- Schools
- High Needs
- Early Years

9.2 There have been a number of changes to the DSG including additional funds for 2-year old Nursery Provision and Post-16 SEN. This therefore makes a like-for-like comparison with 2012/13 more complicated, but essentially the per-pupil rate for most of the funding remains for the 3rd year at 2010-11 levels – although there are then further amendments such as a national top-slice for Hospital Tuition.

9.3 The DSG however continues to be ring-fenced in total for schools-related spending.

- 9.4 The draft funding is therefore as follows, although dependent on final early years numbers which will be confirmed after the January census.

Item	£000
Baseline DSG	377,305
3-year olds top-slice	-52
Hospital top-slice	-630
Other adjustments	229
Additional Funding for Post 16 SEN	3,461
Additional Funding for 2-year olds	3,102
Transfer from ESG to DSG for Newly Qualified Teachers	112
Additional pupils growth	367
<b>Revised DSG</b>	<b>383,894</b>

- 9.5 These figures include funding for Academies. Unlike in previous years, there is no further deduction for Schools Block LACSEG (Local Authority Central Spend Equivalent Grant). This was an amount in lieu of services funded by the non-delegated DSG and which Academies did not receive from the LA. In future, Academies will automatically receive such funding through the new school funding regime.

### **Pupil Premium**

- 9.6 In addition to the funding allocated from the DSG, schools were allocated £623 per pupil on Free School Meals or for children who were Looked After, and £250 for children from service families in 2012/13. This Pupil Premium therefore distributed £7.8m to schools in North Yorkshire in addition to the DSG. In 2013/14, the national amount available is set to increase from £1.25bn to £1.875bn. There are no confirmed figures for any further rises by 2014/15. The Government has now published details of the 2013/14 multiplier. This has risen from £623 to £900 and from £250 to £300 respectively. As the number of pupils being counted has also increased, the government's "illustrative" figures for North Yorkshire indicate an overall increase from £7.8m to £11.9m. These figures have, however, yet to be verified.
- 9.7 Changes to the eligibility criteria during 2012/13 include the expansion of service family children to include pupils recorded as such during the last two years. There is also the inclusion of pupils in receipt of pensions under the Armed Forces Compensation Scheme and the War Pension Scheme.
- 9.8 The total paid to schools will be based on numbers from the January pupil count and, by its nature, is not allocated in proportion to the overall budget of each school.

## Early Intervention Grant (EIG)

- 9.9 As stated above, the DSG has increased to reflect additional costs which will be incurred by expanding nursery education for two-year old children. The transfer of £3.1m is not, however new funding. This has been more than offset by a reduction in the Early Intervention Grant which causes an additional budget pressure for the Council's budget of approximately £2.2m (the authority currently spends £900k on early education provision for this younger age group).
- 9.10 This transfer is not the only change to the Early Intervention Grant. There have been additional reductions of £0.6m to provide some infrastructure for two year olds and a further national top-slice which equates to £1.6m in North Yorkshire. Overall therefore the changes to EIG funding have resulted in a net loss to the County Council of £4.4m in 2013/14 with a further £1m cut in 2014/15, ie £5.4m over the two year period. These losses, which first became evident in the Autumn, have been reflected in the County Council's MTFS since that time and shared at Members Seminars but at a slightly higher level (£4.7m in 2013/14 and a further £1m in 2014/15).
- 9.11 From 2013/14 EIG is not being paid as a separate funding stream and has now been rolled into the general 'start up funding baseline' for local authorities under the new Localisation of Business Rates from 1 April 2013.
- 9.12 Thus a summary of the current EIG position for the County Council is as follows:

Item	2013/14	2014/15
	£m	£m
Actual EIG grant 2012/13	20.5	20.5
Current spend on 2 year olds ( <b>paragraph 9.9</b> above)	-0.9	-0.9
EIG settlement allocation rolled into funding baseline	-15.2	14.2
Grant Loss	4.4	5.4
Year on Year Grant Loss	4.4	1.0

## Education Services Grant (ESG)

- 9.13 From 2013/14 a new unringfenced grant will be paid to Local Authorities and Academies. This Education Services Grant (ESG) encompasses responsibilities and funding which previously featured in the Local Authority (LA) part of the Local Authority Central Services Equivalent Grant (LACSEG). The LA was (mainly) not responsible for providing these services to Academies and therefore each Academy received funding based on what its parent LA spent on services such as school improvement, education welfare, pupil support, strategic management and redundancy costs. This was funded by a national top-slice, equivalent to a reduction in North Yorkshire of £3.8m.

- 9.14 The new ESG makes an assessment of what each LA spent on these services and then allocates the funding direct to Academies or the LA, based on respective pupil numbers and using a national average amount. This is a potential issue for LAs such as North Yorkshire which spent less on the services than the average. In total we spent around £5.4m on these services in 2012/13 which works out at £66 per pupil. The national rate is set at £116 for mainstream schools.
- 9.15 As the number of Academies in North Yorkshire is well below the national average this is not such an issue at present. The initial ESG reduction for Academies is estimated to be around £1.4m, which is a better position than the £3.8m top-slice and is reflected in the refunds the Council has received for 2011/12 and expects to receive for 2012/13. The recurring impact of this is already reflected in the Provisional Settlement figures.
- 9.16 Thus current figures and assumptions reflected in the Settlement / MTFs are as follows:

Item	£m
Top slice out of NYCC's initial baseline start up funding allocation for 2013/14	-11.2
Education Services Grant (ESG) to be paid by DfE (NYCC estimates only, 2013/14 figure still to be confirmed by DoE)	
2013/14	9.8
2014/15	9.3

- 9.17 Another problem is that the ESG will be recalculated on a quarterly basis which means that the ESG reduction may increase during the year, if more schools become Academies.
- 9.18 This is clearly a situation for which very careful monitoring will be required.

### Summary

- 9.19 Although the settlement for schools in recent years has been considerably better than for the rest of the County Council's services (in line with Government prioritisation of schools), and cash levels remain as now for a further year, cost pressures remain within the DSG. Work will continue to assess the impact of the final figures and further details will be available after the January early years count.

## 10.0 OTHER REVENUE GRANTS

- 10.1 As mentioned in **paragraph 2.5 (c)** the 2010 CSR and subsequent Local Government Finance Settlements, including this recent 2013/14 and 2014/15 Settlement, have reflected a significant rationalisation of most grant funding streams which have been either
- absorbed into general formula grant (the start up funding baseline for 2013/14)
  - merged to form new funding streams or
  - discontinued altogether.

- 10.2 For the remaining revenue grants, allocations for 2013/14 are starting to be released by Government Departments as part of this Provisional Settlement.
- 10.3 All the current revenue grant funding streams are listed in **Appendix 6** which shows the 2012/13 level of grant and indicative allocations/early forecasts for 2013/14 to 2014/15 where known. This Schedule will be updated as more information is released by the various Government Departments over the next few weeks and reported to Executive on 5 February 2013 as part of the 2013/14 Budget/MTFS report.
- 10.4 In addition to the three significant grants referred to elsewhere in this report (formula grant, DSG and Council Tax Freeze Grant), other grant funding streams of note where 2013/14 allocations have been announced are as follows

(a) **New Homes Bonus (NHB)**

This new grant introduced in 2011/12 rewards local authorities for additional new homes plus a further allocation for those defined as 'Affordable Homes'. The grant is at the average national Council Tax rate (£1,444 for a Band D property) plus an extra £350 for 'Affordable Homes'. The relevant numbers are identified from billing authority returns.

An allocation will be made for each year with that year's allocation then being paid for a six year period. In two tier areas Districts receive 80% of the total allocation with the County only receiving 20%.

Based on the above the County Council's provisional allocation for 2013/14 is £1,258k consisting of £382k in relation to 2011/12, £467k for 2012/13 and £409k for 2013/14. The seven districts received a total of £5m. The allocations are likely to increase each year for a further three years, then flatten out or even decrease.

Nationally some of the allocations are significant with many authorities receiving several million pounds (the highest being £16.1m).

It is also worth noting that the District Council allocations are progressively becoming a "bigger proportion of their funding from the Government".

Although the grant is 'unringfenced' the Government encourage local authorities to engage with the communities most affected by housing growth to decide how the money is spent, so residents can share in the benefits of growth.

Most of the allocations from 2012/13, however, are being funded by top slicing the existing national pot for formula grant (ie it is not new money from the Government). Thus NHB is just an alternative way of distributing funding already earmarked for Local Government. As a result, based on relative levels of new homes growth and the 80/20 two tier split, some authorities (particularly shire counties) are likely to suffer a bigger reduction in general grant funding than they receive from the NHB.



The approach of the County Council to date with this grant is to include it within Corporate Miscellaneous and, therefore, build it into the Revenue Budget / MTFS forecasts.

**(b) Department of Health Local Reform and Community Voices Grant**

This new grant is made up of several former grants with the County Council's allocation being £424k in 2013/14 and £438k in 2014/15.

The individual funding streams are listed below with the breakdown of the overall allocation into individual streams being a provisional estimate.

<b>Funding Stream</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Additional funding for Deprivation of Liberty Safeguards (DOLS) in Hospitals	41	49
Additional Local Health Watch funding	134	134
Funding for the transfer of Independent Complaints Advocacy (ICAS) to local authorities	143	143
Funding for the transfer of Independent Mental Health Advocacy (IMHA) to local authorities	94	94
Funding for the veterans Guaranteed Income payments (GIP's) social care charges exemption	12	18
<b>Total Allocation</b>	<b>424</b>	<b>438</b>

**(c) Department of Work and Pensions Social Fund Grants**

This 'new' grant funding is to pay for additional responsibilities from the Department of Work and Pensions with effect from 1 April 2013. Figures for 2013/14 originally notified in August 2012 (£793k for payments and £168k for administration and set up costs) were confirmed on 11 December 2012. Indicative figures for 2014/15 also provided in August 2012 (£793k for payments and £154k for administration and set up costs) will only be firmed up in Autumn 2013 based on actual Social Fund spend, in each area in 2012/13.

**(d) Health and Social Care Funding**

Funding to be transferred from the NHS to support Adult Social Care is £8,674k for the County Council in 2013/14. This is £2,322k higher than 2012/13 (£6,352k) and includes additional resources in respect of the Care and Support White Paper which were published at £100m nationally. The funding will be paid to the NHS Commissioning Board and an agreement is required with each local authority. Use of the funding is relatively broad, being used to support Adult Social Care services which also have a health benefit. Funding for 2014/15 will be confirmed in November 2013.

10.5 Other than the Council Tax freeze grant (**paragraphs 8.1 to 8.8**) none of the 2013/14 grant allocations notified so far have a material impact on the 2013/14 Revenue Budget MTFs. However this position will be monitored closely on an ongoing basis as details of further allocations are released by Government Departments.

10.6 Other grants of significance where allocations for 2013/14 are still either fully or partially awaited include:

(a) **Public Health Grant**

The Department of Health announced Local Authority Public Health budgets on 10 January 2013 with the County Council's allocations being £19.021m in 2013/14 and £19.732m in 2014/15. These allocations are about £1.5m more than expected which is good news.

(b) **Local Services Support Grant (LSSG)**

This grant includes several different funding streams as set out below

<b>Funding Stream</b>	<b>2012/13 allocation</b>	<b>2013/14 allocation</b>
	<b>£000</b>	<b>£000</b>
Inshore Fisheries	55	55
Lead Local Flood Authorities Managing Flood Risk ( <b>paragraph 4.7(b)</b> ) – total funding in 2013/14 continues at £372k after allowing for £168k incorporated into start up funding baseline	372	204
Community Safety Grant (to be distributed to Police Crime Commissioner from 2013/14)	276	0
Extended Rights and General Duty to provide sustainable travel	664	? (allocations yet to be confirmed by DfE)
<b>Total</b>	<b>1,367</b>	<b>?</b>

11.0 **CAPITAL APPROVALS**

11.1 A significant feature of the 2011/12 Finance Settlement was that all Government capital approvals were in the form of 100% capital grant rather than the previous mix of supported borrowing approvals and grant.

11.2 Following the 2013/14 and 2014/15 Provisional Settlement announcement on 19 December 2012, details have also been released on a number of capital approvals. Details of these approvals which continue as 100% grant funded are as follows:-

Grant	2012/13	2013/14		2014/15	2015/16	
	Actual	Forecast	Confirmed	Variation	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
<b>Business and Environmental Services</b>						
LTP Maintenance	24,065	21,839	21,839	-	20,571	20,571
LTP Integrated Transport Block Provision	4,091	4,091	4,091	-	5,753	5,753
	<b>28,156</b>	<b>25,930</b>	<b>25,930</b>		<b>26,324</b>	<b>26,324</b>
Additional Local Highways Funding	0	0	3,939	+3,939	2,108	0
	<b>28,156</b>	<b>25,930</b>	<b>29,869</b>	<b>+3,939</b>	<b>28,432</b>	<b>26,324</b>
<b>Children and Young People's Service</b>						
Capital Maintenance Grant	11,803	11,803	TBA	TBA	11,803	11,803
Basic Need Grant	5,264	5,099	TBA	TBA	5,099	5,099
Devolved Capital Grant	2,189	2,095	TBA	TBA	2,095	2,000
	<b>19,256</b>	<b>18,997</b>	<b>TBA</b>	<b>TBA</b>	<b>18,997</b>	<b>18,902</b>
<b>Health and Adult Services</b>						
Department of Health PSS Capital Grant	<b>1,297</b>	<b>1,250</b>	<b>1,303</b>	<b>+53</b>	<b>1,330</b>	<b>?</b>
<b>TOTAL</b>	<b>48,709</b>	<b>46,177</b>	<b>?</b>	<b>?</b>	<b>48,759</b>	<b>45,226</b>

11.3 The Education Capital allocations from the DfE are still awaited (TBA).

11.4 In addition to the main Highways LTP allocation, further one-off allocations of £3,939k in 2013/14 and £2,108k in 2014/15 (£6,047k over the two years) for Local Highways Maintenance Funding was announced on 18 December 2012. This follows the announcement in the Chancellor's Autumn Statement on 5 December of an additional £333m nationally to provide for essential maintenance to renew, repair and extend the life of the highways network in England. A condition of this one-off additional funding, however, is that authorities must publish a short statement on their website setting out what and where (in terms of location) this additional funding has been spent and how it has complemented (rather than displaced) an authority's planned highways maintenance expenditure.

11.5 The current Capital Plan provision will, where necessary, be refined at Quarter 3 2012/13 (to December 2012) to reflect the figures in the table at **paragraph 11.2** above. For 2014/15 and 2015/16 the estimates shown are based on the following:

- (a) Highways LTP – indicative allocations previously provided by the Department of Transport.
- (b) Highways additional funding – as notified on 18 December 2012 (see **paragraph 11.4** above).
- (c) Education Funding Streams – earlier forecasts which will be updated once the 2013/14 allocations have been notified
- (d) Personal Social Services – notified allocation for 2014/15 with no provision being made for 2015/16 at this stage.

## 12.0 LOOKING AHEAD TO SUBSEQUENT YEARS

12.1 As previously mentioned this Settlement covers the latter two years (2013/14 and 2014/15) of the 2010 four year Spending Review period.

12.2 Little detail is known about the years beyond 2014/15 except for

- (a) the Chancellor's Autumn statement on 5 December 2012 said that detailed (public) spending plans for 2015/16 would be set out in the first half of 2013. The statement also said that total spending in 2015/16 to 2017/18 will continue to fall at the same rate as the Spending Review 2010 period. Some areas however such as spending on health and schools will continue to be protected
- (b) the March 2012 budget showed Government expenditure limits suffering real term reductions of 4% - 5% in 2015/16 and 2016/17 with an expectation that Local Government would face higher reductions
- (c) the Local Government Association (LGA) undertook some modelling in May 2012 that projected the double impact of continuing cuts to council funding for the foreseeable future together with the increased pressure of providing social care for the elderly. This led to the well publicised 'graph of doom' which suggested that by the end of the decade Councils' expenditure would almost entirely be spent on waste services and social care.

12.3 Thus at this stage it is not known when the next Spending Review will be announced and how many years it will cover. Based on the above however significant further reductions to Local Government Funding similar to the scale experienced in the 2010 CSR are envisaged. Further work on this will continue and will be reflected in the County Council's longer term MTFs projections.

## 13.0 RECOMMENDATIONS

13.1 That the Executive notes:

- (a) the details of the revenue funding element of the Provisional Local Government Finance Settlement for 2013/14 and 2014/15 as set out in **sections 3 and 4**
- (b) the details of the capital approvals as set out in **paragraph 11**.

13.2 That the Executive is minded to accept the Council Tax Grant for 2013/14 as set out in **paragraphs 8.4 to 8.8**.

GARY FIELDING  
Corporate Director – Strategic Resources

County Hall  
Northallerton

11 January 2013

**Background Documents**

Local Government Provisional Settlement papers issued by DCLG

Contact: Peter Yates, (01609) 532119 ([peter.yates@northyorks.gov.uk](mailto:peter.yates@northyorks.gov.uk))

(1)

## ORAL STATEMENT

With permission Mr Speaker, I should like to make a statement on finance for English local authorities for 2013 to 2014 and 2014 to 2015.

The Autumn Statement sets out how the Coalition Government is putting our public finances back on track after the catastrophic deficit left to us by the last Labour Government.

Local government has shown great skill in reducing its budgets. Committed local authorities have protected front line services. Little wonder then that at a time of retrenchment satisfaction in council services has gone up.

This year's settlement will see council expenditure fall in a controlled way

English local government accounts for £1 of every £4 spent on public services.

It spends £114 billion – that's twice the defence budget and more than the NHS.

So this settlement recognises the responsibility of local government to find sensible savings and make better use of its resources.

It marks a new settlement for local government based on self determination and financial independence. A move from the begging bowl to pride in locality.

It begins the biggest shake up of local finance in a generation.

We are shifting power from Whitehall direct to the town hall.

From April, authorities will directly retain nearly £11 billion of business rates instead of returning them to the Treasury.

Striving councils will benefit by doing the right thing by their communities.

If they bring in jobs and business they will be rewarded.

Similarly, New Homes Bonus remunerates councils for building more homes.

Next year the Bonus will be worth more than £650 million and even more in 2014-15.

Under our reforms an estimated 70 per cent of local authority income will be raised locally compared to a little over half under the current Formula Grant system.

A giant step for localism.



The start-up funding assessment , which gives each council's a share of the funding - confirmed in the Chancellor's autumn statement - will see £26 billion shared between councils across the country – with the smallest reductions for councils most reliant on government funding.

We consulted local authorities on our proposals over the summer. And we've listened to what they told us. They told us that there should be less money held back from the settlement. So we've reduced the amounts that we are setting aside for New Homes Bonus, for the safety net and for academies funding. In total that means an additional £1.9bn for local authorities upfront in 2013/14.

(5)

Local authorities also told us that they wanted a stronger growth incentive. We were happy to respond. So we've made the scheme more generous, ensuring that at least 25p in every pound of business rate growth will be retained locally.

The settlement leaves councils with considerable total spending power.

The overall reduction in spending power next year is just **1.7 per cent**.

A small number of authorities will require larger savings to be made but no councils face a loss of more than 8.8 per cent in their spending power thanks to a new efficiency support grant.

As the name implies, to qualify councils will have to improve services to qualify. It is unfair on the rest of local government to expect them to subsidise other councils' failure to embrace modernity.

But this settlement is not about what councils can take. It's about what they can make.

Meanwhile, the settlement continues protecting fire and rescue as a blue light emergency service.

Today, we have announced £140 million of capital grant money to fire authorities.

Predictably the doom mongers have been consulting their Mayan calendars.

Issuing dire warnings of the end of the world as we know it on Friday.

A billion pound black hole in the local budgets.

Some have shamefully predicted riots on the streets.

Nostradamus needn't worry.

Because all those Malthusian predictions have come to naught.

Concerns that the poorest councils or those in the north would suffer disproportionately are well wide of the mark.

The spending power for places in the north compares well to those in the south.

For example, Newcastle has a spending power per household of £2,522 which is over £700 more than the £1,814 per household in Wokingham.

We've also maintained the system of 'damping' – where Government sets a 'floor' below which council funding will not fall.

This year's average grant reduction for the most dependent upper tier authorities will be less than 3 per cent, compared to 8.7 per cent for the

(8)

wealthiest. That's more support and protection than last year.

I can also confirm today that local authorities will be able to use the receipts from assets sales raised from 2012-13 onwards to fund outstanding Equal Pay claims.

On top of what I've announced today, the Secretary of State for Health will in due course be confirming public health funding for local councils.

In his Autumn statement the Chancellor recognised the sector has risen to the challenge.

That is why, unlike most of central government, local government was exempted from the 1 per cent top slice next year - worth approximately £240 million to councils.

But as it looks to 2014 and beyond, local government needs to continue finding better, more

efficient, ways of doing things.

There remains scope for sensible savings. With the exception of a handful of authorities, nobody has got to grips with procurement. More can also be done to share offices, share services, cut fraud and provide more for less.

I've also asked the outgoing Chief Fire and Rescue Adviser, Sir Ken Knight, to pinpoint practical ways to help fire and rescue authorities save money and protect the quality and breadth of frontline fire services.

It is disappointing that the Shadow Fire Minister has signalled his opposition.

It has been noted.

Mr Speaker,

And today, true to my Yorkshire roots, I've published 50 ways to save, setting out practical

ways for councils to save money, big and small. But it all adds up.

- If councils merged their back offices like the Tri-Borough initiative in London, they could save £2 billion.
- Procurement fraud costs taxpayers almost a billion a year.
- Councils are sitting on £16 billion of reserves.
- Councils aren't collecting over £2 billion of council tax.
- Better property management could save £7 billion a year.

We have also announced today that further savings will be made by the abolition of pensions for councillors.

Councillors should be champions of the people, not the salaried staff of the town hall state.

Today's guide gives more power to the elbow and the public to challenge crude cuts and champion sensible savings.

Next year's exemption will give local authorities time to put their house in order.

But let's remind ourselves what this is all about.

- Safeguarding vital public services.
- Protecting families and pensioners.
- Ending the something for nothing culture.

That is why, despite financial pressures, we will continue supporting for the third year running, those who insulate residents from further council tax hikes.

We have set aside an extra £550 million for local authorities to support council tax: £450 million over the next two years for the freeze and an additional £100 million for council tax support will be available in the new year.

All councils have a moral duty to freeze council tax. It doubled under Labour. It became unsustainable.



We've cut it in real terms.

Just to be clear this year's freeze grant goes into base for the spending review period and has the same status as every other item in base

Those who would prefer to carry on with increases and see residents miss out should be ready to answer to their local taxpayers and not dodge them by setting the increase just below the threshold

For next year we have set the referendum threshold at 2 per cent.

I will also introduce a flexibility to support small district, police and fire authorities that have kept council tax low for years.

My Rt Hon friend the Local Government Minister has set out the details in a Written Ministerial Statement.

This is democracy in action: if you want to hike taxes, put it to the people.

I would contrast the action we have taken to freeze council tax with the new housing tax being introduced in the Republic of Ireland.

Tackling the deficit helps keep taxes down.  
If you deny the deficit, taxes on everyday families will rise.

Mr Speaker,

To those who want to play the politics of division – let me say this.

This is a fair settlement – fair to north and south, rural and urban, shire and metropolitan England.

But this Settlement is also a watershed moment.

For the first time in a generation, striving councils now have licence to go full steam ahead and grab a share of the wealth for their local areas.

To stand tall, and seize the opportunities of enterprise, growth and prosperity.

I commend this statement to the House.

## NORTH YORKSHIRE COUNTY COUNCIL

## CORPORATE AND PARTNERSHIPS OVERVIEW &amp; SCRUTINY COMMITTEE

26 NOVEMBER 2012

LOCALISATION OF COUNCIL TAX BENEFITS AND BUSINESS RATES  
FROM 1 APRIL 2013

## Report of the Corporate Director – Strategic Resources

**1.0 PURPOSE OF REPORT**

- 1.1 To brief Members on the Government's localisation of Council Tax Benefits from 1 April 2013 together with the Localisation of Business Rates, also from 1 April 2013.

**2.0 BACKGROUND****Localisation of Council Tax Benefits**

- 2.1 Support for Council Tax (benefits) is currently funded centrally by the Department for Works and Pensions (DWP) based on a national policy with rules set by central government. Council Tax (CT) billing authorities administer the scheme on a local basis but reclaim the cost of benefits from central government.
- 2.2 As announced in the 2010 spending review, support for CT will be localised from 2013/14 and expenditure reduced by 10%. These proposals form part of the Government's wider commitment to reduce benefit dependency and worklessness.

**Localisation of Business Rates (BR)**

- 2.3 Under the current system billing authorities collect BR in their area based on a nationally set rate (rate in the £x property rateable value) and pay them into a national pool which is then redistributed (based on population) as part of the overall formula grant calculated for every local authority.
- 2.4 The key criticism of this system is that Councils have no financial incentive to promote businesses in their area as they do not directly receive any of the BR receipts from new development.
- 2.5 Thus Localisation of BR was proposed as part of the Local Government Resource review and is being introduced from 2013/14.

## 3.0 LOCALISATION OF COUNCIL TAX BENEFITS

### Reasons for the Change

3.1 The Government highlight five reasons for the change:

- (i) Give authorities a greater stake in the economic future of their area.
- (ii) Provide authorities with the opportunity to reform the system of support for working age claimants.
- (iii) Reinforce local control over CT.
- (iv) Give authorities control over how a 10% reduction on the current CT benefit bill is achieved, allowing them to balance local priorities and their own financial circumstances.
- (v) Give authorities a financial stake in the provision of support for CT.

### What the Change Actually Means

3.2 CT billing authorities (District Councils in North Yorkshire) have a responsibility to run a local scheme to provide Council Tax support in their area. Local schemes have to be designed, consulted on (with major preceptors such as NYCC, and the public) and agreed ready for implementation from 1 April 2013.

3.3 Scheme designs in principle should be based on funding allocations and potential caseload. Scheme deficits will have to be financed either through CT increases for everybody or budget savings elsewhere. Thus Councils can subsidise schemes if they wish.

3.4 There is freedom to design local schemes for working age claimants only and for pensioners the level of support must continue with Central Government prescribing the criteria and allowances to be incorporated into local schemes. Local schemes also have a responsibility to, and awareness of, the most vulnerable people such as children living in poverty, disabled persons and chronically sick.

3.5 Final schemes must be adopted before 31 January of the preceding financial year. Councils will not be able to change schemes in-year but changes can be made each year, subject to local consultation where significant changes were being planned.

If a local scheme is not in place by 31 January, a national default scheme (essentially the current CTB scheme for working age recipients) is applied. Thus there is a strong financial incentive to avoid the imposition of default schemes, as this will limit the Council's ability to adjust benefits / discounts to manage the funding reduction.

3.6 Councils are able to collaborate with neighbours (eg in two areas or across a LEP area) to develop a single scheme and even pool grant funding received. In practical terms, however, this is difficult to achieve because of the differing mix, level and costs of current claimants in each individual billing authority area.

- 3.7 Support for CT will become fully integrated into the CT system, with support being offered as a reduction (or discount) on CT bills. This means that local decisions about discounts will need to be taken as part of the CT setting process.

### Costs and Funding

- 3.8 Based on DWP data at April 2011 there are 5.8m national claimants for Council Tax benefit at an average weekly benefit of £15.83 per claimant. This equates to a current annual cost of £4.8bn and the 10% expenditure reduction required as part of the localisation is therefore £500m per annum.
- 3.9 The Government will provide a grant to Councils to support the localisation. This will be based on historical levels of CT benefit costs for each Council area reduced by the 10% set out in the 2010 spending review. Thus the grant does not take into account any perceived future increase in demand due to the economic downturn together with other factors that will increase costs.
- 3.10 As CT benefits now become CT discounts, the total CT yield reduces and this impacts on the billing authority and all major precepting authorities (Counties, Police and Fire). Thus grant is being paid to all these authorities in line with their shares in the 2012 CT for each area, with the result that in areas such as North Yorkshire most of the grant (about 69%) and risk falls on the upper tier County area.
- 3.11 Provisional grant allocations for 2013/14 were notified in May 2012 with final figures expected, as part of the provisional Local Government Finance Settlement, in December 2012. Although it is intended that allocations will be published annually, the Government is looking at multi year settlements and a new basis for distributing grant from 2015/16.
- 3.12 Grant Funding will not be provided as a separate grant but will be part of the overall Business Rates Localisation funding baseline (**see paragraphs 2.3 to 2.5 and 4**). This risks funding being used for other purposes and systematically under funding the scheme in future years.
- 3.13 There are other 'knock on' funding implications such as a resulting lower CT setting base producing a lower yield from % increases in CT in future years.

### A Local Perspective

- 3.14 A summary of costs and indicative funding in North Yorkshire is as follow:

Item	£m
Government's estimated CT benefit costs in North Yorkshire in 2013/14	36.8
Less: 10% cut in funding	-3.7
<b>= 90% funding to be made available to NYCC authorities</b>	<b>33.1</b>

3.15 Indicative grant allocations for the NYCC area based on relative 2012 Council Tax levels are:

Authority	£m	
Districts	3.9	(12%)
Parishes (this is being reviewed)	0.6	(2%)
NYCC	22.8	(69%)
Police	4.4	(13%)
Fire	1.4	(4%)
<b>Total</b>	<b>33.1</b>	<b>(100%)</b>

3.16 Thus most of the financial risk of North Yorkshire Districts not being able to achieve the 10% funding cut (after protecting pensioners etc plus increased demand, appeals and bad debts write-off) falls on NYCC as follows:

Item	£m
Costs becoming CT discounts (based on Government's Estimates above) and thus reducing CT yield = £36.8m x 69%	25.4
Less: Indicative NYCC grant ( <b>paragraph 3.15</b> )	-22.8
<b>= Initial net cost to NYCC</b>	<b>2.6</b>

3.17 In terms of individual Districts (their own more up-to-date estimates) the position is as follows

District	Number of Estimated CTB Claimants in 2013/14	Estimated Cost in 2013/14	10% Reduction in Funding	NYCC Share of Funding Reduction	
				£000	%
Craven	3,554	£m 3.3	£000 326	£000 225	69
Hambleton	5,250	4.3	430	314	73
Harrogate	10,203	8.4	836	548	68
Richmond	2,810	2.4	244	166	68
Ryedale	3,752	3.3	333	230	69
Scarborough	12,756	10.7	1,075	731	68
Selby	5,807	4.9	486	335	69
<b>Total</b>	<b>44,132</b>	<b>37.3</b>	<b>3,730</b>	<b>2,549</b>	<b>69</b>
<b>National Total (April 2011 Actuals)</b>	<b>5,828,580</b>	<b>£4,800m</b>	<b>£500m</b>		

3.18 It is apparent from the above table that Scarborough have the most claimants / cost and thus financial risk to the County Council, followed by Harrogate.

3.19 The following sets out the current position in terms of progress being made by the Districts in implementing their local schemes.

- (a) Joint consultation proposals from the seven Districts but with separate scheme proposals for each District were received in July 2012 followed by a consultation meeting (including Fire and Police) in August.
- (b) Each District resolved to attempt to fully cover the cut in funding through a combination of local proposals including:
- maximum eligible CT support = a cut in benefit for all working age claimants (**see paragraph (g)** below)
  - removal of second adult rebate
  - introducing a Council Tax Band restriction for claimants
  - various other changes to benefits (now CT discounts) eligibility
  - the residual funding gap would be bridged through using recently introduced freedoms on certain existing Council Tax discounts and exemptions, mainly second homes discounts and empty / unfurnished properties

The above proposals did however acknowledge a resulting increased level of bad debts and this was factored into the net impact of the proposals.

- (c) Each District's proposals (see **paragraph (b)** above) varied depending on local circumstances. Harrogate, however, proposed to maintain existing benefit levels and rely wholly on tightening up CT discounts and exemptions to fully cover the funding cut.
- (d) District proposals also highlighted a range of additional costs falling on them including additional collection costs, setting up a hardship fund and various administration costs. These totalled £628k of which NYCC were being asked to contribute £445k (in proportion to relative CT levels). These figures have subsequently reduced however (see **(g)** below)
- (e) Following discussion at Cabinet, the key message in the County Council's consultation response was a desired cost neutral outcome position which took into account any contribution to additional costs (**paragraph (d)** above) incurred by the Districts as a result of implementing the various changes.
- (f) Following this consultation each District Council has been progressing public consultation on their proposed schemes via newspaper advertisements etc referring to the proposal documents on their websites.



- (g) A significant feature of the District proposals was to cut the level of support for every working age claimant (first bullet point under **paragraph (b)** above). At individual District level the cuts proposed were up to 30% (except Harrogate) (see **paragraph (c)** above).

This scenario was being repeated nationally and on 16 October DCLG announced transitional additional funding of £100m to help authorities implement the Localisation of CT Support. Formally the purpose of this one-off funding is to encourage best practice but DCLG are also using it to mitigate the worst impacts on those who are currently claiming 100% CT benefit.

The key criteria for receiving this one off funding is that where 100% CT benefit is being paid, the reduction in local schemes should be no more than 8.5% and that the taper rate does not increase above 25%.

All North Yorkshire Districts are now reviewing their earlier proposals with the aim of qualifying for this transitional grant which would total:

<b>Authority</b>	<b>£000</b>
Districts	121
NYCC	617 (69%)
Police	120
Fire	39
<b>Total</b>	<b>897</b>

At this stage the overall impact of this late development on the County Council is unclear.

A consequential impact however is that the Districts are now asking for a lower £160k contribution to additional costs being incurred (was £445k – see **paragraph (d)** above)

- (h) Based on the initial local schemes being proposed by North Yorkshire Districts, and the recent transitional grant offer to qualifying authorities (**paragraph (g)** above), it is currently unclear what the overall net impact will be on NYCC. The Districts are still aiming for an ultimate cost neutral outcome but it remains to be seen whether this can ultimately be fully achieved.

NYCC's MTFS continues to reflect a latest forecast outcome and at this stage does assume an overall 'net cost'. This will be reviewed and updated on an ongoing basis however until the Executive finally approve the Budget / MTFS on 5 February 2013.

## Particular Issues

3.20 Many issues and concerns have been expressed about this significant change including:-

- (a) Greater autonomy will give Councils the freedom to target CT relief to those who really need it but the 10% reduction in funding will mean that adopting this responsibility will not be easy.
- (b) The funding cut is much greater than 10% after fully protecting pensioners (about 55% of the total claimants cost in North Yorkshire) , protecting vulnerable people, potential future increased demand, potential future increased appeals and bad debts write-off.
- (c) The Government's default scheme does not deliver the 10%+ cut in funding. They are asking Councils to take decisions about who will bear the cuts which they are not willing to take themselves. Conversely the Government is specifying how these cuts must not happen through protecting pensioners and the vulnerable.
- (d) The main practical administrative impact of the change falls on billing authorities (District Councils) in terms of scheme design, changes to IT systems, consultation, implementation and administration etc. 'New Burdens' funding has been promised towards additional costs, but no details of this have yet been announced. The financial risk of the funding cut, however, falls across all authorities relative to CT levels with Counties bearing most risk (69% in NYCC area).
- (e) The take up of CTB is at a historic low and the shift away from a benefit to a discount will encourage more people eligible to claim.
- (f) The new system means that a current national uniform rate/scheme of CT benefit is lost.

## 4.0 LOCALISATION OF BUSINESS RATES (BR)

### Key Points

4.1 How the system will work is set out briefly below but what set out as a fairly simplistic model has now developed into a very complex set of arrangements:

- (a) There will be no change to the way businesses pay rates or how they are set centrally by the Government. Councils will not have the power to vary the rate.
- (b) An initial funding baseline will be established for each council for 2013/14 using the current formula grant system, although various proposed updates and changes to the grant formula are expected to be implemented. The overall funding baseline will be contained within the overall expenditure control totals of the 2010 CSR.
- (c) A BR allocation (baseline) will be determined for each billing authority area based on historical levels of BR collected. In two tier areas such as North Yorkshire this BR baseline will be allocated as follows.

- 50% to the Government – central share
  - 40% to the District Council
  - 9% to the County Council
  - 1% to the Fire Authority
- } 50% local share
- (d) Thus the locally retained share at 50% is much less than the full localisation originally suggested. The 50% central share will be used in its entirety to fund local government through:-
- revenue support grant needed to fully fund Council’s funding baselines (top ups offset by tariffs). This is needed because of the 50% being retained centrally by the Government
  - other specific grants (including Police – see **(m)** below)
- (e) If a council's BR allocation exceeds its funding baseline, it will pay the difference to the Government as a ‘tariff’.
- (f) If a council's BR allocation is below its funding baseline, it will receive the difference from the Government as a ‘top-up’. Because counties such as NYCC are only receiving a 9% allocation of local BR, all will be top-up authorities.
- (g) Tariff and top-up payments to and from the Government in future years will be increased by RPI in September of the previous financial year. This is the same basis used for increasing BR bills on an annual basis.
- (h) The local BR allocation (baseline) of the initial funding baseline will increase (or decrease) each subsequent year in line with local BR growth.
- (i) There will be a safety net to protect councils from significant negative shocks to their future BR income. This will be funded by a levy on councils that experience disproportionate financial benefit from BR growth.
- (j) Councils can form pools which would aggregate levy payments and BR growth amongst member authorities. It would then be up to the pool to decide how to distribute BR revenues. Pooling offers opportunities for councils to share both the risks and rewards of the BR retention system across a wider area and to co-operate to maximise the potential for growth.
- (k) The system from 2013/14 will, through the use of the tariff and top-up system (**paragraphs (e) and (f)** above), ensure that BR are redistributed to meet need and ensure councils with high need and low BR bases do not start the scheme at an unfair disadvantage. Thus councils total ‘start up’ funding for 2013/14 will equate to what it would have been if the new system had not been introduced.
- (l) A full reset of the system is proposed in 2020.
- (m) Police authorities will be funded outside the rates retention system to recognise that these authorities have limited levers to influence growth. The Government will

provide a fixed allocation of BR (out of their 50% central share) in 2013/14 and 2014/15 to support Home Office grant funding of police bodies.

- (n) Although there has been various exemplification of what all the figures mentioned above might be they will not be known with any certainty until the provisional Local Government Finance Settlement now expected on 19 December 2012.

## A local Perspective

- 4.2 Based on the local share allocations set out in **paragraph 4.1(c)** an estimated allocation of BR in North Yorkshire based on estimated 2012/13 net rating income is as follows:-

District	Net 2012/13 estimated rating income	Central 50% share	Allocated to		
			District 40%	NYCC 9%	Fire 1%
	£m	£m	£m	£m	£m
Craven	18.5	9.2	7.4	1.7	0.2
Hambleton	26.7	13.3	10.7	2.4	0.3
Harrogate	60.1	30.1	24.0	5.4	0.6
Richmondshire	12.7	6.4	5.1	1.1	0.1
Ryedale	16.5	8.2	6.6	1.5	0.2
Scarborough	32.6	16.3	13.0	3.0	0.3
Selby	44.5	22.3	17.8	4.0	0.4
<b>Total</b>	211.6	105.8	84.6	19.1	2.1

- 4.3 Thus NYCC would only receive about £19.1 (9%) of locally collected BR and therefore the impact of future growth (or contraction) on the County Council will be minimal.
- 4.4 Most of the County Council's baseline funding allocation from the Government (£117m in 2012/13) will therefore be provided in the form of an annual top up from the Government (**paragraph 4.2(f)**). This top up will be increased by RPI each year.
- 4.5 Thus the actual impact of localisation of BR on the County Council's funding levels from 1 April 2013 will be minimal. There will be change however to:
- (i) funding streams and payment between Central Government, District Councils and the County Council will be different
  - (ii) future funding increases will be subject to local BR growth for only about £19m of NYCC's funding requirement with the rest (top up) being subject to RPI. At present annual funding increases (or decreases under the current climate) are determined through the formula grant system.
- 4.6 Of much more significance to the County Council's future funding allocations is the overall envelope of funding the Government makes available to Local Government as

part of the 2010 CSR (for 2013/14 and 2014/15) and the next CSR due in 2014. Significant cuts were made in the last CSR and more are expected in the future.

The Government will be able to continue these cuts as part of the Rates Retention system from 2013/14 through reducing the Revenue Support Grant element of the new system.

- 4.7 Although a North Yorkshire BR pooling proposal has not been submitted to DCLG for 2013/14, one will be considered for 2014/15. There are however risks as well as advantages from such arrangements and further work is therefore being carried out to assess these. For 2012/13 Harrogate have agreed to be part of a Leeds City Region pooling submission to DCLG along with the City of York. Craven were originally part of this proposal but have recently withdrawn.

## 5.0 **RECOMMENDATIONS**

- 5.1 That Members note the key details of the localisation of Council Tax Benefits and Business Rates that will start on 1 April 2013.

GARY FIELDING  
Corporate Director – Strategic Resources

County Hall  
Northallerton

13 November 2012

Author of Report: Peter Yates, Assistant Director, Corporate Accountancy Service Unit

## **Background Documents**

# Provisional Local Government Finance Settlement 2013-14 and 2014-15

19<sup>th</sup> December 2012



## Headlines

- The government has announced the provisional local government finance settlement for 2013-14. It has also announced Revenue Support Grant for 2014-15.
- Full details can be found on the DCLG website at <http://www.local.communities.gov.uk/finance/1314/settle.htm>
- The closing date for responses to DCLG is 15 January 2013.
- The government has confirmed that the following will be withdrawn from the local government finance settlement in 2013-14:
  - £411m for New Homes Bonus.
  - £125m for capitalisation and the safety net - £220m less than the amount consulted on.
  - £1.04bn for the Academies Funding Transfer - £180m less than the amount consulted on. Of this £15 per pupil will be retained by authorities for pupils in academies.
  - They have confirmed that £1.7bn of Early Intervention Grant will go into the Start Up funding allocation. However they have not announced the distribution of the £150m holdback.
- On the basis of the information currently available we estimate that non-schools revenue funding will decrease by 4.8%. Of this £26.1bn is the start-up funding allocation, a decrease on a like for like basis of 3.9%.
- The figures confirm that there will be no further reductions from the control total in 2013-14 as a result of the Autumn Statement.
- However in 2014-15 there will be a further reduction of £447m, as announced in the Spending Review. The total reduction in 2014-15 will be 8.6%. Revenue Support Grant in 2014-15 will fall by 17%.
- Damping floors for 2013-14 have been announced, this relates to formula funding only.
- Spending power figures for 2013-14 have been announced and a new grant for seven councils – called the Efficiency Support Grant will be available, subject to conditions.
- The total expected business rates income is £26.3bn. The total amount deducted before arriving at the 50% split between the central and local shares is 4.5bn. That means that the Estimated Business Rates Aggregate for councils is £21.8bn. The local share is 50% of this or £10.9bn.
- The Start-up funding allocations for councils in 2013-14 have been confirmed. It has also been confirmed that of this £10.9bn will be in the local share and £15.2bn in Revenue Support Grant.
- Other key elements of the business rates retention scheme have also been announced. This includes top-ups and tariffs, levy and safety net rates and the proposed pools.
- Total council tax support funding of £3.295bn (not including police) has been announced in addition to £33.5m for New Burdens.
- Referendum limits have been confirmed for councils, fire authorities and PCCs. Parish and town councils will not be included.

# Briefing

Local Government House, Smith Square, London SW1P 3HZ  
 Email [info@local.gov.uk](mailto:info@local.gov.uk)  
 Tel 020 7664 3000 Fax 020 7664 3030  
 Information centre 020 7664 3131 [www.local.gov.uk](http://www.local.gov.uk)

## LGA key messages

- **Today's settlement announcement confirms that local government continues to bear the brunt of public spending cuts in this Spending Review period. The Autumn Statement promises that cuts will continue at least until 2018. Whilst it is pleasing our campaigning has resulted in councils being protected from additional cuts next year, within the context of ongoing pressures to key service areas such as adult services and waste collection, the extra two per cent cut in 2014-15 is unsustainable to local government.**
- **It is generally recognised that councils have managed the cuts so far by maximising efficiencies and redesigning services. With further cuts on the horizon, this will be impossible to repeat and impacts on the local frontline services that residents rely on and value are inevitable.**
- **The LGA is pleased that the government has made adjustments to the total business rates aggregate to take account of appeals. We will continue to monitor carefully whether this adjustment is realistic and takes account of the backdating of appeals.**
- **We are also pleased that in response to strong pressure from the LGA and the sector the government has reduced the topslices for the safety net and academies. This is a total gain of £405m.**
- **It should be for local people to determine whether they find a suggested council tax increase "excessive", rather than the Secretary of State decreeing what constitutes "excessive" from the centre. If local referendums are to be truly localist, they should be triggered only at the behest of local people.**
- **The LGA welcomes the increased savings of £180 million for councils up and down the country as a result of using more up to date data for the academies funding transfer. However local authorities which have already reduced their spending on education services, and are spending less than £116 per pupil will see more money taken out of their budgets than they are spending on education services for the schools they maintain. It is disappointing that the government has not offered protection to councils on the same lines that it has for academies.**

## Settlement in detail

This is the first local government finance settlement under the new arrangements for business rates retention that will come into place on 1<sup>st</sup> April 2013. This means that business rates have now been split into a central and a local share; each being 50% of the Expected Business Rates Aggregate in 2013-14 (as predicted by the Office for Budget Responsibility); after deductions are made for expected appeals and reliefs.

The total size of the local share is £10.9bn.

The Start Up Funding Assessment has also been announced. The following table shows how this compares with 2012-13

Settlement Key statistics	2012-13	2012-13	2013-14	%	2014-15	%
	unadjusted	adjusted		change		change
	£bn	£bn	£bn			
Net AEF = Start Up Funding Allocation	23.596	27.169	26.101	-4%		
Funded through						
Local Share			10.899		11.233	3.1%
Revenue Support Grant			15.203		12.624	-17.0%
			26.101		23.856	-8.6%
How the local share is worked out						
Local list income			26.297			
less deductions for appeals losses, reliefs etc			4.500			
			21.797			
Central Share (50%)			10.899			
Local Share (50%)			10.899			

## Start-up funding allocation

- The start-up funding allocation has decreased by 3.9% on a like for like basis. For 2014-15 the decrease is substantially larger at 8.6%. However this takes into account growth in the local share in line with RPI, so that Revenue Support Grant reduces by 17%.

### *LGA View*

- **This confirms that the cuts in 2014-15 are approaching the 2011-12 cut which was 12.1%. In our reaction to the Autumn Statement we characterised this as unsustainable. We also consider it to be contrary to the principle of business rates retention to apply an increase in the local share to reduce Revenue Support Grant.**



## Damping arrangements

The table sets out the damping arrangements for formula grant in 2013-14 (and 2014-15 if announced). This relates to formula funding. The gap between the bands has been increased from 1% to 2% and fire authorities will be banded for the first time.

	<i>Education/ Social Services</i>	<i>Shire Districts</i>	<i>Police</i>	<i>Fire (3 bands only)</i>
<b>2013-14</b>				
<i>Single floor</i>			1.6%	
<i>Band 1 - most dependent</i>	--2.7%	--5.4%		-8.7%
<i>Band 2</i>	--4.7%	--7.4%		-9.2%
<i>Band 3</i>	-6.7%	-9.4%		-11.7%
<i>Band 4 - least dependent</i>	--8.7%	-11.4%		

## New Homes Bonus

- Provisional amounts for the New Homes bonus for 2013-14 have been announced by CLG – a total of £661m. This will be funded through £250m in specific grant with the rest in top-sliced formula funding. The £500m top-slice which has been taken from formula funding in 2013-14 is £89m more than will be required; the balance will be returned to local government in proportion to the Start-Up Funding Allocation.

## Business rates

Business rates retention is introduced in April 2013. The settlement announces the key numbers around which authorities will take their decisions.

### Estimated Business Rates Aggregate

- The Estimated Business Rates Aggregate for 2013-14 has been announced as £21.8bn.
- This is the total notional yield from the local list - £26.3bn with deductions for:
  - Reliefs, transitional arrangements and enterprise zones - £2.4bn.
  - A calibration adjustment to allow for the difference between forecast and outturn figures; this is based on historic figures - £1.3bn.
  - Expected reduction in yield due to appeals - £0.6bn.
  - Costs of collection and losses on collection, etc - £0.2bn.
- These adjustments are made at the national level – with the implicit assumption that the effect is the same in all authorities.

### Central and local shares

- The expected business rates aggregate is divided between the central and local share - 50% for each. The central share will be used to pay Revenue Support Grant and police funding.
- The total size of the local share is 50% of £21.8bn i.e. £10.9bn. This is the total pot for business rates retention and also determines the split in the Start Up Funding Allocation between baseline funding and Revenue Support Grant.
- A proportionate share of the baseline funding is calculated for each local authority on the basis of average of business rates collected in 2010-11 and 2011-12. It is then split between tiers in a way that ensures that counties and fire authorities are top-up rather than tariff authorities.

### Top-ups and tariffs

- For each authority the result of this calculation is compared with its baseline funding. If the expected business rates are greater than the baseline funding it is a tariff authority; if it is the other way round it is a top-up authority. Top-ups and tariffs for all authorities have been announced and can be found on the DCLG website at the address given at the start of this briefing.

### Safety nets and levies

- Once the scheme is up and running, there will be a system of levies and safety nets to prevent what ministers see as excessive gain or excessive loss. The rates for these have also been announced:
  - All authorities will receive a safety net payment if their actual local share business rates income is 7.5% or more beneath the funding baseline.
  - Levy rates will be set individually for authorities, determined by the ratio of their expected local share income to their baseline funding level. They will not exceed 50% and cannot be negative.
- Final levy and safety net payments will only be determined after the end of the financial year. However there is provision for an authority which expects to receive safety net support to receive a payment on account.
- Although DCLG expects that levies and safety nets should balance in the long run, an additional top-slice of £25m has been removed from formula funding.

### Pools

- DCLG has also announced the proposals on pooling which it has received. Pools will be treated as one authority for the purposes of top-ups and tariffs, levies and safety nets. DCLG has designated 20 proposals for pools. These can also be found at the DCLG website. Authorities in pools are now asked to consider their numbers. If they want to withdraw they have to give 28 days' notice – with this starting from the date of the provisional local government finance settlement on 19<sup>th</sup> December.

## Multiplier

- Businesses will see no real terms change to the business rates they pay. The national non-domestic rate multiplier will go up by 2.6% to 47.1p in line with the increase in the September RPI. There will be a similar increase for small businesses.
- Councils will be fully funded for the announcements in the Autumn Statement on small business rate relief and empty property relief. The LGA understands that this will be done through the New Burdens Principle.

## LGA view

- **Localisation of business rates is a long-standing LGA aim. Business rates retention is a major development which has risks as well as potential rewards. We lobbied hard for the local share to be greater than 50% and will continue lobbying for the local share to be increased.**
- **The LGA welcomes the adjustments to the total business rates aggregate to take account of factors such as appeals. We will continue to monitor carefully whether this adjustment is realistic. We are also aware that some authorities are unhappy that these adjustments have been made at a national level rather than in response to local circumstances.**
- **We welcome the fact that the holdback for the safety net has been reduced from £245m to £25m.**
- **The amount of holdbacks for capitalisation has not changed. The LGA considers that capitalisation shouldn't be top-sliced.**
- **The LGA welcomes the adjustments to the expected business rates aggregate for appeals and the inaccuracy of forecasts. However it remains to be seen whether these are sufficient. The government should provide assurance that local government will be fully funded up to the planned spending control total, even if there is a shortfall in business rates.**

## Other specific grants

- Total specific grants outside the Start-Up Funding Allocation in 2013-14 will be £42.6bn. Of these £39.9bn is for schools. The remaining £2.8bn, which does not include the grant for public health which has not yet been announced represents a like for like decrease of 12%.

## Local Council Tax Support

- Council tax benefit will be abolished from April 2013 when local council tax support is introduced. The main funding for this (except for the police) will be within the Start Up Funding Allocation but outside formula funding.
- The total amount of funding for 2013-14, according to DWP figures seen by the LGA, will be £3.728bn, £31m more than in the original DCLG consultation. £3.295bn of this will be within the Start Up Funding

Allocation with the remaining amount paid to the police.

- The higher amounts come about because of revised OBR predictions and a revision of DWP's methodology. LGA officers have had detailed engagement with DWP and DCLG on this and pressed them for their forecast to be realistic.
- This is divided between areas on the basis of the shares of annual subsidised council tax benefit expenditure for 2011-12. Within areas it is divided between tiers (e.g. districts, counties, fire and police) in accordance with shares in the 2012-13 council tax.
- DCLG has also announced additional New Burdens funding of £34.8m. This will go to billing authorities. However no account has been taken of the increased costs of enforcement.
- As previously announced, DCLG will pay a transitional grant to those authorities whose schemes comply with a number of conditions.

### **LGA view**

- **The cut in funding is a Spending Review decision. We lobbied hard for additional flexibility on discounts while the Bill was in Parliament. Many councils are finding that they have no alternative but to pass the cut onto the working age poor.**
- **We do however welcome the fact that following careful scrutiny and lobbying by the LGA that DCLG have increased the total grant pot.**
- **We know that some authorities have concerns about the use of 11-12 outturn as opposed to 12-13 figures for dividing the money among authority areas. We call on DCLG to look carefully at the case for any additional payment.**
- **We also welcome the fact that DCLG are paying New Burdens money. However we do not agree with the decision not to make an allowance for the increased costs of enforcement.**

### Council tax

- As previously announced there will be a grant for billing and major precepting authorities who freeze or lower their council tax in 13-14. This grant is equivalent to a 1% increase in council tax on 2012/13 levels and is payable in 2013/14 and 2014/15 for a freeze in 2013/14.
- The government has confirmed that the referendum limit for 2013-14 will be 2% per annum. The exception for this is that for shire districts, police and fire authorities in the lower quartile of council taxes for their category of authority it will be the higher of £5 or 2%. Parish and town councils will not be included.

### **LGA view**

- **It is for councils to determine the appropriate rate of council tax. The lower referendum limits, coupled with the new council tax support arrangements will put many councils in a difficult position.**

### Capitalisation for equal pay

- The Secretary of State announced that local authorities would be allowed to use the receipts from asset sales to fund equal pay claims.

#### **LGA View:**

- **For authorities facing significant equal pay claims, this will likely be a welcome announcement although we await further details on the process for applying for capitalisation.**
- **However, we are disappointed in the Government's position on non-equal pay capitalisation, which is to ask local authorities to pay cash in advance from their revenue budgets to offset what are essentially permissions to allow the spreading of various kinds of exceptional revenue expenditure over more than one year.**
- **Taking real money from council budgets to cover what are essentially artificial quirks of government accounting is nonsensical, particularly at a time when funding is being heavily cut.**

### Schools and Children's Services Funding

#### Academies central services transfer

- DfE have announced the result of the consultation (Replacing LACSEG (Local authority central services equivalent grant)' on paying for central services for academies which came out in July 2012
- They consulted on a total transfer of £1.22bn – based on authorities' spending on central services such as school improvement and statutory and regulatory duties for education in 2011-12. Following evidence submitted by the LGA and authorities 2012-13 figures will be used. This means that the total size of the transfer diminishes to £1.04bn.
- Of this £265m has already been withdrawn from formula grant in 2012-13. Thus the total additional money transferred is £780m as opposed to £960m. So local authorities save £180m.
- The new grant works out at around £131 per pupil. This will go wholly to authorities for pupils in maintained schools. For academy pupils the academy will get £116 per pupil with the authority keeping £15 per pupil.
- There will be no adjustments for deprivation or area cost adjustment in the new grant; it will be the same per pupil everywhere in England.
- Academies will receive damping payments for the decreases in LA LACSEG so will get £150 per pupil in 2013-14 and £140 per pupil in 2014-15. However changes to LA funding will not be damped.

#### **LGA view**

- **The LGA has long argued that the government should only**

**withdraw funding for the central education services that local authorities provide in line with the savings that authorities are able to make as more pupils transfer to Academy schools.**

- **The government's decision to base the funding transfer calculations on the most recent budget information shows our messages are getting through and will result in welcome savings of £180 million for councils up and down the country. This marks a positive new approach and will go some way to alleviating the unprecedented budget squeeze local authorities are facing.**
- **The bad news, particularly for local authorities which have already reduced their spending on education services, is that local authorities spending less than £116 per pupil will see more money taken out of their budgets than they are spending on education services for the schools they maintain. This will see those with a high proportion of academies in their area hit the hardest, and it is very disappointing that for these authorities the government has not offered protection on the same lines that it has for academies facing significant funding reductions from the new approach. We would strongly urge the government to reconsider this aspect of its decision.**

#### Early Intervention Grant

- **The Early Intervention Grant was paid as a separate non-ring fenced grant in 2011-12 and 2012-13. In 2011-12 it was £2.235 billion and in 2012-13 it was £2.370 billion. It has been confirmed that it will be split as follows:**
  - **£1.7bn in 2013-14 and £1.6bn in 2014-15 will be incorporated into the start-up funding assessment;**
  - **£525m in 2013-14 is to be taken into the ring-fenced Dedicated Schools Grant in order to expand provision for disadvantaged 2-year olds. The two year old funding within the DSG has now been confirmed; councils' shares of the total £525m for 2013-14 were announced on 27 November. The amount for 2014-15 is £760m but the distribution has not yet been confirmed.**
  - **£150m to be retained by DfE for central purposes for adoption. Distribution has not yet been announced.**

#### **LGA View**

- **We said in our response to the business rates retention technical consultation that there was no justification for the removal of a top-slice of £150m in 2013-14 and 2014-15 in this way. The government provided no justification for this arbitrary reduction in the local government settlement as announced in Spending Review 2010, nor has it yet announced the distribution of the £150m.**
- **We have also heard concerns from member authorities that removing the 2 year old money to the ring-fenced Dedicated Schools Grant constitutes a double cut: the cut of existing core EIG (a 27% cut in non-ring fenced resources), plus the pressure**

from the insufficient funding to meet new statutory responsibilities for two year olds. Both of these elements would appear to contravene the Government's 'new burdens' principle.

- These cuts risk under-resourcing local authorities in delivering targeted early support to children, young people and families that need it most. Cutting core EIG funding is counter-productive and will lead to significant cost pressures in the longer term, due to increased demand for more costly longer-term/lifelong interventions. Local authorities will be less able to provide support for children and families affected by disabilities or existing / potential development delays.

### Public Health Funding

The total sum for the public health transfer has not yet been announced; the LGA understands that an announcement will be made in the new year.

#### ***LGA view***

- We are disappointed that DH has delayed the announcement of public health allocations to local government – councils need this information urgently in order to plan their public health services for April 2013
- The recent LGA-led stock-take on the public health transition was generally very positive with 95% of areas being confident of a safe and effective transition. However this optimism is tempered by several key issues being outstanding, the concern most often mentioned was lack of clarity on public health funding.

### Police Funding

As previously announced, the business rates retention arrangements will not include funding for police services. That means that police will be funded wholly from the central share and by outside grant. All police authorities will have a 1.6% reduction in funding in 2013-14.

#### ***LGA View***

- The reductions in police funding will leave newly elected police and crime commissioners with difficult decisions about how they deliver their manifesto commitments, sustain frontline policing, and also look to make the efficiencies and savings needed.
- The further cut in the community safety fund on what councils received leaves PCCs with little funding to commission the broad range of community safety activity they are likely to be interested in.
- Working with partners, especially councils, on programmes like those assisting troubled families will therefore be crucial in reducing the demands on police time and resources going forward, and the pooling of budgets and co-commissioning of

**services will be vital in the future funding of community safety activity.**

### Fire Funding

Fire funding will be included within the business rates retention scheme. All standalone fire authorities will be top-up authorities and their share of business rates income will be 2%. The decrease to fire funding is greater in 2013-14 than for other services, this reflects Spending Review decisions. Slightly different damping arrangements for 2013-14 have been announced, with fire authorities having banded damping arrangements.

### **LGA view**

- **The reduction in funding for fire authorities continues to put pressure on the delivery of fire services. This will only be heightened by the additional reductions expected in 2014-15 and the expectation that this trend will continue into subsequent years.**
  - **The LGA argued for greater flexibility in setting council tax increases and the exceptions to the “excessiveness principle” are welcome. However they will only apply to a very limited number of fire authorities and do not go far enough.**
  - **Fire authorities are already among the most efficient of public services and we await with interest the review by Sir Ken Knight on future means to achieving efficiency in the sector.**
-



**2013/14 LOCAL GOVERNMENT FINANCE SETTLEMENT**  
**Announced on 19th December 2012**  
**CHANGES IN FORMULA FUNDING**

	<b>Formula Funding Decrease after Damping</b>
	<b>13/14</b>
	%
<b>National position</b>	-4.5
<b>Shire Counties</b>	
Buckinghamshire (SR)	-10.4
Surrey (PU)	-10.0
Hampshire (SR)	-9.9
Hertfordshire (PU)	-9.9
Oxfordshire (PR)	-9.7
West Sussex (SR)	-9.5
Cambridgeshire (PR)	-9.2
Warwickshire (SR)	-8.3
Leicestershire (SR)	-8.0
<b>North Yorkshire (PR)</b>	<b>-7.9</b>
Worcestershire (SR)	-7.8
Essex (SR)	-7.7
Gloucestershire (SR)	-7.5
Nottinghamshire (SR)	-6.6
Staffordshire (SR)	-6.5
Kent (SR)	-6.2
Somerset (PR)	-6.1
Dorset (PR)	-6.1
Devon (PR)	-6.1
Northamptonshire (SR)	-6.0
Suffolk (PR)	-5.8
East Sussex (SR)	-5.8
Derbyshire (SR)	-5.6
Lancashire (SR)	-5.2
Cumbria (PR)	-4.7
Norfolk (PR)	-4.3
Lincolnshire (PR)	-3.6
<b>Shire Districts</b>	
Craven	-4.9
Hambleton	-1.9
Harrogate	-8.4
Richmondshire	-3.2
Ryedale	-3.8
Scarborough	-4.8
Selby	-2.1
Floor for Shire Districts	-11.4
National Average	-6.8
<b>Others</b>	
North Yorkshire Fire	-8.5
City of York	-7.2
<b>Class of Authority (by SPARSE)</b>	
London	-3.1
<u>Metropolitan Authorities</u>	
Rural	-4.7
Urban	-3.2
All	-3.3
<u>Unitary Authorities</u>	
Rural	-5.7
Urban	-3.9
All	-4.5
<u>District Authorities</u>	
Rural	-6.7
Urban	-6.9
All	-6.8

APPENDIX 5

LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14 & 2014/15

(announcement on 19th December 2012)

	2012/13 standstill baseline £000s	2013/14 Provisional settlement £000s	2014/15 Provisional settlement £000s
<b>Formula Funding Baseline</b>			
Grants rolled in using tailored distribution	19,976	19,541	*
Relative needs	116,862	112,513	*
Relative resources	-67,726	-79,031	*
Central allocation	47,917	56,754	*
Damping	-6,446	-4,095	*
DCLG formula grant adj 12/13	56		
LACSEG removed		-11,151	*
Block balancing figure for 14/15 incorporating all * items	0	0	105,933
base formula grant	110,639	94,531	105,933
11/12 CT freeze grant	6,149	6,149	6,149
adjusted formula grant	116,788	100,680	112,082
EIG rolled into 13/14 baseline	20,521	15,157	14,191
less base CYPS 2 year old funding	-952		
Lead local flood authority funding rolled into 13/14 baseline	168	168	168
Learning Disability and health reform funding rolled into 13/14 baseline	9,124	9,383	9,616
CT support funding (assumed same level in 14/15)	22,691	22,691	*
		<b>148,079</b>	<b>136,057</b>
Brought into rates retention system as			
BR baseline			
BR baseline (from Districts) (9% of locally collected BR)		18,165	18,723
Top up (increased by RPI each year)		40,992	42,249
		59,157	60,972
RSG DCLG calculation		88,922	75,085
		<b>148,079</b>	<b>136,057</b>
<b>Other Funding Sources</b>			
New homes Bonus (MTFS dis assume 800,1249,1649)	849	1,258	1,658
LACSEG (Education Services grant -ESG), very prov guesstimate	0	9,800	9,300
returned NHB top slice - yet to receive ?	0	0	0
returned safety net top slice - yet to receive ?	0	0	0
<b>Total Funding</b>	<b>169,189</b>	<b>159,137</b>	<b>147,015</b>
<b>Funding Reduction (year on year)</b>		<b>-10,052</b>	<b>-12,122</b>
<b>cumulative funding reduction</b>		<b>-10,052</b>	<b>-22,174</b>
<b>year on year % reduction</b>		<b>-5.9%</b>	<b>-7.6%</b>

04-Jan-13

**NYCC GOVERNMENT GRANTS (Revenue)**

**Figures in italics are earlier indicative allocations for 2013/14 & 2014/15 which have not yet been confirmed**

Grant	Govt Dept	Notes	2012/13 £000s	2013/14 £000s	2014/15 £000s	Comments
<b>General Funding</b>	DCLG					
Grants rolled in using tailored distribution		<b>7</b>	19,976	19,541	*	A breakdown of these figures is provided at Note 7
Relative needs			116,862	112,513	*	
Relative resources			-67,726	-79,031	*	
Central allocation			47,917	56,754	*	
Damping			-6,446	-4,095	*	
DCLG Formula Grant adj			56			
LACSEG removed						
						Schools Central Services funding taken out of general formula funding and replaced by a new Education Services Grant (ESG) paid directly by DfE, based on relative pupil numbers in academies and local authority schools
Block allocation for 2014/15 covering *				-11,151	*	Settlement does not provide a breakdown into the individual * items for 2014/15
Council tax freeze 2011/12			6,149	6,149	6,149	Paid for 4 years of CSR period but rolled into formula grant from 2012/13
Council tax freeze 2012/13		<b>2</b>	6,170	0	0	One off grant for 2012/13
Council Tax Support	DCLG		0	22,691	*	New grant from 2013/14 towards the costs of the Localisation of Council Tax Benefits from 1 April 2013
Early Intervention Grant	DCLG		0	15,157	14,191	Paid as specific grant directly to CYPs up to 2013/14 and these new figures represent a significant funding reduction to NYCC
Lead Local Flood Authority	DCLG		0	168	168	£204k continues to be paid as a specific grant to the total funding remains at £372k as previously indicated.
Learning Disability & Health Reform grant	DCLG	<b>6</b>	0	9,383	9,616	Paid as specific grant directly to HAS up to 2012/13. Note 6 provides a for breakdown of the 2013/14 figure but at present no breakdown is available for 2014/15.
<b>General Funding sub-total</b>			<b>122,958</b>	<b>148,079</b>	<b>136,057</b>	
<b>Corporate</b>						
New Homes Bonus Grant	DCLG		849	1,258	1,658	£1,258k consists of cumulative annual allocations for a three year period with each year's individual allocation paid for a six year period. Districts get 80%, NYCC 20%. 2014/15 figure is an NYCC estimate
Council tax freeze 2013/14	DCLG			2,474	2,474	Grant for 2013/14 subject to acceptance of the offer and will also be paid for 2014/15
<b>Corporate sub-total</b>			<b>849</b>	<b>3,732</b>	<b>4,132</b>	
<b>CYPs</b>						
Dedicated Schools Grant	DfE		344,786	383,893	?	Earmarked for schools; Final figure will be affected by the number of schools converting to academies. 2013/14 figures are those announced as part of Finance Settlement and are subject to School Funding Reform and further academy conversions.

Grant	Govt Dept	Notes	2012/13 £000s	2013/14 £000s	2014/15 £000s	Comments
LACSEG / Education Services Grant			0	9,800	9,300	Funding for Schools Central Services has been removed from 'start up general funding baseline' and is being paid to local authorities via this new grant. It replaces the Local Authority Central Services Equivalent Grant (LACSEG) which funded central services for Academies.
Young People Substance Misuse	HO	1	36	0	0	Funding and responsibility to be transferred to Police & Crime Commissioners from 2013/14
Extended Rights & General Duty to provide sustainable travel	DfE	1	664	?	?	DCLG confirmed in early December 2012 that this funding stream will continue but DfE have yet to announce allocations.
Early Intervention Grant	DfE		20,540	0	0	Brings together a number of former predecessor grants; rolls into Formula Grant/ Business Rates Retention Scheme for 2013/14 (therefore grant ends)
Young People's Learning Agency	DfE		21,439	?	?	A new formula will be introduced from August 2013 which has not yet been finalised. The EFA are still to make decision on existing transitional protection.
EFA Grants	EFA		21,464	?	?	
Music Grant	DfE		780	624	627	CYPS expect to lose 28% of funding between 2012/13 & 2013/14
SWIF	DfE		184	?	?	Ringfenced for social care improvements
Adult Education	BIS		3,945	3,773	3,471	Funding comprises Vocational (£1,983k in 12/13 and 13/14; £1,824k in 14/15) and Non-vocational (£1,962k in 12/13; £1,790k in 13/14; £1,647k in 14/15) elements.
Pupil Premium	DfE	4	7,800	11,937	15,200	Earmarked for schools; 13/14 is an indicative figure announced as part of Finance Settlement and subject to change as a result of January 2013 pupil count.
Additional Grant for Schools	DfE		253	127	?	Earmarked for schools
Young Persons Substance Misuse	DoH		182	?	?	
Youth Justice	MoJ	4	1,122	959	?	Subject to review of national formula distribution, introduction of PCC and payment by results (estimate)
Pathfinder for SEN Disabilities	DfE		150	?	?	
PFI Grant	DCLG	4	704	704	704	Annual revenue grant in support of School's PFI. Figures for 2012/13 onwards are expected but not confirmed by DCLG
Troubled Families (Attachment fee)			749	560	370	3 year programme commencing in 2012/13. Funding in 2013/14 & 2014/15 not yet announced.
Troubled Families (Co-ordinators)			100	100	100	3 year programme commencing in 2012/13. Funding in 2013/14 & 2014/15 not yet announced.
<b>CYPS sub-total</b>			<b>424,898</b>	<b>412,477</b>	<b>29,772</b>	
<b>CEG</b>						
Stronger Safer Communities Fund	HO	1	234	0	0	Funding and responsibility to be transferred to Police & Crime Commissioners from 2013/14
Community Call for Action	HO	1	6	0	0	Funding and responsibility to be transferred to Police & Crime Commissioners from 2013/14
Social Fund Grants (Payments)	DWP	3	0	793	793	Funding will transfer to NYCC from DWP wef 2013/14 to fund additional responsibilities. Funding in 14/15 will be based upon local Social Fund spend in 12/13 and will be announced in Autumn 2013.

Additional payments by results claims may include up to £930k over the 2012-15 period.

Grant	Govt Dept	Notes	2012/13 £000s	2013/14 £000s	2014/15 £000s	Comments
Social Fund Grants (Admin & set up)	DWP	3	8	168	154	Funding will transfer to NYCC from DWP wef 2013/14 to fund additional responsibilities. Funding in 14/15 will be based upon local Social Fund spend in 12/13 and will be announced in Autumn 2013.
Police & Crime Panel Secretariat	HO	3	?	53	53	In addition to the grant receivable in 13/14 NYCC will receive £900 per member. Also expect to receive part-year funding for 12/13 as Panel established mid-year.
Community Right to Challenge	DCLG		0	9	9	New grant in 13/14. The Community Right to Challenge allows voluntary and community groups, charities, parish councils and local authority staff to bid to run a local authority service where they believe they can do so differently and better. This grant will assist in funding new administrative burdens experienced by Local Authorities.
Local Health Watch	DoH (PCT)	5	32	0	0	Required to fund new Council responsibilities. From 13/14 this funding stream is rolled into the BRRS. Additional funding is included in the new Local Reform & Community Voices Grant from 13/14.
NHS Complaints Advocacy	DoH	5	0	0	0	Required to fund new Council responsibilities. Funding is to be transferred to the Local Reform & Community Voices Grant from 13/14.
<b>CEG sub-total</b>			<b>280</b>	<b>1,023</b>	<b>1,009</b>	
<b>BES</b>						
Inshore Fisheries	DEFRA	1, 3	55	55	55	To fund matched increased levy from North Eastern Inshore Fisheries Authority arising from new burdens from the Marine Bill
Managing Flood Risk	DEFRA	1, 3	372	204	204	For carrying out new responsibilities as the Lead Local Flood Authority under the Flood and Water Management Act 2010. In 13/14 & 14/15 £168k has been rolled into the Rates Retention Scheme, so total funding remains at £372k as previously indicated.
Howardian Hills AONB	DEFRA	4	134	126	118	Annual funding to manage the Howardian Hills AONB. Future years reduced by fixed percentages
Wolds Way Maintenance	Natural England	4	10	10	10	Maintenance of Footpath. Confirmed annually following Bid
Pennine Way	Natural England	4	4	4	4	Maintenance of Footpath. Confirmed annually following Bid.
Leader - N Y Moors	DEFRA	3	573	518	0	To fund development opportunities in rural communities (Ends March 2014)
Leader - Yorks Dales	DEFRA	3	712	265	0	To fund development opportunities in rural communities (Ends March 2014)
Bikeability	DfT	4	167	174	213	To improve cycling standards in Year 6 children.
Road Safety Perf Reward Grant	DCLG		100	100	0	To deliver casualty reductions in several specific groups identified. Grant covers 3 years.
Control of Feed Business Operators	Food Standards Agency	3	16	0	0	Funding to undertake inspections, audits and sampling etc by Trading Standards
LEP - Core Funding	BIS / DCLG		0	250	?	In North Yorkshire this funding is to be used to promote skills across the county linked to the planned Skills Funding Agency contract for skills provision based upon the LEP priorities. This funding is subject to the availability of match funding from other sources.
SHINE 2013 (for Title see comments)	Natural England	2	8	0	0	Funding to create improved, updated database. (Selected Heritage Inventory for Natural England)

Grant	Govt Dept	Notes	2012/13 £000s	2013/14 £000s	2014/15 £000s	Comments
Leader - Howardian Hills AONB	DEFRA		13	0	0	Urban Schools Twinning Project
Growing Places Fund	DCLG		584	0	0	Investment in delivery of jobs and economic growth. Monies to be rolled forward indefinitely.
E-Crime Project 1	BIS		435	474	522	Investigation into E-Crime
E-Crime Project 3	BIS		98	113	117	National Co-ordination of E-Crime
LEP - Capacity Fund 2	BIS	2	26	0	0	Funding to deliver 3 main elements of Economic Intelligence, Business Engagement and LEP Board Development
LSTF - Whitby	DfT	3	0	25	195	Funding for sustainable transport improvements
LSTF - Harrogate	DfT	3	40	210	110	Funding for sustainable transport improvements
<b>BES sub-total</b>			<b>3,347</b>	<b>2,528</b>	<b>1,548</b>	

#### HAS PCT / HEALTH FUNDING

Local Reform & Community Voices Grant	DoH	5	0	424	438	New Grant made up of former Deprivation of Liberty Safeguards (DOLS), Local Healthwatch, Indep Complaints Advocacy Service, Indep Mental Health Advocacy, Guaranteed income payments for veterans
Learning Disability and Health Reform grant	DoH	6	9,124	0	0	12/13 allocation includes an element to prepare for taking over Deprivation of Liberty Safeguards (DOLS) responsibility from PCT (approx £13k). From 13/14 rolled into formula grant / BRRS.
NHS Funding to support social care and benefit health	DoH		6,352	8,674	?	Grant be paid to the NHS Commissioning Board and an agreement is required with each local authority. Funding is to support adult social care services which also have a health benefit. Includes the additional resources in respect of the care and support white paper
PCT DOLS	DoH (PCT)	5	See above	0	0	Required to fund new Council responsibilities. Funding is to be transferred to the Local Reform & Community Voices Grant from 13/14.
Public Health	DoH		0	19,021	19,732	These allocations are to fund the public health functions transferring to the local authority from the NHS from 1st April 2013. These were announced by the Dept of Health on 11th January 2013.

#### HAS PCT / HEALTH FUNDING sub-total

<b>15,476</b>	<b>28,119</b>	<b>20,170</b>
---------------	---------------	---------------

#### TOTAL

<b>567,807</b>	<b>595,958</b>	<b>192,687</b>
----------------	----------------	----------------

#### Note 1

Local Services Support Grant				
Community Safety				
Young People Substance Misuse	CYPS	36	0	0
Stronger Safer Communities Fund	CEG	234	0	0
Community Call for Action	CEG	6	0	0
		<u>276</u>	<u>0</u>	<u>0</u>
Inshore Fisheries	BES	55	55	55
Managing Flood Risk	BES	372	204	204
Extended Rights & General Duty to provide sustainable travel	CYPS	664	?	?
<b>TOTAL</b>		<b>1,367</b>	<b>?</b>	<b>?</b>

Funding and responsibility to be transferred to Police & Crime Commissioners from 2013/14.

Grant	Govt Dept	Notes	2012/13 £000s	2013/14 £000s	2014/15 £000s	Comments
-------	-----------	-------	------------------	------------------	------------------	----------

**Note 2 - grant paid for 1 year only**  
**Note 3 - figures for future years are indicative allocations provided by central government**  
**Note 4 - figures for future years are NYCC estimates**

**Note 5**

Local Reform & Community Voices grant						
Deprivation of Liberty Safeguards (DOLS)	HAS			41		} No breakdown for 2014/15 yet
Local Healthwatch	CEG			134		
Transfer of Indep Complaints	CEG			143		
Advocacy Service						
Transfer of Indep Mental Health Advocacy	HAS			94		
Guaranteed income payments for veterans	HAS			12		
				<b>424</b>	<b>438</b>	

**Note 6**

Learning Disability & Health Reform grant						
Learning Disability grant	HAS			9,259		} No breakdown for 2014/15 yet available.
Blue Badges	HAS			79		
Local Healthwatch	CEG			32		
Deprivation of Liberty Safeguards (DOLS)	CEG			14		
				<b>9,384</b>	<b>9,616</b>	

**Note 7**

Grants Rolled in using Tailored Distributions		
Local Transport Services	2,830	3,145
Supporting People	13,170	12,625
Housing Strategy for Older People	155	135
LSC Staff Transfer	509	459
Preserved Rights	2,991	2,889
HIV / AIDS Support	69	86
Animal Health & Welfare	251	201
	<b>19,976</b>	<b>19,541</b>

**Key**

DCLG	Dept for Communities & Local Government	SWIF	Social Work Improvement Fund
DfE	Dept for Education	NCSL	National College for School Leadership
HO	Home Office	AONB	Area of Outstanding Natural Beauty
MoJ	Ministry of Justice	CSR	Comprehensive Spending Review
DoH	Dept of Health	SEN	Special Educational Needs
DEFRA	Dept of Environment, Food & Rural Affairs	PCC	Police & Crime Commissioners
DfT	Dept for Transport	PFI	Private Finance Initiative
BIS	Dept for Business, Innovation & Skills	NHS	National Health Service
LEP	Local Enterprise Partnership	PCT	Primary Care Trust
RIEP	Regional Improvement & Efficiency Partnership	DOLS	Deprivation of Liberty Safeguards
DWP	Dept for Work & Pensions		
?	Recurring funding expected but no indication / estimate of amount		

## THE FORMULA GRANT SYSTEM

From 2006/07 the Government replaced the FSS system with a new grant distribution system, known as the Four Block Model.

Their justification for introducing the new system was that the formula should be simply a means of distributing Government grant. In their view, the notional spending and taxation figures previously published were widely misunderstood and misused for a variety of purposes.

The new system therefore deals in cash grant and not assumptions about spending.

The Government rejected the argument from local government that the new system is too complex and more judgemental than the previous system.

The Four Block Model is based on the following:-

(i) **a Relative Needs Block**

This Block is based on formulae, the Relative Needs Formulae (RNFs), which are similar in structure to the previous Formula Spending Shares. The RNFs themselves are split into seven different blocks, covering the main service areas provided by local authorities (Children's Services, Adults' Personal Social Services, Police, Fire and Rescue, Highways Maintenance, Environmental, Protective and Cultural Services, and Capital Financing).

The RNFs are designed to reflect the relative needs of individual authorities in providing services. **They are not intended to measure the actual amount needed by any authority to provide local services, but to simply recognise the various factors which affect local authorities' costs locally.**

The formula for each specific service area is built on a basic amount per client, plus additional top ups to reflect local circumstances. The top ups take account of a number of local factors which affect service costs, but the biggest factors are deprivation and area costs.

(ii) **a Relative Resources amount** which is a negative figure and takes account of different capacity to raise income locally from Council Tax

(iii) **a Central Allocation amount** which is allocated so that all authorities delivering the same services receive the same sum per head of population

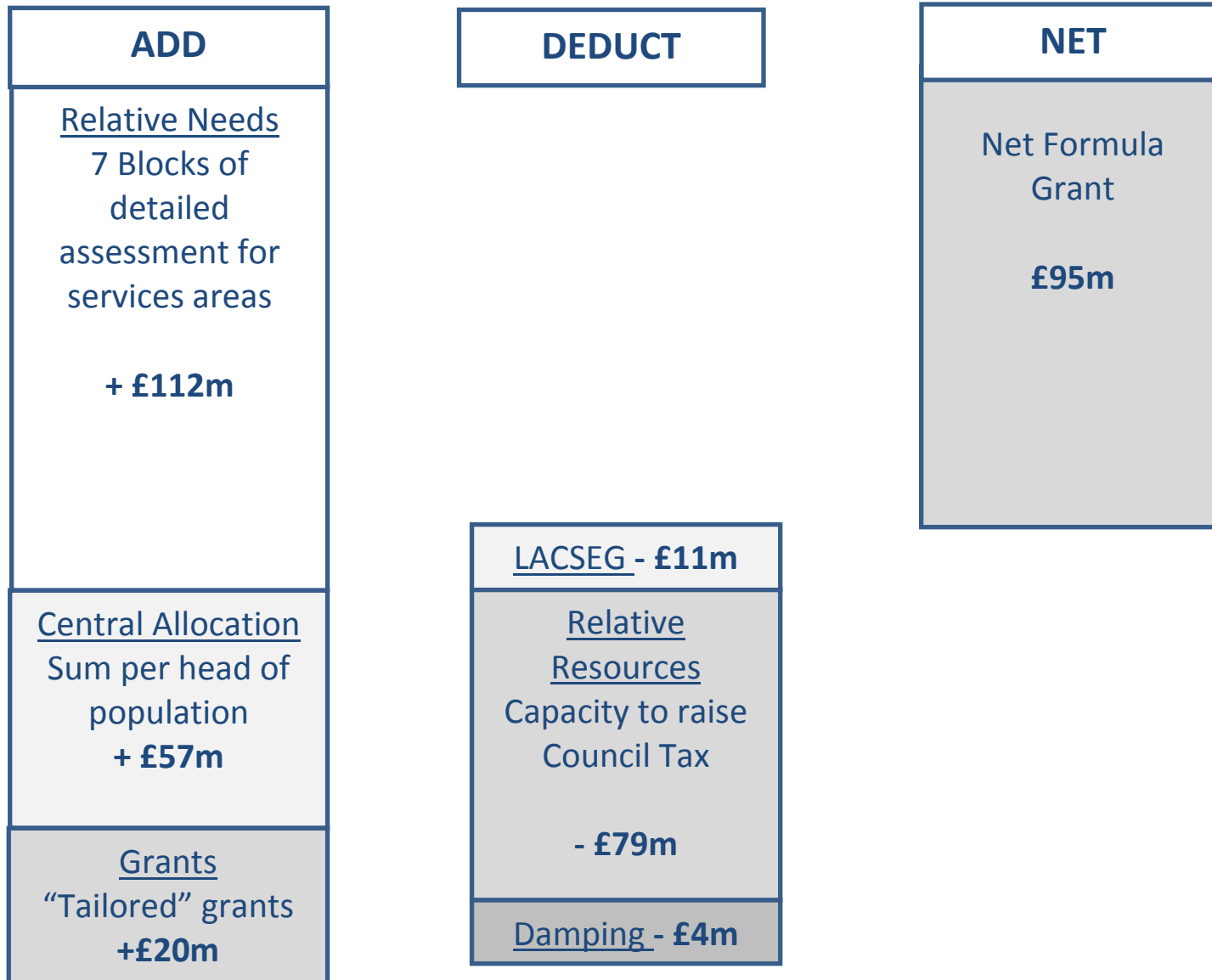
(iv) **a Floor Damping Block** to ensure that all authorities receive a minimum grant increase

Although the four block model is being used in the 2013/14 Settlement as a basis for determining 'start up funding baselines' for every authority for 2013/14, it is being superseded in future years with the 'Localisation of Business Rates' model.

The four block model in diagram form as presented to the Members Seminar on 9 January 2013 is attached.



# Formula Grant – How it Works



## HOW NYCC'S 2013/14 DAMPING DEDUCTION OF £4.1m HAS BEEN DETERMINED

For 2013/14, for the 151 authorities with Education and Social Services responsibilities, the 'undamped' grant reductions of 46 authorities fell above the floor set out in **paragraph 7.3** (range 2.7% to 8.7%). These 46 authorities were brought up to their respective floors at a total cost of £523m.

Thus the remaining 105 authorities whose grant reductions fell below their relative floors (including NYCC) had their grant reductions increased to finance the total floor cost of £523m with the impact on NYCC being £4.1m. Thus NYCC's start up funding baseline would be £4.1m higher if damping was not applied.

Based on the above, the County Council's 'damping' loss of £4.1m was calculated as follows:

(a) Cost of bringing 46 relevant authorities up to their floor grant reduction.	£523.5m
(b) Total grant reductions for the remaining 105 authorities whose decrease was below their floor.	£724.3m
(c) Clawback (damping) from these 105 authorities based on the relationship between (a) and (b).	72.3% scaling factor
(d) NYCC's basic formula grant reduction as determined by DCLG is £5.7m and this is applied to the scaling factor in (c) above to determine a damping sum of £4,095k. At national level this funds the total cost of £523.5m in (a) to achieve an overall cost neutral position.	£4.1m

**GRANT, SPEND & COUNCIL TAX EXEMPLIFICATION 2012/13 TO 2016/17**  
(updated 4 Feb 2013 to reflect Final Finance Settlement announcement)

Based on '0' Council Tax increase in 2012/13, 0% assumed increase in 2013/14 and 2% in 2014/15. This is based on the CT freeze 1% offer and Referendum limit of 2% for 2013/14

	2012/13 Actual £000s	2013/14 Budget £000s	2014/15 MTFS £000s
<b>BUDGET REQUIREMENT (BR)</b>			
Start with previous years BR	368,670	363,422	374,464
Increased spend at CT increases of 0% 2013/14 and 2% pa thereafter (zero for 2011/12 and 2012/13 actuals)			
<i>Formula grant / BR baseline (RSG under new system from 1 April 2013)</i>			
Base transfers into grant (see (i) below)	-1,668		
2011/12 CT freeze grant (see (ii) below)	6,149	0	0
Other Variations (see (iii) below)	-9,945	-27,868	-13,755
	<b>-5,464</b>	<b>-27,868</b>	<b>-13,755</b>
<b>Council Tax</b>			
Increase Cncl Tax by 0 to 2013/14 then 2% in 2014/15	0	0	4,504
Localisation of CT benefits - hit on taxbase		-21,362	
Tax base increase / decrease	602	0	574
Collection Fund surplus variations	-385	488	-817
<b>Rounding adj required</b>	<b>-1</b>	<b>-1</b>	
	<b>216</b>	<b>-20,875</b>	<b>4,261</b>
<i>BR Top up from Government</i>		<b>40,991</b>	<b>1,257</b>
<i>BR Income from Districts growth (see below)</i>	<b>0</b>	<b>18,794</b>	<b>564</b>
<b>= Budget Requirement (BR)</b>	<b>363,422</b>	<b>374,464</b>	<b>366,791</b>
<b>FORMULA GRANT (RSG only from 1 April 2013)</b>			
Previous year	-122,252	-116,788	-88,920
academies top slicing base adjustment (i)	1,668		
2011/12 CT freeze grant into formula grant in 2012/13	-6,149		
all variations under new system		27,868	13,755
Other assumed grant / BR baseline variations (iii)			
2010 CSR - Feb 12 MTFS			
Feb 12 MTFS - core assumed reduction	9,945		
further assumed reduction re 1% pay freeze (MTFS)			
2014 CSR (£120m @ 30% over 4 years = £9mpa)			
assumed negative impact of increased NHB alloc			
<b>= total funding base</b>	<b>-116,788</b>	<b>-88,920</b>	<b>-75,165</b>

		2012/13 Actual £000s	2013/14 Budget £000s	2014/15 MTFS £000s
<b>BR TOP UP FROM DCLG</b>			<b>-40,991</b>	<b>-42,248</b>
	2013/14			
<b>BR INCOME FROM DISTRICTS</b>		<i>baseline</i>		
Craven	1,554	11 Jan 13	-1,713	-1,764
Hambleton	2,330	11 Jan 13	-2,412	-2,485
Harrogate	5,267	4 Jan 13	-5,291	-5,450
Richmondshire	1,104	11 Jan 13	-1,154	-1,188
Ryedale	1,433	9 Jan 13	-1,465	-1,509
Scarborough	2,811	23 Jan 13	-2,820	-2,905
Selby	3,666		-3,939	-4,057
	<b>18,165</b>		<b>-18,794</b>	<b>-19,357</b>
<b>COLLECTION FUND SURPLUSES &amp; DEFICITS</b>				
Craven		-136	-215	
Hambleton		120	188	
Harrogate		472	0	
Richmondshire		12	75	
Ryedale		-243	-548	
Scarborough		0	241	
Selby		-302	-307	
Block provision / adj (assumed £250k pa deficit pa from 13/14 re benefits)				250
		<b>-78</b>	<b>-567</b>	<b>250</b>
<b>COUNCIL TAX REQUIREMENT</b>		<b>246,556</b>	<b>225,193</b>	<b>230,271</b>
<b>TAX BASE</b>				
Craven		22,363.66	20,767.79	20,819.71
Hambleton		36,204.01	33,441.87	33,525.47
Harrogate		62,140.41	58,047.34	58,192.46
Richmondshire		19,455.59	18,177.12	18,222.56
Ryedale		21,033.99	19,299.39	19,347.64
Scarborough		41,630.50	35,395.80	35,484.29
Selby		30,326.00	27,823.66	27,893.22
= total net tax base for Council Tax setting		<b>233,154.16</b>	<b>212,952.97</b>	<b>213,485.35</b>
<b>%age increase in tax base</b>		0.24%	-9.49%	0.25%
<b>COUNCIL TAX</b>				
<b>Band D calculation</b>		<b>£1,057.48</b>	<b>£1,057.48</b>	<b>£1,078.63</b>
<b>Increase (2011/12 = £1,057.48)</b>				
£		<b>£0.00</b>	<b>£0.00</b>	<b>£21.15</b>
%		<b>0.00%</b>	<b>0.00%</b>	<b>2.00%</b>
<b>Variations on Council Tax</b>				
1.0%			2252	2258
£1m			0.44%	0.44%
<b>VARIABLES IN FUNDING LEVELS</b>				
(2012/13 are actuals)				
Collection Fund surpluses		-78	-567	250
Tax base growth		0.24%	-9.49%	0.25%
Council tax increase		0.00%	0.00%	2.00%

04-Feb-13

**AN OVERALL SUMMARY OF THE PROPOSED BUDGET FOR 2013/14 and MTFS FOR 2014/15**  
(broken down to Directorate level in Appendix D, sheets 1 and 2)

	2013/14 Budget £000s	2014/15 MTFS £000s
<b>1 Start with net budget requirement from the previous year</b>	<b>363,422</b>	<b>374,464</b>
<b>2 Increased Spend</b>		
Inflation		
Pay awards (1% each year)	1,395	1,420
PIP inflation allowed	1,500	1,500
Other inflationary costs	4,758	5,057
Additional Spending Needs		
HAS Adult care	3,000	3,000
BES Roads	2,000	-2,000
ICT WAN	200	
Pension Fund Deficit contribution	1,380	
Treasury Management (debt charges, investment interest)	-1,443	-15
Other Corporate items	-1,055	279
	<b>11,735</b>	<b>9,241</b>
<b>3 Savings and cost reductions</b>		
Impact of CYPS Accelerated savings in 2012/13	691	1,316
2011/12 Budget Directorate savings targets (part of £69.2m over 4 years)	-7,590	-4,670
2011/12 One Council Budget savings (£7.644m)	-4,018	-3,626
Impact on BES turn on / turn off savings in 2012/13	3,000	
New 2013/14 savings targets (£18.309m)	-9,320	-8,989
	<b>-17,237</b>	<b>-15,969</b>
<b>4 Other Items</b>		
Education Services Grant (new)	-9,800	500
Council Tax Benefits Localisation Transitional Grant (2013/14 only)	-617	617
New Homes Bonus Grant increase	-409	-400
Former specific grants now included in general funding below	29,121	
Sparsely populated areas Transitional Grant (4 Feb 2013)	-857	857
Returned New Homes Bonus top slice grant	-501	501
Council tax freeze grant 2012/13 (2.5%) one off impact in 2013/14	6,162	
Council tax freeze grant 2013/14 (1%) - new, also get in 2014/15	-2,474	
	<b>20,625</b>	<b>2,075</b>
<b>5 Use of the General Working Balance (GWB)</b>		
Impact of contribution to GWB in 2012/13 budget	-2,501	
2013/14 Budget / MTFS funding gap being funded from the GWB	-1,580	-3,020
	<b>-4,081</b>	<b>-3,020</b>
<b>6 Total net Budget Requirement</b>	<b>374,464</b>	<b>366,791</b>
<b>7 Funding from</b>		
Localisation of Business Rates (BR)		
9% of District Council BR income	-18,794	-19,357
BR top up from DCLG	-40,991	-42,248
Revenue Support Grant from DCLG	-88,920	-75,165
District Council collection fund surpluses / deficits	-566	250
Total General Funding	<b>-149,271</b>	<b>-136,520</b>
<b>8 Balance to be funded from Council Tax (Council Tax requirement)</b>	<b>225,193</b>	<b>230,271</b>
<b>9 District Council Tax Base (number of Band D equivalents)</b>	212,952.97	213,485.35
<b>10 Basic Amount of Council Tax (Band D)</b>	<b>£1,057.48</b>	<b>£1,078.63</b>
year on year increase (£1,057.48 in 2012/13)	0.0%	2.0%

## BUDGET 2013/14 AT DIRECTORATE LEVEL

Directorate	2012/13 Opening Base Budget (a) £000s	Subsequent Base Budget Adjustments (b) £000s	2012/13 New Base Budget (c) £000s	Inflation & Cost Pressures		Service Needs Additional Needs Gross (f) £000s	Grant Funding Adjustments (g) £000s	Cost Reductions						Net Budget Requirement (n) £000s
				Inflation (d) £000s	Waste (e) £000s			Recurring (h) £000s	Non- Recurring (i) £000s	One-Council Savings (j) £000s	Additional 2012/13 Savings (k) £000s	Additional January 2013 Saving Allocations (l) £000s	Pending Issues Provision (m) £000s	
Business & Environmental Services	77,377	-1,023	76,354	1,396	3,025	2,032	168	-1,690	3,000	-2,220		-2,455	-723	78,886
Children & Young People's Service - (excludes Schools DSG)	75,261	-982	74,279	1,154			19,569	-1,340		-361	691	-2,221	-3,000	88,771
Health & Adult Services	140,448	-6,109	134,339	3,067		3,000	9,353	-2,900		-63		-3,050		143,745
Central Services	40,483	7,548	48,031	537		200	32	-1,000		-1,356		-1,344	-1,537	43,562
<b>Directorate Sub Total -ex- Schools DSG</b>	<b>333,569</b>	<b>-566</b>	<b>333,003</b>	<b>6,153</b>	<b>3,025</b>	<b>5,232</b>	<b>29,121</b>	<b>-6,930</b>	<b>3,000</b>	<b>-4,000</b>	<b>691</b>	<b>-9,070</b>	<b>-5,260</b>	<b>354,964</b>
Capital Financing	30,225	106	30,332			-1,204								29,128
Interest Earned on Balances	-1,338	-111	-1,449			-240								-1,689
Central Contingency	500		500									-250		250
Special Inflation Provision	1,000	-242	758								-758			0
Contribution to Pension Fund Deficit	720		720			1,380								2,100
Pay and Reward Fund	99		99											99
Employee Costs - Terms and Condition Savings	-1,275	985	-290											-290
Community Fund	450		450			325		-300						475
Transformation	299		299			-299								0
Carbon Reduction Initiative	179		179			-60								119
New Homes Bonus Grant	-849		-849			-409								-1,258
Top-slicing of additional New Homes Bonus Grant	0		0			-501								-501
Council Tax Freeze Grant	-6,162		-6,162			3,688								-2,474
Education Services Grant	0		0			-9,800								-9,800
Council Tax Benefits - Localisation Transitional Grant	0		0			-617								-617
Sparsely Populated Areas - Transitional Grant	0		0			-857								-857
Other	-1,762	-173	-1,934			6				-18				-1,946
<b>Sub-total - Corporate Miscellaneous (excluding PIP)</b>	<b>22,087</b>	<b>566</b>	<b>22,653</b>	<b>0</b>	<b>0</b>	<b>-8,587</b>	<b>0</b>	<b>-300</b>	<b>0</b>	<b>-18</b>	<b>-758</b>	<b>-250</b>	<b>0</b>	<b>12,740</b>
Pending Issues Provision - Total	5,265		5,265	1,500	-3,025	-300		-360					5,260	8,340
<b>Corporate Miscellaneous - Sub Total</b>	<b>27,352</b>	<b>566</b>	<b>27,918</b>	<b>1,500</b>	<b>-3,025</b>	<b>-8,887</b>	<b>0</b>	<b>-660</b>	<b>0</b>	<b>-18</b>	<b>-758</b>	<b>-250</b>	<b>5,260</b>	<b>21,080</b>
Contributions from/to General Working Balances	2,501		2,501								-2,501			0
<b>Overall Total-ex-Schools DSG</b>	<b>363,422</b>	<b>0</b>	<b>363,422</b>	<b>7,653</b>	<b>0</b>	<b>-3,655</b>	<b>29,121</b>	<b>-7,590</b>	<b>3,000</b>	<b>-4,018</b>	<b>-2,568</b>	<b>-9,320</b>	<b>0</b>	<b>376,044</b>
														<b>-374,464</b>
														<b>1,580</b>
<b>Increased Spend at Council Tax Freeze</b>														
Grant Increase	-27,868													
Council Tax Freeze	0													
Tax Base Decrease	-21,362													
Collection Fund Surplus Variations	487													
Business Rate Growth	59,785													
	<b>11,042</b>													
<b>2012/13 Base Budget + adjusted 2013/14 spend</b>	<b>374,464</b>													

**Key to Columns:**  
(a) 2012/13 Budget Approved 15 February 2012  
(c) = (a) + (b)  
(n) = (c) + (d) + (e) + (f) + (g) + (h) + (i) + (j) + (k) + (l) + (m)

APPENDIX D - SHEET 1

**BUDGET 2014/15 AT DIRECTORATE LEVEL**

Directorate	2013/14 Opening Base Budget (a) £000s	Inflation & Cost Pressures		Service Needs Additional Needs Gross (d) £000s	Cost Reductions					Net Budget Requirement (j) £000s
		Inflation (b) £000s	Waste (c) £000s		Recurring (e) £000s	One-Council Savings (f) £000s	Additional 2012/13 Savings (g) £000s	Additional January 2013 Saving Allocations (h) £000s	Pending Issues Provision (i) £000s	
Business & Environmental Services	78,886	1,291	2,040	-2,000	-1,860	-95		-2,321	733	76,674
Children & Young People's Service - (excludes Schools DSG)	88,771	1,275			-2,400		1,316	-1,924		87,038
Health & Adult Services	143,745	3,264		3,000	0			-3,650		146,359
Central Services	43,562	647			-250			-1,094	-531	42,334
<b>Directorate Sub Total -ex- Schools DSG</b>	<b>354,964</b>	<b>6,477</b>	<b>2,040</b>	<b>1,000</b>	<b>-4,510</b>	<b>-95</b>	<b>1,316</b>	<b>-8,989</b>	<b>202</b>	<b>352,406</b>
Capital Financing	29,128				-56					29,072
Interest Earned on Balances	-1,689				41					-1,648
Central Contingency	250									250
Special Inflation Provision	0									0
Contribution to Pension Fund Deficit	2,100									2,100
Pay and Reward Fund	99									99
Employee Costs	-290									-290
Community Fund	475									475
Transformation	0									0
Carbon Reduction Initiative	119			283						402
New Homes Bonus Grant	-1,258			-400						-1,658
Top-slicing of additional New Homes Bonus Grant	-501			501						0
Council Tax Freeze Grant	-2,474									-2,474
Education Services Grant	-9,800			500						-9,300
Council Tax Benefits - Localisation Transitional Grant	-617			617						0
Sparsely Populated Areas - Transitional Grant	-857			857						0
Other	-1,946			-4						-1,950
<b>Sub-total - Corporate Miscellaneous (excluding PIP)</b>	<b>12,740</b>	<b>0</b>	<b>0</b>	<b>2,338</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,078</b>
Pending Issues Provision - Total	8,340	1,500	-2,040		-160				-202	7,438
<b>Corporate Miscellaneous - Sub Total</b>	<b>21,080</b>	<b>1,500</b>	<b>-2,040</b>	<b>2,338</b>	<b>-160</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-202</b>	<b>22,516</b>
<b>Deficit from 2013/14</b>	<b>-1,580</b>									<b>-1,580</b>
<b>One Council Savings</b>	<b>0</b>					<b>-3,531</b>				<b>-3,531</b>
<b>Savings still to be Identified in 2014/15</b>	<b>0</b>									<b>0</b>
<b>Overall Total-ex-Schools DSG</b>	<b>374,464</b>	<b>7,977</b>	<b>0</b>	<b>3,338</b>	<b>-4,670</b>	<b>-3,626</b>	<b>1,316</b>	<b>-8,989</b>	<b>0</b>	<b>369,811</b>
<b>Increased Spend</b>										<b>Available to spend 2014/15</b>
Grant Reduction	-13,755									<b>Shortfall</b>
Council Tax Increase @ 2.0%	4,504									
Tax Base Increase	574									
Collection Fund Surplus Variations	-817									
Business Rate Growth	1,821									
	<b>-7,673</b>									
<b>2013/14 Base Budget + additional 2014/15 spend</b>	<b>366,791</b>									<b>Cumulative Shortfall</b>
										<b>- 2013/14</b>
										<b>- 2014/15</b>
										<b>Total</b>
										<b>4,600</b>

**Key to Columns:**  
(a) 2013/14 Opening Base Budget  
(i) = (a) + (b) + (c) + (d) + (e) + (f) + (g) + (h) + (i)

APPENDIX D - SHEET 2

**CALCULATION OF COUNCIL TAX REQUIREMENT, PRECEPT AND BASIC AMOUNT OF COUNCIL TAX (BAND D EQUIVALENT) 2013/14**

1. Based on the Government's Final Funding Settlement figures announced on 4 February 2013 and a Council Tax increase of zero, the Council Tax and Precept position is set out below:-

	£000	£000
Net expenditure budget		376,044
Contribution from reserves		-1,580
= net budget requirement		374,464
Funding from localisation of Business Rates system from 1 April 2013		
- Share of Business Rates Income (9%) from District Councils	-18,794	
- Business Rates 'Top up' from the Government	-40,991	-59,785
Revenue support grant from the Government		-88,920
County Council's share of Collection Fund Surpluses and Deficits notified by District Councils		-566
= Council Tax requirement (Council Tax precept to be collected on the County Council's behalf by the North Yorkshire District Councils acting as billing authorities)		225,193

2. To produce a Council Tax per property, the amount required to be levied has to be divided by a figure representing the 'relevant tax base'. For the County Council, this figure is the aggregate of the 'relevant tax bases' of each of the seven District Councils.
3. Each District Council prepares an estimate of its 'relevant tax base' expressed as the yield from a Council Tax levy of £1 as applied to an equivalent number of Band D properties. This calculation takes into account the number of properties eligible for a single person discount, reductions for the disabled, anticipated property changes during the year and the extent to which a 100% recovery rate may not be achieved.



4. The following information has been received from the District Councils:-

Authority	Council Tax Base (equivalent number of Band D properties)
Craven	20,767.79
Hambleton	33,441.87
Harrogate	58,047.34
Richmondshire	18,177.12
Ryedale	19,299.39
Scarborough	35,395.80
Selby	27,823.66
<b>Total</b>	<b>212,952.97</b>

5. Using the above information the County Council's equivalent Council Tax precept for a Band D property would be as follows:

<u>Total Council Tax Requirement</u>		<u>£225,193k</u>
Relevant Tax Base		212,952.97
@ Band D	=	£1,057.48

6. Using the appropriate 'weightings' for other property bands as determined by statute, the Council Tax precept for each property would be as follows:-

Band	2012/13 £ p	2013/14 £ p
A	704.99	704.99
B	822.48	822.48
C	939.98	939.98
D	1,057.48	1,057.48
E	1,292.48	1,292.48
F	1,527.47	1,527.47
G	1,762.47	1,762.47
H	2,114.96	2,114.96
		= no increase

(All figures are rounded to the nearest penny)

5 February 2013

**NORTH YORKSHIRE COUNTY COUNCIL  
PAY POLICY STATEMENT ON PAY STRUCTURE,  
GRADING AND CONDITIONS FOR SENIOR MANAGERS  
COVERING THE PERIOD 1<sup>ST</sup> APRIL 2013 TO 31<sup>ST</sup> MARCH 2014**

**1.0** This policy statement covers the following posts:

- **Head of Paid Service**, which is the post of Chief Executive.
- **Statutory Chief Officers;**
  - Corporate Director Children and Young Peoples Services
  - Corporate Director Health and Adult Services
  - Corporate Director Business and Environmental Services
  - Corporate Director Strategic Resources
- **Non-statutory Chief Officers** (those who report directly to the Head of Paid Service),:
  - Assistant Chief Executive (Business Support)
  - Assistant Chief Executive (Legal and Democratic Services)
  - Director Strategic Projects
- **Assistant Directors (All Directorates)**

The pay and grading of all posts are provided at Appendix 1. Pay for management board posts is detailed below and the Assistant Director details are provided at Appendix 2 (as at January 2013);

SPC	pay 11/12	BAND		SPC Salary			
86	170,000	CE1		<b>CE1</b>			
85	165,000			Chief Executive	Richard Flinton	85	165,000
84	160,000						
83	155,000						
82	128,975		DIR3	<b>DIR3</b>			
81	125,563			Corporate Director - CYPS	Peter Dyer (April 2013)	82	130,000
80	122,151						
79	118,739	DIR2		<b>DIR2</b>			
78	114,952			Corporate Director - HAS	Helen Taylor	79	118,739
77	111,267			Corporate Director - SR	Gary Fielding	76	107,479
76	107,479			Corporate Director - BES	David Bowe	78	114,952
75	99,250	DIR1		<b>DIR1</b>			
74	95,424			Asst Ch Exec - (Business Support)	Justine Brooksbank	75	99,250
73	91,702			Asst Ch Exec - (Legal and Democratic Services)	Carole Dunn	75	99,250
72	87,877			Director Strategic Projects (Fixed term to April 2015)	John Moore	75	99,250

The transfer of Public Health responsibilities from NHS Trust to NYCC will be implemented in April 2013 and will include the transfer under TUPE (Transfer of Undertaking Protection of Employment) legislation of 9 postholders. All postholders will transfer on their existing NHS terms and conditions. Within this group is the post of Director of Public Health and two posts of Consultant in Public Health. In

providing details on the pay and conditions for these senior managers this policy covers the pay structure and terms and conditions for the whole council workforce.

## **2.0 Pay Principles**

- 2.1 The Authority has a clear and transparent pay structure and approach which applies consistently to all (non teaching) Council staff including Chief Officers and senior managers.
- 2.2 All pay related decisions are taken in accordance with relevant legislation, notably; Equality Act 2010, Employment Rights Act 1996, Employment Relations Act 1999, Employment Acts 2002 and 2008, Part-Time Workers (Prevention of Less Favourable Treatment) Regs 2000, Fixed Term Employees' (Prevention of Less Favourable Treatment) Regs 2002, all as amended.
- 2.3 NYCC operates a pay system based on objective criteria as part of a job evaluation approach implemented in 2007. Job evaluation determines the relative worth of posts in comparison with all posts. The Job evaluation score is then set within a pay structure which determines what posts are paid.
- 2.4 A review of all local pay arrangements took place in April 2007 and is reviewed annually to ensure a "one employer" approach. It does not permit varying benefit arrangements for different staff groups such as senior managers. The approach is to have a pay and benefit structure which;
- Is fair and equitable for staff,
  - Addresses the County Council's need as an employer to link pay to performance
  - Has the ability to address staffing difficulties where and when they occur.
  - Incorporates the application of national and local collective agreements and any authority decisions on pay
- 2.5 NYCC is part of the national pay framework with annual pay awards determined by the various national bodies (NJC, NJC for Chief Officers, JNC Youth and Community and Soulbury). There has been no annual pay award agreed for Chief Officers since 2008, and for other staff since 2009. A 1% pay award is anticipated for 2013/14. These frameworks determine certain terms and conditions, notably sick pay, maternity pay and provides minimum entitlements for others including, annual leave and paternity leave. Apart from the NJC for Chief Officers the bodies also set out the pay spine and points to be used by local authorities in determining their pay arrangements. It is for local authorities to decide how their pay bands fit onto the national pay spine and what jobs and roles are paid based on job evaluation results.
- 2.6 There has been increasing flexibility in national agreements over recent years resulting in greater discretion for local determination. This resulted in 2007 in the introduction of a formal locally integrated pay and conditions framework contained in a "Collective Agreement" between the County Council and recognised unions (non teaching). This sets out the local pay framework and all local terms and conditions. It applies to all staff equally including Chief Officers and senior managers and is incorporated into all contracts. It is reviewed annually as part of the local consultation arrangements with trade unions and is available to all staff via the intranet. It was significantly amended in 2011 to implement changes to terms and conditions to save £2m

### 3.0 Pay Structure

3.1 Staff are paid at monthly intervals at the end of the month worked. Pay is one twelfth of the annual gross salary less NI, tax and pension.

**Pay Bands** - The pay and grading structures in place set out the number of increments (based on national pay spine) for each pay band. Pay and Conditions for senior managers (who are not Chief Officers) is determined by the Head of Paid Service.

3.2 Pay bandings were determined in 2007 based on job evaluation outcomes taking into account the requirements of the job and the level of induction and development staff will need before becoming fully competent. These are reviewed at the request of management or staff in post, as and when required due to role changes and restructuring.

3.3 In 2007, as part of job evaluation implementation, the pay bands for senior managers were benchmarked externally and set at the median quartile plus 20%. This was considered a reasonable level based on NYCC's size and complexity, the need for salaries to be competitive, and the fact NYCC was a well performing authority which needed to recognise managers' efforts in achieving this. More recently in 2009 and 2011 senior manager salaries were reviewed and benchmarked. The findings of these reviews was that compared with other County and Unitary Councils salaries in 2009 were 7% lower at AD2 and Chief Officer level and nearly 5% lower at AD1 pay bands. As a result the AD2 pay band was broadened by 2 increments and the AD 1 pay band was broadened by 1 increment. There has been no further changes.

The benchmarking of pay data for posts is carried out as needed using national pay information supplied either by IDS (Income Data Services) or Hay in addition to independent benchmarking of specific local authority pay data for senior staff using the current pay information published on Councils websites.

3.4 **Increments** - Staff are usually appointed at the bottom of the pay band and progress one increment a year if they meet the increment criteria. This criterion applies to all staff (non teaching) as set out in the Increments policy. In summary, the following needs to be satisfactorily met over the previous 12 months, as assessed by the line manager, in order for an annual increment to be received:

- Attendance (no more than 7 days sickness absence in the last 12 months or averaged at 21 days over the previous 3 years)
- Performance/Capability – no performance or capability concerns
- Conduct – no disciplinary process or sanctions
- Appraisal – satisfactory appraisal with all targets achieved.

The Chief Executive's appraisal and assessment against the above criteria in order to receive an increment is undertaken by the Leader in consultation with members of the executive and other group leaders.

For staff already on the top spinal column point in the pay band, the same criterion was applied from April 2012 and if not met the top increment is removed resulting in a pay reduction.

On appointment staff can be appointed at the top or midway through a pay band based on their previous experience and salary.

3.5 **Additional Payments** - There is provision for additional payments to be made to staff as detailed below. These provisions apply in the same way to all staff with no separate or additional pay supplements or arrangements for senior managers or chief officers.

- **Recruitment and retention payments** – these additional payments can be made to staff in hard to fill posts. A business case is required and has to be approved by the Corporate Director. These payments are not permanent and are subject to regular review. They are used on a limited basis as needed.
- **Market supplements** – these can be made when the job grade as determined by the job evaluation outcome is less than the median market rate. This is payable as a monthly allowance, rounded to the nearest £100. It is not subject to any uplift resulting from the national pay award and is usually reviewed at least every 2 years. The need for these payments has to be clearly evidenced by market data and approved by Management Board. Use is limited.
- **Merit payments** – made to staff at the discretion of their manager if merited by excellent performance. Payments are in the form of an accelerated incremental or an additional contribution payment (limited to equivalent of 1 or 2 increments or a £100 thank you payment). Use is limited
- **Honoraria payment or acting up payments** – made where staff take on additional duties or responsibilities beyond the remit of their substantive role. Such payments are used regularly to cover staff gaps due to vacancies, maternity leave etc.

It should be noted that enhanced payments for overtime was removed in April 2012.

3.6 All other pay entitlements are the same as for all NYCC staff as detailed in the national and local agreements. These include;

- Mileage and limited substance expenses
- Annual leave (23 – 33 days based on service) and 2 days unpaid leave (with some exemptions for frontline staff where cover for leave is needed)
- Sick pay (up to 6 months full and half pay)
- Maternity, adoption and paternity leave
- Other leave mostly unpaid (compassionate, time off for dependants, extended and special leave)
- Pay protection for staff moved to a lower graded role on redeployment/restructuring for 1 year and a maximum of £6k.

There are no additional payments or discretions for Chief Officers or Senior Managers.

3.7 **Termination payments** for Chief Officers and senior managers follow the same arrangements and policies for redundancy, redeployment and pension payments as

applicable for all other NYCC staff. Staff pension contributions are in accordance with the LGPS and employer contributions are 19.2%. The Local Government Pension Scheme provides employers with discretion to make monetary awards including additional benefits, payments and shared cost AVC arrangements that can add significant value to members' accrued pension benefits. However, the NYCC Discretion Policies (updated in 2009) state that no such award will be made to any member of staff. NYCC redundancy payments are calculated for all staff as per the Redundancy Modification Order based on one week pay for every years service (1.5 weeks for years worked over the age of 40) up to a maximum of 30 weeks.

**4.0 Remuneration Committee** - The Chief Officers Appointments and Disciplinary Committee is responsible for determining and amending as necessary the terms and conditions of Chief Officers. Remuneration, terms and conditions will apply with the Pay Policy Statement and any proposed amendments will from now on be submitted to Full Council for approval. The Committee determined the Chief Officer pay package in 2007 as part of the Council-wide job evaluation grading process and has only made one amendment since then to reduce the Chief Executive's salary in 2010 from £179k spot salary to a pay band range from £155k - £170k.

#### **5.0 Pay Multiples and Wider Pay Structure**

The complete pay structure and examples of jobs at each band is detailed at Appendix 1. The lowest paid staff are at spinal column point 4 on a salary of £12,145. The highest paid salary in the authority is £165,000 which is paid to the Chief Executive. The median average in this authority is £19,073 per annum (equivalent to Band 7). The ratio between the median salary and the highest ie the 'pay multiple' is 8.65:1, which compares well with the recommended action in the Hutton Report that the multiple should not exceed 20. NYCC does not have a policy on maintaining or reaching a specific pay multiple, but is conscious of the need to ensure that the salaries of the highest paid employees are not excessive and are consistent with the needs of the authority as expressed in this policy statement and its wider pay policy and approach.

#### **6.0 Senior Teaching Staff**

The pay and grading of all teachers including Headteachers is determined nationally. There are currently 5 senior teachers in the pay band which exceeds £100k. These are Headteachers of the larger secondary schools in North Yorkshire. The pay band is Headgroup 8 £90,704 - £105,097. In addition there are 83 teachers in posts with salaries equivalent to Assistant Director pay bands and 8 between Assistant Director salary maximum and £100k.

This does not include Academies which set their own pay for Headteachers and all other staff.

## Appendix 1

Spinal Point	pay 11/12	JE Scores	Grade Codes (with example posts at each pay band)	
			<b>BAND 1</b> (Cleaning Assistants, General Kitchen Assistants)	
4	12145	1-257		
5	12312	258 – 280		<b>BAND 2</b> (Domestic Assistants, Clerical Assistants)
6	12488			
7	12787	281 – 311	<b>BAND 3</b> (Resource Worker entry, Midday Supervisory Assistant, Catering Assistant)	
8	13189			
9	13589			
10	13874	312 – 345		<b>BAND 4</b> (Resource Worker level 1, General Teaching Assistant, Driver/Inspector, Cleaning Supervisor)
11	14733			
12	15039			
13	15444			
14	15725	346 - 369	<b>BAND 5</b> (Resource Worker level 2, Advanced Teaching Assistant, Driver/Fitter, Swing Bridge Operator)	
15	16054			
16	16440	370 - 397		<b>BAND 6</b> (Resource Worker senior nights, Trainee Trading Standards Officer, Cook, Site Manager)
17	16830			
18	17161			
19	17802	398 - 422	<b>BAND 7</b> (Senior Resource Worker, Independent Living Facilitator, Community and Information Assistant, Higher Level Teaching Assistant)	
20	18453			
21	19126			
22	19621			
23	20198	423 - 446		<b>BAND 8</b> (Social Care Co-ordinator entry, Children's Resource Centre Worker, Registrar level 1, Cook in large secondary school, Assistant Engineer entry)
24	20858			
25	21519			
26	22221	447 - 474	<b>BAND 9</b> (Residential Children's Centre Worker, Key Worker Mental Health, Homelessness Prevention Worker, Specialist Instructor, Catering Supervisor, Assist Development Control Officer entry)	
27	22958			
28	23708			
29	24646	475 - 509		<b>BAND 10</b> (Social Care Co-ordinator top, Community Restorative Justice Worker, Electrical Inspector, Specialist Customer Services Adviser)
30	25472			
31	26276	510 - 550	<b>BAND 11</b> (Day Centre Operations Manager, Education Social Worker, Social Worker entry, Youth Mentor, Senior Enforcement Officer)	
32	27052			
33	27849			
34	28636			
35	29236	551 - 587		<b>BAND 12</b> (Social Worker, Fostering Worker, Resource Centre Manager, Traffic Signals Engineer, Senior Registrar)
36	30011			
37	30851	588 - 624	<b>BAND 13</b> (Senior Social Worker, Senior Education Social Worker, Superintendent Registrar, Senior Engineer entry)	
38	31754			
39	32800			
40	33661			
41	34549	625 - 698		<b>BAND 14</b> (Children's Resource/Residential Centre Manager, SEN Officer, Senior Trading Standards Officer, Senior Engineer)
42	35430			
43	36313			
44	37206	699 - 805	<b>BAND 15</b> (Treatment Fostering Manager, Children's Centre Manager, Improvement Manager Highways)	
45	38042			
46	38961			
47	39855			
48	40741	806 - 940		<b>BAND 16</b> (Principal Officers SEN, Safeguarding Adults Co-ordinator, Integrated Transport Manager)
49	41616			
50	42007	941 - 1075	<b>SM1</b> (Education Officer Social Inclusion, Head of Residential	
51	44487			

52	46970		Provision, Waste Services Manager)	
53	49451			
54	49982	1076-1130		<b>SM2</b> (General Manager Adult Social Care Operations, Head of Highway Operations)
55	52110			
56	54236			
57	56364			
58	58490			
59	60,617	1131-1352	<b>AD1</b> (Assistant Directors)	
60	62,744			
61	64,871			
62	66,998			
63	69,125			
64	70,498			
65	71,252	1353-1834		<b>AD2</b> (Assistant Directors)
66	73,379			
67	75,505			
68	77,633			
69	79,759			
70	82,550			
71	85,341			
72	88,134	1757	<b>DIR1</b> (Assistant Chief Executives)	
73	91,971			
74	95,704			
75	99,540			
76	107,479	2182	<b>DIR2</b> (Corporate Directors)	
77	111,267			
78	114,952			
79	118,739			
80	122,151	2505		<b>DIR3</b> (Corporate Director - CYPS)
81	125,563			
82	128,975			
83	155,000	3120	<b>CE1</b> (Chief Executive)	
84	160,000			
85	165,000			
86	170,000			



Appendix 2

DIRECTORATE	PAY GRADE AND JOB TITLE AD2	FTE	Spinal Column Point	FTE Salary as at Jan 13	Notes
HAS	Assistant Director - Adult Social Care Operations	1	68	77,633	
BES	Assistant Director - Highways & Transportation	1	67	75,506	
CYPS	Assistant Director - Strategic Services	1	68	77,633	
CYPS	Assistant Director - Children's Social Care	1	71	85,341	Plus £15k Market Supplement p.a.
HAS	Assistant Director - Health Reform and Development	1	71	85,341	Fixed term contract ends June 2013
HAS	Assistant Director - Performance & Change Management	1	71	85,341	
CYPS	Assistant Director - Quality & Improvement	1	69	79,760	
CYPS	Assistant Director - Access & Inclusion	1	68	77,633	
BES	Assistant Director - Trading Standards	1	68	77,633	
CS	Assistant Director - CYPS Finance & Management Support	1	67	75,506	
	AD1				
HAS	Assistant Director - Library & Community Services	1	64	70,498	
CS	Assistant Director - Central Finance	1	64	70,498	
BES	Assistant Director - Economic Partnership Unit	1	61	64,871	
BES	Assistant Director - Waste Management	1	64	70,498	
CYPS	Head of Safeguarding	1	64	70,498	Temporary appointment.
CS	Assistant Director - Resources	1	64	70,498	
CS	Assistant Director - Corporate Accountancy	1	62	66,997	
CS	Assistant Director - Corporate Property Management	1	60	62,744	
CS	Assistant Director - ICT Services	1	59	60,617	
HAS	Assistant Director - Partnerships, Procurement and Quality Assurance	1	64	70,498	
CS	Head of Policy and Partnerships	1	62	66,997	
CS	Assistant Director - Performance & Finance	1	64	70,498	
CS	Head of Communications	1	62	66,997	£61,565 pro-rata
CS	Programme Director/Manager	1	63	69,125	Fixed term post ends June 2013
BES	Assistant Director - Integrated Passenger Transport	1	62	66,997	
			total pay bill:	2,746,238	Reduction of £117,348 since 11/12

REMOVED FROM AD1 AND ABOVE IN 2012/13:

CYPS	Assistant Director - Learning, Youth & Skills	1	67	75,505	Removed end July 2012
CYPS	Head of Strategy and Commissioning	1	spot salary	75,312	Removed end July 2012

## Corporate Risk Register

Risk Register: month 0 (Sep 2012) - summary  
Report Date: 18<sup>th</sup> September 2012 (cpc)

Identity			Person		Classification												Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre					RR		Post					FBPlan	Action Manager		
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv			Rep	Cat
- new -	20/1 - Funding Challenges	Inadequate funding available to the County Council to discharge its statutory responsibilities and to meet public expectation up to and including the next Comprehensive Spending Review resulting in legal challenge, unbalanced budget and public dissatisfaction	CEO	CD SR	H	H	H	H	H	1	7	31/12/2012	H	H	H	M	M	1	Y	All Mgt Board
◀▶	20/47 - Health Responsibilities	Failure to be sufficiently prepared for our Health responsibilities and deliver integrated approaches with Health partners resulting in lost financial opportunities through joint provision of services, inability to protect the public adequately and not make sufficient progress in health improvement	CEO	CD HAS	H	M	H	M	M	1	8	30/09/2012	H	M	M	M	M	2	Y	CD HAS
- new -	20/331 - School Funding Reform	Inability to respond to major changes in national school funding developments, local priorities and grants resulting in inadequate response to these developments, poor advice to Members, Officers and schools, potential loss of income and significant budget turbulence at school level.	CEO	CD CYPS	M	H	H	H	M	2	7	28/02/2013	M	H	H	H	L	2	Y	CD CYPS
- new -	20/334 - Economic Development in North Yorkshire	Failure to develop the North Yorkshire economy resulting in lack of growth in employment & impact on future County Council funding caused by the reduced growth in business rates	CEO	BES AD EPU	M	L	H	L	L	2	4	28/02/2013	M	L	H	L	L	2	Y	BES AD EPU
◀▶	20/45 - Waste Strategy	Failure to deliver the Waste Strategy	CEO	CD BES	M	M	H	L	H	2	9	31/12/2012	L	M	H	L	M	3	Y	CD BES
▼	20/207 - One Council Change Programme	Failure to deliver the One Council change programme resulting in financial cost, poorer service outcomes, lost opportunities including failure to grasp cultural change, need to revisit savings on front line services	CEO	CEG DMG	M	M	H	M	M	2	8	31/12/2012	L	L	M	L	M	5	Y	All Mgt Board
- new -	20/332 - Connecting North Yorkshire	Failure to deliver, over the same timescale, the Superfast Broadband (ie BT) contract and the replacement PSN (ie WAN) contract	CEX NYnet	CEX NYnet	M	M	L	L	H	2	6	30/09/2012	L	M	L	L	M	5	Y	CEX NYnet

## Corporate Risk Register

Risk Register: month 0 (Sep 2012) - summary  
 Report Date: 18<sup>th</sup> September 2012 (cpc)

Identity			Person		Classification												Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
◀▶	20/8 - Major Emergencies in the Community	Failure to plan, respond and recover effectively to major emergencies in the community resulting in risk to life and limb, impact on statutory responsibilities, impact on financial stability and reputation	CEO	CEO	L	L	H	L	H	3	5	31/03/2013	L	L	H	L	M	3	Y	CEO
▼	20/51 - Communication	Failure to effectively inform, consult, engage and involve the public/staff/Members, resulting in public dissatisfaction, loss of reputation, low morale, criticism of Members and missed opportunities	CEO	All Mgt Board	L	M	L	M	H	3	4	31/08/2013	L	M	L	M	M	5	Y	All Mgt Board
▼	20/49 - Organisational Performance Management	Lack of focus on performing at service, team and individual level resulting in poorer service delivery, public dissatisfaction, criticism, increased costs and lost opportunities	CEO	CD SR	M	M	M	M	M	4	6	30/09/2012	L	M	M	M	M	5	Y	CD SR

Key	
▲	Risk Ranking has worsened since last review.
▼	Risk Ranking has improved since last review
◀▶	Risk Ranking is same as last review
- new -	New or significantly altered risk

**STATUTORY REQUIREMENTS OF THE LOCAL GOVERNMENT ACT 2003  
IN RELATION TO BUDGET SETTING**

- 1.1 Sections 25 to 28 of Part 2 of the Local Government Act 2003 define a series of duties and powers that give statutory support to important aspects of good financial practice in local government. For the most part they require certain processes to be followed but leave the outcome of those processes to the judgement of individual local authorities. The following paragraphs explain these provisions and provide an analysis (*in italics*) of the current position in the County Council.
- 1.2 **Section 25** requires the Chief Financial Officer (CFO) to submit a formal report to the authority regarding the **robustness of the estimates** included in the Budget and the **adequacy of the reserves** for which the Budget provides.
- 1.3 Section 25 requires the report to be made to the authority when the decisions on the Council Tax Precept are formally being made. However, Members will appreciate that those decisions are taken at the conclusion of a detailed and prolonged process involving consideration of the draft Budget by various parts of the organisation including the Executive, Members and the Management Board. The CFO has to ensure that appropriate information and advice is given at all stages on what would be required to enable a positive opinion to be given in his formal report.
- 1.4 *The Budget process of the County Council has been further refined in recent years by:*
- (a) *Using a range of qualitative and quantitative data to help inform the County Council's approach to value for money.*
  - (b) *establishing clear links between budget provision and the activity carried out within service areas. Detailed modelling, for example, relates costs to activity for the Waste Strategy, Adults Social Care and Children's Social Care – three areas of high spend and therefore key business drivers.*
  - (c) *the development of the Quarterly Performance and Budget Monitoring Report submitted to Executive to include financial information, performance data, HR statistics and Treasury Management. Work has been undertaken to review the way in which quarterly reports are produced and changes implemented. Further work continues with a view to integrating budget, HR and Service Performance data – it is anticipated that the output of this work will be incorporated into the first quarter of 2013/14.*
- 1.5 *In addition at key stages, all County Council Members receive (via reports, workshops, etc) full details of every aspect, of the Budget process that concludes in the precept calculation. The Corporate Director – Strategic Resources will report formally to the County Council on 20 February 2013 regarding the **robustness of the estimates** and the **adequacy of balances** relating to the Budget for 2013/14. The opinion regarding the robustness of the estimates will be based on the detailed nature, not only of the Budget preparation process, but also the Budget monitoring*

*work that goes on continuously throughout the year. The adequacy of balances and reserves is referred to in **Appendix I** which details the outcome of the review process. Details of all balances and reserves are then provided in **Appendix I Sheet 1**.*

1.6 **Section 26** gives the **Secretary of State the power to set a minimum level of reserves for which an authority must provide in setting its Budget**. The minimum would apply to “controlled reserves”, as defined in Regulations. The intention in defining controlled reserves would be to exclude reserves that are not under the authority’s control when setting its call on Council Tax, eg schools balances.

1.7 It was made clear throughout the Parliamentary consideration of these provisions that Section 26 would only be used where there were grounds for serious concern about an individual authority. The Minister said in the Commons Standing Committee debate on 30 January 2003:

“The provisions are a fallback against the circumstances in which an authority does not act prudently, disregards the advice of its CFO and is heading for serious financial difficulty. Only in such circumstances do we envisage any need for intervention.”

There is no intention to make permanent or blanket provision for minimum reserves under these provisions. Indeed, the Government has made no attempt to so far to define minimum reserves.

1.8 **Section 27** defines in more detail the responsibility of the CFO in reporting on the inadequacy of reserves in an authority where a Section 26 minimum requirement has been imposed.

1.9 *Provided the County Council acts prudently and takes into account the advice of the Corporate Director – Strategic Resources regarding the level of reserves it is unlikely that the County Council will find itself in a position of being subject to a Section 26 determination. The examination of balances/reserves during the Budget process, and the monitoring that takes place and is reported quarterly to the Executive, provides the County Council with every opportunity to take remedial action should any problems emerge that are likely to undermine the Medium Term Financial Strategy.*

1.10 **Sections 26/27 therefore continue to have no direct relevance to the County Council at this time.**

1.11 **Section 28** concerns **Budget monitoring arrangements**. Essentially, an authority is required to review during the course of a financial year the planned levels of reserves incorporated in the earlier annual tax/precept setting calculations. If, as a result of such an in year review it appears that there is a deterioration in the financial position, the authority must take whatever action it considers appropriate to deal with the situation.

1.12 *As indicated above the Executive receives details of the position on reserves as part of the Quarterly Performance and Budget Monitoring Report. Provision also exists within the Financial Procedure Rules for further reports to be submitted if and*

*when necessary should financial circumstances deteriorate between the quarterly reporting dates and it is determined that immediate action in relation to reserves, is required.* It is also intended that a fuller review of all Reserves / Provisions is carried out in 2013/14 as indicated in **paragraph 1.3 of Appendix I.**

### **Balances/Reserves**

- 1.13 One of the clear pointers from Sections 25/28 is the need for a transparent and formal assessment of the adequacy of balances/reserves.
- 1.14 A review is carried out of the need for, and adequacy of, all balances and reserves on an annual basis (at least). The product of this review can be seen in **Appendix I.** In addition, it is intended that a full interim review is carried out in 2013/14 – (**paragraph 1.3 of Appendix I**).

## REVIEW OF COUNTY COUNCIL REVENUE RESERVES & BALANCES

### 1.0 Introduction

- 1.1 As part of the Budget process all balances and reserves have been reviewed as to their adequacy, appropriateness and management arrangements.
- 1.2 A schedule of the Reserves/Balances as at 31 March 2012 together with forecast movements over the four years 2012/13 to 2015/16 is provided as **Sheet 1** to this Appendix.
- 1.3 All the Reserves/Balances listed in **Sheet 1** are reviewed and monitored on a regular basis by the Service Accountant and/or the Corporate Director – Strategic Resources. The level of the General Working Balance is specifically reported to the Executive as part of the Quarterly Performance and Budget Monitoring report. The Corporate Director, Strategic Resources will **initiate a further in depth review of each of these Reserves during 2013/14** with a view to establishing:-
- The current justification of the need for the reserve
  - The likely value of any potential liability and whether the Reserve is sufficient
  - Whether the liability is better met as part of a wider Council Reserve (i.e. either as part of GWB or another dedicated Reserve).

### 2.0 Outcome of review process

- 2.1 Based on **Sheet 1** the total value of revenue Reserves & Balances at 31 March 2012 was £127.418m. This figure is sub-divided into types of Balances/Reserves and these types are referred to below.
- 2.2 The conclusions reached by the Corporate Director – Strategic Resources, as a result of this review are as follows:
- (a) that element of balances represented by the **underspendings at the year end by Service Directorates** (£22.899m). The County Council agreed that these be carried forward into the current financial year (i.e. 2012/13) in order to provide funding for a number of service initiatives, including the cash flowing of savings requirements and non-recurring projects that often span financial years. Such carry forward arrangements have been part of financial management arrangements over recent years and help to ensure that specific initiatives are managed without calling further upon Council resources. As indicated in the Q2 Revenue Budget Monitoring Report of 20 November 2012, it is intended that elements of this funding which remains unspent at the end of 2012/13 will be retained within Reserves and drawn down as and when required.
- (b) **Reserves earmarked for Schools** (£37.871m) includes individual school balances totalling £25.347m which belong to schools and although they

appear in the County Council Balance Sheet, they cannot be regarded, for practical Budget purposes, as an NYCC asset. The other £12.524m is Dedicated Schools Grant which is also earmarked for schools for multiple programmes

- c) **Earmarked Reserves set aside for major items** (£17.144m) as detailed below -

Item	£m	Narrative
Insurance Fund	6.328	This is needed to offset the cost of potential future claims – the level of the Fund is significantly less than the potential maximum liability of claims so any withdrawal of cash from the Fund would increase the potential risk of a shortfall at some point in the future.
Winter Maintenance	2.000	To offset the costs of a severe winter
ICT Equipment/ Microsoft	2.634	This reserve is to provide for the refresh of ICT infrastructure (e.g. Microsoft transition and Directorate hardware) over the next four years
Corporate Redundancy	2.307	To meet redundancy costs as a result of transformation and savings programme restructures.
Redundancy costs in schools	3.875	To meet redundancy payments to teachers

- (d) the balances of **Trading Units and those Business Units that “trade” with schools** (£5.513m) are linked to the Business Plans of those Units. These balances are therefore regarded as funds available for investment and / or price reductions for traded clients.
- (e) there are 20 other reserves related to **specific initiatives** (£9.539m) 17 of which will be retained through 2012/13 to 2013/14. However, the number of these reserves then further reduces in subsequent years as their specific purpose is fulfilled
- (f) **Revenue Income Reserves** (£21.244m) which are mainly grants and contributions “not yet applied” – this is a category created by the IFRS Accounting Regulations from 2010/11
- (g) the **General Working Balance** (£13.208m) - (see below).

### **General Working Balance (GWB)**

- 2.3 The current MTFS policy is to achieve a level of GWB equivalent to a minimum of 2% of the net Revenue Budget.
- 2.4 This policy was first established as part of the 2007/08 Revenue Budget, and was accompanied by a set of "good practice rules".



2.5 These “rules”, which still apply, are as follows:

- (a) that any underspending on the Corporate Miscellaneous budget at the year end will be allocated to the GWB
- (b) that should there be any call on the GWB during a year such that the Target level (as defined in the MTFS) will not be achieved at the respective year end then
  - (i) that shortfall be addressed in the next Budget cycle and/or
  - (ii) that revenue or capital expenditure reductions be effected in either the current or following financial year, in order to offset the shortfall.
- (c) that in order to implement (b) the Executive should review the position of the GWB on a regular basis as part of the Quarterly Performance and Budget Monitoring report process

2.6 Taking into account the fact that the value of the net Revenue Budget changes each year, the likely year end figures for the GWB are summarised below (**Sheet 2** provides full details of the various +/- impacts on the GWB that arise from the proposals in this report).

Year End Date	MTFS Feb 2012		MTFS Feb 2013	
	£000	% of Net Revenue Budget	£000	% of Net Revenue Budget
31 March 2012	10,542 *	<b>2.9</b>	13,208 °	<b>3.6</b>
31 March 2013	13,043	<b>3.6</b>	23,208 *	<b>6.4</b>
31 March 2014	10,299	<b>2.8</b>	21,628	<b>5.8</b>
31 March 2015	5,880 †	<b>2.0</b>	17,028	<b>4.6</b>
31 March 2016	N/A	<b>N/A</b>	17,028 ✓	<b>4.7</b>

Notes:

- \* projected
- ° actual
- † in practice GWB would be topped up to £7.449m (=2%) from the PIP
- ✓ would be reduced by any unfunded savings requirement from the current 2013/14 budget and 2014/15 MTFS together with any shortfall from the 2015/16 MTFS to be identified next year.

2.7 On the basis of the GWB at 31 March 2012 (£13.208m) and the projected GWB at 31 March 2012 (£23.208m) it is evident that the County Council is ahead of the minimum level of 2%. Much of this is due to financial and service management as many services have delivered savings ahead of schedule whilst some have returned un-needed pump priming funds. As outlined in the Audit Commission report ‘Striking a Balance’ (December 2012), these features are common within Councils addressing large scale savings requirements.

2.8 Notwithstanding the above, there is still a fundamental question - is a figure of about £7.5m still considered to be an appropriate target level for the GWB?

2.9 Historically the major items that the GWB has been required to offset are:

- demand led overspendings on Service budgets
- repairing flood damage (net of Bellwin Grant)
- the winter maintenance budget provision being exceeded in a bad winter
- one off planning enquiries or legal cases
- additional priority spending pressures
- bridge budget/MTFS funding shortfalls until recurring annual savings can be identified and achieved

A number of these items will continue to apply in future years thereby demonstrating the need for a GWB at least at the current minimum target (i.e. 2% level). Given the number of risk factors outlined in this Budget Report (**Section 11**) and the scale and size of savings required across the Council there is likely to be higher degrees of organisational “stress” over the next 2 years (at least). The way in which the GWB target is calculated is dependent upon the level of net budget (i.e. 2%) and, as a result of savings, this would result in a lower minimum target. This is, however, at odds with the environment of a heightened number of risk factors. **It is therefore proposed that the target of a minimum 2% be reviewed by the Corporate Director, Strategic Resources at the same time as the review of Reserves / Provisions identified in paragraph 1.3 of this Appendix.** In the interim, the level of GWB and the availability of the PIP provide sufficient comfort.

2.10 Given the fact that:

- (a) the projected level of the GWB currently significantly exceeds the policy target
- (b) if two or more of the issues referred to in **paragraph 2.9** arose again in any single year, the good practice rules (**see paragraph 2.5**) would determine what action should be taken by the Executive to address, and remedy, the position.

it is concluded that the current 2% policy level for the GWB is adequate for the present time.

2.12 **It is therefore proposed that the target figure for the GWB be maintained at a minimum of 2% of the net Revenue Budget pending a review by the Corporate Director, Strategic Resources during 2013/14. In the interim, any funds above the 2% level be retained given the financial uncertainties attached to the Revenue Budget/MTFS for 2013/14 and 2014/15 and the subsequent years of expected further significant cuts in government funding.**

## SUMMARY OF BALANCES / RESERVES FROM 2011/12 (ACTUAL) TO 2015/16 (FORECAST)

Details	Directorate	2011/12 Actual			2012/13 Forecast		2013/14 Forecast		2014/15 Forecast		2015/16 Forecast		Comments
		Balance 31 March 2011 £000s	Actual Movement 2011/12	Actual Balance 31 March 2012 £000s	Planned Movement 2012/13 £000s	Estimated Balance 31 March 2013 £000s	Planned Movement 2013/14 £000s	Estimated Balance 31 March 2014 £000s	Planned Movement 2014/15 £000s	Estimated Balance 31 March 2015 £000s	Planned Movement 2015/16 £000s	Estimated Balance 31 March 2016 £000s	
<b>WORKING BALANCES</b>													
<b>Retained for Service Use</b>													
Children & Young Peoples	CYPS	890	2,257	3,147	-1,104	2,043	-2,043	0	0	0	0	0	£22,899k net underspend in 2011/12 carried forward to 2012/13 consisted mainly of savings to assist in 2012/13 and subsequent years budgets, planned savings to support developmental initiatives in 2012/13 and spending planned for 2011/12 being delayed until 2012/13 and later years for a variety of reasons. Estimated variations (underspend) in 2012/13 proposed for carry forward to 2013/14 and later years is £19,781k based on Q2 Performance and Budget Monitoring report and consisted mainly of re-profiling of savings, unspent PIP funding and various projects and initiatives spanning financial years.
Health and Adult	HAS	392	2,519	2,911	-762	2,149	-2,149	0	0	0	0		
Business & Environment	BES	1,145	1,410	2,555	-579	1,976	-1,976	0	0	0	0		
Central Services	CS	5,631	-996	4,635	696	5,331	-5,331	0	0	0	0		
Corporate Miscellaneous	Corp	7,055	2,596	9,651	-1,369	8,282	-8,282	0	0	0	0		
<b>Sub Total</b>		<b>15,113</b>	<b>7,786</b>	<b>22,899</b>	<b>-3,118</b>	<b>19,781</b>	<b>-19,781</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>General Working Balances</b>		<b>8,836</b>	<b>4,372</b>	<b>13,208</b>	<b>10,000</b>	<b>23,208</b>	<b>-1,580</b>	<b>21,628</b>	<b>-4,600</b>	<b>17,028</b>	<b>0</b>	<b>17,028</b>	
<b>Total Working Balances</b>		<b>23,949</b>	<b>12,158</b>	<b>36,107</b>	<b>6,882</b>	<b>42,989</b>	<b>-21,361</b>	<b>21,628</b>	<b>-4,600</b>	<b>17,028</b>	<b>0</b>	<b>17,028</b>	
<b>EARMARKED RESERVES</b>													
<b>Earmarked for Schools</b>													
School Balances (LMS Reserve)	CYPS	27,100	-1,753	25,347	-3,975	21,372	-1,969	19,403	-2,685	16,718	0	16,718	Reducing balance reflects falling pupil numbers, resource scarcity and provisional adjustments for school transfers to academy status.
Schools Block / DSG	CYPS	10,800	1,724	12,524	-3,919	8,605	-1,500	7,105	-1,500	5,605	-1,500	4,105	Balance of earmarked Schools Block resources for multiple programmes.
<b>Sub Total</b>		<b>37,900</b>	<b>-29</b>	<b>37,871</b>	<b>-7,894</b>	<b>29,977</b>	<b>-3,469</b>	<b>26,508</b>	<b>-4,185</b>	<b>22,323</b>	<b>-1,500</b>	<b>20,823</b>	
<b>Retained for Specific Initiatives and Major Schemes</b>													
Redundancy costs in schools	CYPS	2,015	1,860	3,875	-800	3,075	-800	2,275	-800	1,475	-800	675	To meet teachers redundancy payments.
SEN	CYPS	1,899	-559	1,340	0	1,340	0	1,340	-650	690	-690	0	Phased implementation of the SEN & Behaviour review.
Children's Centre	CYPS	347	-347	0	0	0	0	0	0	0	0	0	Reserve closed.
Management Information System (Catering)	CYPS	20	-20	0	0	0	0	0	0	0	0	0	Reserve closed.
Building Schools for the Future	CYPS	110	-110	0	0	0	0	0	0	0	0	0	Reserve closed.
Education for looked after children	CYPS	76	11	87	20	107	-30	77	-30	47	-30	17	Provision of phased bursary support for looked after children attending higher education.
High Needs Prevention	CYPS	380	-380	0	0	0	0	0	0	0	0	0	Reserve closed.
Learning Difficulties & Disabilities	CYPS	395	0	395	-131	264	-264	0	0	0	0	0	Phased implementation of the SEN-D (LDD) strategy required in line with the SEN Green Paper.

## SUMMARY OF BALANCES / RESERVES FROM 2011/12 (ACTUAL) TO 2015/16 (FORECAST)

Details	Directorate	2011/12 Actual			2012/13 Forecast		2013/14 Forecast		2014/15 Forecast		2015/16 Forecast		Comments
		Balance 31 March 2011 £000s	Actual Movement 2011/12	Actual Balance 31 March 2012 £000s	Planned Movement 2012/13 £000s	Estimated Balance 31 March 2013 £000s	Planned Movement 2013/14 £000s	Estimated Balance 31 March 2014 £000s	Planned Movement 2014/15 £000s	Estimated Balance 31 March 2015 £000s	Planned Movement 2015/16 £000s	Estimated Balance 31 March 2016 £000s	
Continuing Education	CYPS	668	-668	0	0	0	0	0	0	0	0	0	Reserve closed.
16-19 Transfer (Machinery of Government)	CYPS	413	-413	0	0	0	0	0	0	0	0	0	Reserve closed.
CYPS Service Transformation	CYPS	0	1,641	1,641	-400	1,241	-300	941	-550	391	-391	0	To fund services whilst in transformation.
Transport	CYPS	0	250	250	230	480	-220	260	0	260	-110	150	Reserve funding phased to smooth the impact of the number of academic days impacting in financial years.
Music Service	CYPS	0	430	430	0	430	-230	200	-200	0	0	0	To fund the Music service whilst in transformation.
Landfill Allowances	BES	322	-178	144	-144	0	0	0	0	0	0	0	Movements are based on expected utilisation of the allowances.
Flood Risk Management	BES	0	0	0	460	460	0	460	0	460	0	460	The reserve is in place to support a flood management strategy which will be in place from 1 April 2013. The operation and utilisation of this reserve will be determined by that strategy.
Winter Maintenance	BES	2,000	0	2,000	1,000	3,000	0	3,000	0	3,000	0	3,000	Based on the 2012/13 expenditure forecast it is expected that there will not be a requirement to draw down any of the reserve but this is subject to change. Future years zero movement is partly due to the unpredictable nature of expenditure and that actions will be taken to maintain the reserve at a reasonable level.
Highways - Traffic Signals	BES	229	-229	0	0	0	0	0	0	0	0	0	Reserve fully utilised in 2011/12.
Local Development Framework / Minerals Core Strategy	BES	570	-98	472	-127	345	-136	209	-209	0	0	0	This reserve funds work required to produce the LDF / Minerals Core strategy in line with Government Guidelines. The movement in the reserve reflects the latest planned expenditure profile for that work.
BES Directorate Initiatives & Transformation	BES	766	-207	559	-38	521	-161	360	-160	200	-200	0	The BES Directorate has a number of initiatives and transformation projects for which this reserve has been established to fund. The movements on the reserve reflect the actual and projected profile of expenditure on this programme.
Swing Bridges	BES	563	236	799	0	799	0	799	0	799	0	799	To meet future structural maintenance requirements of the Swing Bridges in the County. The appropriate reserve level will continue to be assessed accounting for works carried out and estimated future maintenance requirements.
Proceeds of Crime Act	BES	122	25	147	0	147	0	147	0	147	0	147	Relates to income received under the Home Office incentive scheme for fraud cases involving Trading Standards as defined in the Proceeds of Crime Act; earmarked for future expenditure on such cases, potential enhancements, and coverage for exit costs if incentive scheme be withdrawn.
Yorkshire Dales & Harrogate Tourism Partnership	BES	31	-23	8	-8	0	0	0	0	0	0	0	Final residual funding will be utilised in 2012/13.
YDHTP Accountable Body	BES	26	-26	0	0	0	0	0	0	0	0	0	Reserve fully utilised in 2011/12.
Mowthorpe Bridge	BES	400	0	400	0	400	-400	0	0	0	0	0	Reserve for maintenance works on an adopted bridge. The figure represents the commuted sum received as part of the transfer agreement. Works are planned for 2013/14 once decision is reached regarding the listed status of the structure.

## SUMMARY OF BALANCES / RESERVES FROM 2011/12 (ACTUAL) TO 2015/16 (FORECAST)

Details	Direct- orate	2011/12 Actual			2012/13 Forecast		2013/14 Forecast		2014/15 Forecast		2015/16 Forecast		Comments
		Balance 31 March 2011 £000s	Actual Movement 2011/12	Actual Balance 31 March 2012 £000s	Planned Movement 2012/13 £000s	Estimated Balance 31 March 2013 £000s	Planned Movement 2013/14 £000s	Estimated Balance 31 March 2014 £000s	Planned Movement 2014/15 £000s	Estimated Balance 31 March 2015 £000s	Planned Movement 2015/16 £000s	Estimated Balance 31 March 2016 £000s	
Highways Advance Payments	BES	1,569	-887	682	21	703	0	703	0	703	0	703	The reserve includes developer bonds and contributions for maintenance works prior to adoption of roads by the County Council or to offset costs of the external effects of developments. The underlying assumption for future years is that new sums offset the utilisation of existing funds.
Area Based Grant	Corp	1,852	-1,852	0	0	0	0	0	0	0	0	0	Reserve closed.
Insurance Reserve	Corp	5,904	424	6,328	172	6,500	250	6,750	250	7,000	250	7,250	Estimate balance of Insurance fund after deduction of provision for known claims.
Redundancy Reserve	Corp	903	1,404	2,307	-1,307	1,000	-1,000	0	0	0	0	0	Reserve utilised to fund both redundancy and pension strain costs arising from Budget Pressures and Service Restructures across the authority. Very provisionally, expected to fully utilise the reserve by the end of 2013/14.
Credit Union	Corp	85	-85	0	0	0	0	0	0	0	0	0	Reserve closed.
NY Advice Services Partnership	Corp	7	0	7	-7	0	0	0	0	0	0	0	Expected to spend before end of financial year 12/13.
Elections	Corp	83	59	142	469	611	-611	0	80	80	160	240	Reserve contributes to the costs of the County Council Elections which take place every 4 years. The next Election takes place in May 2013.
ICT Equipment / Development	CS	1,357	622	1,979	370	2,349	-491	1,858	-491	1,367	-456	911	Reserve is held to allow Directorates to help spread the cost of replacing ICT devices including PCs and Laptops. This has been increasing over recent years pending the next round of ICT refresh due to start in 2013/14
ICT Microsoft / Broadband	CS	897	-242	655	-545	110	-55	55	-55	0	0	0	Reserve is held predominantly to provide for the costs of the microsoft transition project along with some potential broadband commitments. The bulk of the Microsoft project is due to be complete by the end of 2012/13 and the reserve will be decreased to reflect that.
BDM / Contractors Residual Issues	CS	847	-423	424	-147	277	-77	200	-75	125	-75	50	Outstanding administration costs expected to be settled in 2012/13. A number of residual building defect costs will not have been identified and/or resolved.
Dilapidations / Farms Comp Claims	CS	0	310	310	-7	303	-103	200	-50	150	-50	100	Ongoing increased dilapidations claims expected in the short to medium term as a result of continued property rationalisation.
Corp Accommodation - Property Rental	CS	0	106	106	-4	102	-15	87	-15	72	-15	57	Expect to be fully utilised by 2020/21.
Supporting People Initiative	HAS	0	1,196	1,196	42	1,238	-354	884	-387	497	-497	0	Carry forward of underspends on this function to enable longer term planning of service reconfiguration.
<b>Sub Total</b>		<b>24,856</b>	<b>1,827</b>	<b>26,683</b>	<b>-881</b>	<b>25,802</b>	<b>-4,997</b>	<b>20,805</b>	<b>-3,342</b>	<b>17,463</b>	<b>-2,904</b>	<b>14,559</b>	

## SUMMARY OF BALANCES / RESERVES FROM 2011/12 (ACTUAL) TO 2015/16 (FORECAST)

Details	Directorate	2011/12 Actual			2012/13 Forecast		2013/14 Forecast		2014/15 Forecast		2015/16 Forecast		Comments
		Balance 31 March 2011 £000s	Actual Movement 2011/12	Actual Balance 31 March 2012 £000s	Planned Movement 2012/13 £000s	Estimated Balance 31 March 2013 £000s	Planned Movement 2013/14 £000s	Estimated Balance 31 March 2014 £000s	Planned Movement 2014/15 £000s	Estimated Balance 31 March 2015 £000s	Planned Movement 2015/16 £000s	Estimated Balance 31 March 2016 £000s	
<b>Reserves of Trading and Business Units</b>													
FMS	CYPS	14	63	77	18	95	-47	48	-44	4	0	4	In-year trading deficit from 2013/14 intended to return the cumulative balance to break-even for financial services provided to schools.
Balance of Risks Insurance	CYPS	327	292	619	211	830	0	830	0	830	0	830	Anticipated real-terms increase in premiums to support preventative measures in line with actuarial and insurance service advice.
Insurance Services to Schools	CYPS	12	167	179	32	211	0	211	0	211	0	211	Surplus arising from claims history.
School's ICT	CYPS	106	84	190	61	251	-100	151	-100	51	0	51	Balance of ICT trading with schools. Accumulated service taken into account in subsequent years.
Health & Safety Training	CYPS	27	23	50	-20	30	-15	15	0	15	0	15	Accumulated surplus of providing a Health & Safety service to Schools.
Quality and Improvement	CYPS	165	28	193	0	193	-100	93	-93	0	0	0	Traded Advisory/CPD service to schools.
Outdoor Education	CYPS	170	89	259	-44	215	-40	175	-40	135	-40	95	Accumulated position of the trading operation of the Outdoor Education Service.
Professional Clerking	CYPS	50	7	57	-15	42	-15	27	-15	12	0	12	Accumulated surplus of providing Professional Clerking services to Schools.
Staff Absence Insurance	CYPS	843	199	1,042	8	1,050	0	1,050	0	1,050	0	1,050	Balance reflects actuarial assumptions.
Premises Scheme	CYPS		106	106	-106	0	0	0	0	0	0	0	Scheme closed.
Maintenance and Servicing Scheme (MASS)	CYPS	238	-105	133	0	133	-133	0	0	0	0	0	Accumulated position of the MASS scheme.
Adult Learning	CYPS	-80	612	532	308	840	-150	690	-250	440	-250	190	Accumulated position of the trading operation of the Adult Learning Service.
Catering	CYPS	758	230	988	0	988	-300	688	-300	388	-150	238	Surplus used against anticipated recurring in-year deficit.
Music Service	CYPS	0	142	142	0	142	0	142	0	142	0	142	Reserve held for projects to commence after 2015/16.
Building Cleaning	CS	954	-259	695	-42	653	-380	273	-80	193	-80	113	Fund to be utilised for purchase of equipment, to fund a pilot to provide property related to support to a number of schools and a final loyalty rebate to schools. Intend to wait until schools funding decision is finalised before make decision on further refund to schools.
Grounds Maintenance	CS	49	-18	31	-6	25	-3	22	-11	11	-11	0	Fund to be utilised for purchase of equipment etc.
Print Unit	CS	61	45	106	50	156	0	156	0	156	-156	0	Currently no plans to spend due to review of business model of the Print Unit.
School Library Service	CS	0	0	0	0	0	0	0	0	0	0	0	Surpluses will be carried forward but are not expected.
Health and Wellbeing	CS	8	2	10	-1	9	-9	0	0	0	0	0	Accumulated position of the trading operation.
CYPS - HR Service	CS	56	48	104	-18	86	-86	0	0	0	0	0	Accumulated position of the trading operation.
<b>Sub Total</b>		<b>3,758</b>	<b>1,755</b>	<b>5,513</b>	<b>436</b>	<b>5,949</b>	<b>-1,378</b>	<b>4,571</b>	<b>-933</b>	<b>3,638</b>	<b>-687</b>	<b>2,951</b>	
<b>Revenue Income Reserve (mainly grants and contributions)</b>													
CYPS Grants Miscellaneous	CYPS	1,382	-543	839	-50	789	-350	439	-439	0	0	0	Non-recurring grant funding supporting directorate initiatives, in particular, social work improvement.
CYPS Schools Capital Projects	CYPS	4,705	-4,166	539	-60	479	-160	319	-167	152	-103	49	Phased implementation of CYPS systems development.
CYPS Area Based Grant from 2009/10	CYPS	2,116	-2,116	0	0	0	0	0	0	0	0	0	Reserve closed.
Economic Development Grants	BES	462	-8	454	-28	426	-223	203	-203	0	0	0	Relates to unutilised grant and other income which is expected to be used on associated expenditure in future years.

**SUMMARY OF BALANCES / RESERVES FROM 2011/12 (ACTUAL) TO 2015/16 (FORECAST)**

Details	Direct- orate	2011/12 Actual			2012/13 Forecast		2013/14 Forecast		2014/15 Forecast		2015/16 Forecast		Comments
		Balance 31 March 2011 £000s	Actual Movement 2011/12	Actual Balance 31 March 2012 £000s	Planned Movement 2012/13 £000s	Estimated Balance 31 March 2013 £000s	Planned Movement 2013/14 £000s	Estimated Balance 31 March 2014 £000s	Planned Movement 2014/15 £000s	Estimated Balance 31 March 2015 £000s	Planned Movement 2015/16 £000s	Estimated Balance 31 March 2016 £000s	
Local Enterprise Partnership Activities	BES	0	0	0	599	599	-342	257	-257	0	0	0	Balances represent the planned utilisation of Government revenue grants for supporting activities of the Local Enterprise Partnership.
BES - Other	BES	801	-212	589	-126	463	-345	118	-118	0	0	0	Predominantly relates to highways development control balances and revenue grant for waste management planned for utilisation as set out in the expenditure profile.
Community Support Grant	BES	0	832	832	0	832	-277	555	-277	278	-278	0	Relates to grant funding to support community transport. Expenditure is being developed - the profile illustrated represents an estimated even utilisation over the next three years.
Civil Parking Enforcement	BES	0	2,424	2,424	513	2,937	44	2,981	33	3,014	33	3,047	Annual movements reflect annual net surplus estimates and represent a close to breakeven position in future years. A full plan is being developed concerning the application of the remaining one off balance of £3m.
Central Services Miscellaneous	CS	64	45	109	56	165	-165	0	0	0	0	0	Includes North Yorks & York Shared Services RIEP, Asset Management Improvement RIEP fund & Domestic Homicide investigation funding.
LAA Performance Reward Grant	Corp	5,586	-1,147	4,439	-2,073	2,366	-2,349	17	-17	0	0	0	Funding has been allocated to various projects both within NYCC and with external Partners. Majority of grant funding expected to be spent by March 2014. Some small slippage expected £17k into 2014/15.
Stroke Support Grant	HAS	94	-94	0	0	0	0	0	0	0	0	0	Reserve closed.
LDDF	HAS	0	232	232	0	232	-232	0	0	0	0	0	Balance of funding to support short term costs/shortfall in savings of service re-design.
Health Funding Reserve	HAS	0	9,279	9,279	3,939	13,218	-3,914	9,304	-3,499	5,805	-3,499	2,306	This is health and social care monies transferred to the LA via the PCT. To obtain maximum benefit from this funding the planned spend has been phased over a number of years.
Public Health Reserve	HAS	0	0	0	90	90	-90	0	0	0	0	0	Government have given one off funding for setting up public health function. Any balance unspent can be carried forward to support the function in later years.
Social Care Reform Grant	HAS	0	1,508	1,508	0	1,508	-1,508	0	0	0	0	0	These monies will be used to help phase in changes to service provision.
<b>Sub Total</b>		<b>15,210</b>	<b>6,034</b>	<b>21,244</b>	<b>2,860</b>	<b>24,104</b>	<b>-9,911</b>	<b>14,193</b>	<b>-4,944</b>	<b>9,249</b>	<b>-3,847</b>	<b>5,402</b>	
<b>Total Earmarked Reserves</b>		<b>81,724</b>	<b>9,587</b>	<b>91,311</b>	<b>-5,479</b>	<b>85,832</b>	<b>-19,755</b>	<b>66,077</b>	<b>-13,404</b>	<b>52,673</b>	<b>-8,938</b>	<b>43,735</b>	
<b>TOTAL RESERVES</b>		<b>105,673</b>	<b>21,745</b>	<b>127,418</b>	<b>1,403</b>	<b>128,821</b>	<b>-41,116</b>	<b>87,705</b>	<b>-18,004</b>	<b>69,701</b>	<b>-8,938</b>	<b>60,763</b>	

## MTFS &amp; REVENUE BUDGET 2013/14

## PROJECTION of GENERAL WORKING BALANCE

	General Working Balance	% age of net revenue budget	Target to achieve 2% of net revenue budget	
			£000s	%
<b>Balances at 31 March 2012</b>				
Actual Balances 31 March 2012	36,107			
- Directorate underspends c/fwd from 2011/12	-22,899			
= free balances at 31 March 2012	<b>13,208</b>	<b>3.6</b>	<b>7,373</b>	<b>2.0</b>
<b>2012/13 (based on Q2 to 30 September 2012)</b>				
Budgeted contribution in 2012/13	2,501			
Additional spending approved by Executive in April 2012	-2,400			
Corporate Miscellaneous savings	4,780			
Directorate savings proposed to be added to the GWB	5,519			
BES net overspend proposed to be charged against the GWB	-400			
= forecast at 31 March 2013	<b>23,208</b>	<b>6.4</b>	<b>7,268</b>	<b>2.0</b>
<b>2013/14 (MTFS Year 1)</b>				
Contribution to budget (MTFS shortfall)	-1,580 +			
= forecast at 31 March 2014	<b>21,628</b>	<b>5.8</b>	<b>7,489</b>	<b>2.0</b>
<b>2014/15 (MTFS Year 2)</b>				
Contribution to budget (MTFS shortfall)	-4,600 +			
= forecast at 31 March 2015	<b>17,028</b>	<b>4.6</b>	<b>7,336</b>	<b>2.0</b>
<b>2015/16 (MTFS Year 3)</b>				
Contribution to budget (MTFS shortfall) from 2014/15 MTFS	? +			
Contribution to budget (MTFS shortfall) from 2015/16 MTFS	? *			
= forecast at 31 March 2016	<b>17,028</b>	<b>4.7</b>	<b>7,282</b>	<b>2.0</b>

+ The 2013/14 Budget and 2014/15 MTFS has a £4,600k re-occurring shortfall shown as being funded from the GWB. Further savings will be identified however as part of a later Budget 2 report. It is envisaged that the full £4,600k will be achieved through savings in 2015/16 and thus no further GWB contribution will be needed in that year. Where possible, savings proposals as part of Budget 2 will also seek to reduce dependency on the GWB in 2013/14 and 2014/15 as indicated above.

\* A significant contribution may be required from the GWB in 2015/16 to fund the MTFS shortfall in that year that is expected to arise from further large Government Funding reductions as part of the next spending review period.

**Budget requirement figures (4/2/13)**

2011/12	368,670	actual
2012/13	363,422	actual
2013/14	374,464	based on 0 CT increase
2014/15	366,791	based on 2.0% CT increase
2015/16	364,121	based on 2.0% CT increase

07-Feb-13



**Business and Environmental Services – Savings Proposals**

	Area of Review	2013-2014 £000's	2014-2015 £000's	Total	Explanation of proposals
1.	<b>Integrated Passenger Transport</b>				
a)	Concessionary fares underspends 12 /13	600	0	600	Concessionary fare costs this year are less than expected so the base budget can be reduced to reflect this.
b)	Review of Concessionary fares reimbursement	800	300	1,100	This will bring reimbursement rates to national standards for bus operators.
c)	Efficiency savings through actions in 12/13	500	0	500	Savings achieved through area reviews in 2012/13 and 13/14 (including Selby) £100k – reduced expenditure on concessionary fares as a result of changes to the marginal additional costs paid to operators.
2.	<b>Trading Standards and Planning</b>				
	Reduce service levels and focus on statutory functions and prioritisation	200	50	250	Trading Standards will meet its cuts by reducing the number of Trading Standards Officers. This will mean focussing work areas on Statutory functions and prioritising response to consumer demands based on Vulnerability and Safety.
3.	<b>Economic Partnership Unit</b>				
	Reduce service by vacant post(s) / match funding with LEP	110	0	110	The Economic Partnership Unit have been operating a post down since April 12. This reduction in establishment will be maintained to realise a £40k saving.  Additionally, Economic Partnership Unit operates the secretariat to the Local Enterprise Partnership which has the opportunity to access capacity funding from Central Government. £70k of the Capacity Funding will be focused on delivering the skills agenda. This will replace a position NYCC were previously funding, realising an equivalent internal saving.
4.	<b>Waste and Countryside Services</b>				
a)	Reduce spend on partnerships and environmental activities	45	155	200	This item relates mainly to proposed reductions in staff costs across the service and in particular in respect of waste, archaeology, biodiversity and ecology.

	<b>Area of Review</b>	<b>2013-2014 £000's</b>	<b>2014-2015 £000's</b>	<b>Total</b>	<b>Explanation of proposals</b>
b)	Cut in PROW maintenance budget	50	0	50	This is a general cut in PROW maintenance equating to about 20% of existing budget. Maintenance works will continue to be provided on a prioritised basis meaning impact will be restricted as far as possible to lower priority works. Seek to enhance use of volunteers.
<b>5.</b>	<b>Highways and Transportation</b>				
a)	Increase income over budget	0	300	300	Additional income resulting from the on-going review of fees and charges for highways and transportation services
b)	Increase contribution to maintenance from Civil Parking Enforcement (CPE)	0	350	350	Use of funding from CPE surplus for highway maintenance which is to be spent in accordance with the requirements of the CPE legislation.
c)	Reduce winter maintenance costs	0	500	500	Further potential savings resulting from new maintenance contract
d)	Risk based inspections	0	116	116	Savings arising from new risk based approach to highway inspection
e)	Traffic signals	0	50	50	Savings from new maintenance contract
f)	Street lighting	150	0	150	Savings from new maintenance contract
<b>6.</b>	<b>RPI / Director</b>				
	Remove Directorate contingency – will leave no options for one-off items	0	500	500	This will reduce options to support unforeseen issues such as flooding / winter from BES budgets
	<b>Total</b>	<b>2,455</b>	<b>2,321</b>	<b>4,776</b>	

**Central Services – Savings Proposals**

	<b>Area of Review</b>	<b>2013-2014 £000's</b>	<b>2014-2015 £000's</b>	<b>Total</b>	<b>Explanation of proposals</b>
1a	ICT Services	100	0	100	Opportunities have been taken during the Microsoft transition to reduce the anticipated hardware / software required, reducing the revenue costs for Microsoft infrastructure
1b			350	350	Wide Area Network – procurement exercise expected to yield significant savings. £50k already required for the Systems & Data One Council Workstream target.
1c		243	80	323	Review of ICT running costs, including virtual servers and data storage, and; review / rationalisation of the ICT Strategy. The updated ICT Strategy will detail implications and risks, and is predicated on the basis that requirements over and above “core” infrastructure have to be linked to a clear business case, e.g. enabling service modernisation that in turn generates savings.
		<b>343</b>	<b>430</b>	<b>773</b>	
2a	Corporate Property Management	250	0	250	Corporate Accommodation – review of running costs plus minor property rationalisation.
2b		261	94	355	Other areas of Corporate Property Management – review of staffing and supplies and services. Implication is reduced capacity in landlord services, asset management, grounds maintenance and health & safety risk management. Reduction in budgets for professional property advice / support.
		<b>511</b>	<b>94</b>	<b>605</b>	
3a	Library & Community Services	100	100	200	Savings from a mix of: additional income targets for Libraries, Registrars and Archives services; reduction in purchase of stock expenditure by further use of digitised services, and; the close management of vacancies and turnover.
3b		50	150	200	Further savings to be progressed including review of management and support arrangements for Library and Community Services.
		<b>150</b>	<b>250</b>	<b>400</b>	
4	Financial Services	<b>0</b>	<b>250</b>	<b>250</b>	Savings to be identified from further review of finance function and ways of working which will build upon the One Council Financial Management Workstream.
5	Legal & Democratic	<b>40</b>		<b>40</b>	To be achieved from the management of vacancies / turnover, together with reductions in transport and supplies & services budgets

	<b>Area of Review</b>	<b>2013-2014 £000's</b>	<b>2014-2015 £000's</b>	<b>Total</b>	<b>Explanation of proposals</b>
	Services				
6	HR Services	<b>90</b>		<b>90</b>	Disestablishment of a number of additional posts, including HR advisory posts and Engagement Officer
7	Other Central Services	<b>140</b>	<b>70</b>	<b>210</b>	Review of ways of working and management structures across Central Services and particularly within Strategic Resources.
8	Contingency	<b>250</b>		<b>250</b>	A 50% reduction in the general corporate contingency fund based on calls on the fund in recent years and the level of GWB.
9	Members & Chairman's Budget	<b>70</b>		<b>70</b>	To reflect reduced expenditure patterns in recent years
	<b>Total</b>	<b>1,594</b>	<b>1,094</b>	<b>2,688</b>	

Children's and Young People's Services – Savings Proposals

	Area of Review	2013-2014 £000's	2014-2015 £000's	Total	Explanation of proposals
1	Combine all preventative services into single all-age Early Help Service		140	140	This will involve a major restructure at senior management level across the county. Will require lengthy lead time and careful implementation with a post-implementation review involving partner agencies.
2	Children's Centres	30	290	320	Proposal to de-commission up to 12% of Children's Centre buildings: Savings on premises, supplies/services, while protecting frontline provision. (Early Help service maintained). Will engage the voluntary/ community sector to investigate coverage across the county on a cost-effective basis. Also includes some savings relating to administration and income generation
3	Care provision for children with disabilities and their families	0	354	354	This consists of a number of strands across the service. It includes reducing the current budget for Short Breaks by 30%. Partly this is to do with budget currently unallocated, but it will also include a review of commissioning of short breaks provision for disabled children ("Aiming High") and respite care (with an expectation of savings of 5%), plus the net saving additional to current MTFs Project target relating to the eastern area contracted service for respite care. We will also review and recommission residential respite provision in Children's Resource Centres and other placements to reduce their unit costs of care for disabled children and young people. The aim will be to achieve closer integration, increased flexibility, more even county coverage and greater flexibility. It will also consider preventative support to families.
4	Services for Youth	340	200	540	Removal of "Culture Shock" festival and funding from April 2013 and reduce expenditure on youth activities. The savings will principally be from staffing budgets.
5	Risky Behaviours	40	0	40	Recharge 50% of Risky Behaviours post to Public Health funds.
6	Review and restructure of staffing in Prevention & Commissioning	287	0	287	This will include (i) a reduction in strategic planning staffing costs by recharge to trading and capital programmes, to ensure full cost recovery of such projects; (ii) staffing reductions linked to review of Early Years support and contraction of offer; (iii) restructure of the Performance and Outcomes Team
7	Absorb Staff	344	0	344	

	Area of Review	2013-2014 £000's	2014-2015 £000's	Total	Explanation of proposals
	inflation across CYPS				
8	Disabled Children's Care Assessment and Commissioning	80	0	80	Review and reduction of costs of Disabled Children's Care Assessment and Commissioning Team by 5%.
9	16-25 yr olds education/training provision and Specialist Careers advice	240	0	240	Reduce initially intended contingency for planned expenditure on 16-25 year olds education/training provision following transfer of statutory responsibilities from DfE to LA. There is also some limited potential for income from core services e.g. specialist careers advice and commissioning assessment advice re SEND.
10	Education Social Work	0	40	40	Reduce LA expenditure on Education Social Work for safeguarding in schools, LADO, attendance work by 5%
11	Home to School Transport	180	0	180	This is the result of savings being made through improved procurement processes from the Selby Area Review
12	School Improvement Services	0	250	250	Further reductions in posts (including link to Early Years review)
13	Children's Social Care Transformation	0	200	200	Post-implementation review of CSC transformation to achieve savings on staffing and budgets for family support. Will include a fundamental review of CSC senior management posts to maximise efficiency and ensure strong strategic leadership.
14	Jointly-Funded Services	0	250	250	Reduce CYPS contribution to jointly funded, multi-agency arrangements (CAMHS, YJS, LSCB). As multi-agency arrangements, any re-scaling of service will be done in conjunction with statutory partners.
15	Placements	280	200	480	The cost of placements is under pressure, both from demand and changes in national policy, transfer of costs from other bodies and other externally-driven pressures through court decisions, statutory guidance and the high national profile of the adoption agenda. To meet these pressures some additional resources were set aside from within the Directorate's budget but this has now had to be reviewed following the impact of the Settlement and some of the savings proposed arise from reducing those resources. This is the case for Friends and Family Care and the Costs of Secure Remand. In the latter case, we will commission external or internal providers for young people to be diverted from remand so as to contain expenditure on transfer from Justice

	Area of Review	2013-2014 £000's	2014-2015 £000's	Total	Explanation of proposals
					<p>Department.</p> <p>We will also review and recommission specialist residential and respite provision for multipli-vulnerable teenagers to reduce long distance placements. A saving up to equivalent of 3 short term high cost placements per year is targeted, although achievability will be linked to the effect of low volatility but high-cost placements.</p> <p>We will also look to better integration of services working with high needs, multipli-vulnerable teenagers to provide a more integrated, cost-effective service for acute casework management. Savings will be through staffing, including management and commissioning with a limited frontline impact.</p>
16	Other savings resulting from the CYPS Autumn Base Budget Review	400	0	400	Other savings resulting from CYPS Autumn Base Budget Review: low risk and already achieved. However these savings were originally intended to cover emerging pressures resulting from changes in policy at national level and these will have to be kept under close review.
	<b>Total</b>	<b>2,221</b>	<b>1,924</b>	<b>4,145</b>	

Health and Adult Services – Savings Proposals

	Area of Review	2013-2014 £000's	2014-2015 £000's	Total	Explanation of proposals
1.	Demography	1,000		1,000	As part of the Council's Medium Term Financial Strategy additional resources have been provided for the anticipated additional number of people being supported by the Directorate. There has been significant draw down of this resource for budget pressures associated with transitional cases (from children to adults) and Ordinary Resident applications arising from other local authorities. However as a result of the success of reablement investment the Directorate has not experienced the increase in the number of people being supported consequently funding can be freed up.
2.	Supporting People	400	600	1,000	This saving requirement is broadly in line with the reduced level of resources received by the County Council when comparing the baseline funding within HAS budget against the tailored distribution provided within the Revenue Support Grant (£1,841k). There are a range of service proposals being considered by the Commissioning Body which will include retendering services, reducing funding for some services where this is a subsidy for other local authorities and fee negotiations with service providers. Further exploration of these options is required followed by consultation and a retendering process in some instances. A detailed Equality Impact Assessment will be prepared as these proposals are further developed.
3.	Domiciliary Care		2,000	2,000	The Directorate spends £28m (£18.5m excluding Learning Disability Services) in the independent sector with c150 providers on the approved list. There are a range of procurement options which will be explored from continuing with an open list to introducing a dynamic purchase system which allows a mini competition for each care package. This potentially would lead to a reduction in the hourly rate and the number of suppliers in the market. A detailed Equality Impact Assessment will be prepared as these proposals are further developed.
4.	Strategic support services and management costs	150	350	500	The directorate is currently reviewing the number of policy, project management and performance posts as well as the management support in the context of the Council's approach and changes already made within the Directorate.



	<b>Area of Review</b>	<b>2013-2014 £000's</b>	<b>2014-2015 £000's</b>	<b>Total</b>	<b>Explanation of proposals</b>
5.	Residential Placements-Assurance Schemes		700	700	We are aware that c50 residential placements have been funded by Directorate due to wealth depletion. Experience elsewhere indicates that providing financial support and financial product advice to self funders at the right time will enable their funds to last much longer.
6.	Public Health Infrastructure	100		100	The Directorate receives a specific grant from 2013-14 for public health funding. This proposal is to divert existing staff and associated costs to the support the public health agenda and thereby release existing NYCC funding.
7.	Health and Social Care funding	1,400		1,400	Resources have been channelled via health to promote joint working, £5.6m p.a is already committed to support HAS base budgets which is mainly the START service. This may represent a reduction in the local delivery plans already agreed with health. Discussions with health colleagues are at an early stage.
	<b>Total</b>	<b>3,050</b>	<b>3,650</b>	<b>6,700</b>	

**PENDING ISSUES PROVISION ALLOCATIONS ANALYSIS**

<u>Items</u>	Directorate	Date Approved By Executive	2008-09	2009-10	2010-11	2011-12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>FUNDING - WASTE ALLOCATIONS</b>													
<b>Initial Budget Allocations</b>			3,314	8,505	14,394	14,394	14,394	14,394	14,394	14,394	14,394	14,394	126,971
Budget Allocation Rounded Up					106	106	106	106	106	106	106	106	848
Add DCLG Flood Restoration Fund Grant	n/a	n/a	231										231
Proposed Inflation Added to Base - Waste Allocation 2010/11					1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	10,000
Proposed Inflation Added to Base - Waste Allocation 2011/12						1,250	1,250	1,250	1,250	1,250	1,250	1,250	8,750
Proposed Inflation Added to Base - Waste Allocation 2012/13							1,250	1,250	1,250	1,250	1,250	1,250	7,500
Proposed Inflation Added to Base - Waste Allocation 2013/14								1,500	1,500	1,500	1,500	1,500	7,500
Proposed Inflation Added to Base - Waste Allocation 2014/15									1,500	1,500	1,500	1,500	6,000
Proposed Inflation Added to Base - Waste Allocation 2015/16										1,500	1,500	1,500	4,500
Proposed Inflation Added to Base - Waste Allocation 2016/17											1,500	1,500	3,000
Proposed Inflation Added to Base - Waste Allocation 2017/18												1,500	1,500
Carry Forward Not Allocated in 2008/09			-1,021	1,021									0
Carry Forward Not Allocated in 2009/10				-503	503								0
Carry Forward Not Allocated in 2010/11					-5,153	5,153							0
Carry Forward Not Allocated in 2011/12						-1,461	1,461						0
Allocations to Fund Waste Strategy 2010/11					-2,277	-2,277	-2,277	-2,277	-2,277	-2,277	-2,277	-2,277	-18,216
Allocations to Fund Waste Strategy 2011/12						-2,988	-2,988	-2,988	-2,988	-2,988	-2,988	-2,988	-20,916
Allocations to Fund Waste Strategy 2012/13							-2,102	-2,102	-2,102	-2,102	-2,102	-2,102	-12,612
Allocations to Fund Waste Strategy 2013/14								-3,025	-3,025	-3,025	-3,025	-3,025	-15,125
Allocations to Fund Waste Strategy 2014/15									-2,040	-2,040	-2,040	-2,040	-8,160
Allocations to Fund Waste Strategy 2015/16										-5,500	-5,500	-5,500	-16,500
Allocations to Fund Waste Strategy 2016/17											-3,545	-3,545	-7,090
Allocations to Fund Waste Strategy 2017/18												-2,600	-2,600
One-off Under-spend from Waste Strategy in 2011/12 carried forward to Corporate Miscellaneous in 2012/13							1,050						1,050
One-off Under-spend from CEG in 11/12 carried forward to Corporate Miscellaneous in 2012/13							479						479
One-off Under-spend from FCS in 11/12 carried forward to Corporate Miscellaneous in 2012/13							1,114						1,114
One-off Under-spend from Transformation in 11/12 carried forward to PIP funds in 2012/13							506						506
Contribution from the Community Fund 2010/11					600								600
Contribution from the Community Fund 2011/12						400							400
Contribution from the Community Fund 2012/13							300						300
Contribution from the Community Fund - Carry forward Balance of Funds					277								277
Contribution from Insurance Reserve					3,000								3,000
Reablement Under-spend in 12/13 in HAS carried forward into Corporate Miscellaneous							2,476						2,476
<b>Funding Available</b>		(a)	2,524	9,023	12,700	15,827	18,269	9,358	8,818	4,818	2,773	1,673	85,783
<b>PROJECT ALLOCATIONS</b>													
Schools Capital	CYPS	27/05/2008			0	-3,000	-3,000						-6,000
Radio Frequency Identification	ACS	02/09/2008	-418										-418
Library in a Box	ACS	02/09/2008	-75	-75									-150
Electronic Home Care Monitoring / Rostering System	ACS	02/09/2008		-200									-200
Swift Development Project	ACS	02/09/2008	-46	-99	-46								-191
Replacement of remaining concrete street lighting columns	BES	02/09/2008		-1,500	-1,500	-3,000							-6,000
ICT - Additional resources for system development	F&CS	02/09/2008	-100	-200	-150								-450

**APPENDIX K**



### Corporate Miscellaneous Budgets - 2013/14 - 2015/16:

Budget	Latest 2012/13 Base Budget	2013/14				2014/15				2015/2016			
		Increase Current MTFS	Updated Increase Required	+ / - Difference	Updated Budget Required	Increase Current MTFS	Updated Increase Required	+ / - Difference	Updated Budget Required	Increase Current MTFS	Updated Increase Required	+ / - Difference	Updated Budget Required
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		£000	
Contingency - General Provision	500.0	0.0	-250.0	-250.0	250.0			0.0	250.0	0.0		0.0	250.0
Contingency - Transport Inflation	757.9	0.0	-757.9	-757.9	0.0			0.0	0.0			0.0	0.0
Contribution to Pension Fund Deficit	720.0	1,380.0	1,380.0	0.0	2,100.0	0.0		0.0	2,100.0	0.0		0.0	2,100.0
Capital Financing Charges	30,331.5	98.5	-1,203.6	-1,302.1	29,127.9	697.0	-56.2	-753.2	29,071.7	0.0	-55.4	-55.4	29,016.3
Interest Earned	-1,449.2	-230.0	-239.8	-9.8	-1,689.0	-1,487.8	41.0	1,528.8	-1,648.0	0.0	-980.0	-980.0	-2,628.0
Continuing Pension Liability	41.3	0.0	-16.3	-16.3	25.0		-3.0	-3.0	22.0	0.0	-3.0	-3.0	19.0
Audit Fees	202.9	4.9	-64.0	-68.9	138.9	5.0	3.1	-1.9	142.0	0.0	3.0	3.0	145.0
Bank Charges	86.5	0.0	-2.5	-2.5	84.0		0.0	0.0	84.0	0.0	0.0	0.0	84.0
Discontinued Services	-4.8	0.1	0.8	0.7	-4.0	0.2		-0.2	-4.0	0.0		0.0	-4.0
Probation Loan Charges	17.5	-0.9	-5.5	-4.6	12.0	-0.9	-1.0	-0.1	11.0	0.0		0.0	11.0
Magistrates Courts Loan Charges	54.6	-2.7	-3.6	-0.9	51.0	-2.8	-3.0	-0.2	48.0	0.0	-2.0	-2.0	46.0
Transformation Fund	299.4	0.0	-299.4	-299.4	0.0	0.0		0.0	0.0	0.0		0.0	0.0
Financing Income	-272.2	0.0	-20.0	-20.0	-292.2		0.0	0.0	-292.2	0.0		0.0	-292.2
Carbon Reduction Initiative	179.0	22.0	-59.6	-81.6	119.4	355.0	282.5	-72.5	401.9	0.0	12.5	12.5	414.4
Community Fund (Affordable Housing)	450.0	25.0	25.0	0.0	475.0	0.0		0.0	475.0	0.0		0.0	475.0
Pay & Reward Initiatives	99.0	0.0		0.0	99.0			0.0	99.0	0.0		0.0	99.0
Employee Costs - Terms and Conditions	-290.0	0.0		0.0	-290.0			0.0	-290.0	0.0		0.0	-290.0
DSG Contrib. to Corporate Overheads	-1,710.3	-20.0	100.5	120.5	-1,609.8	-20.0		20.0	-1,609.8	0.0		0.0	-1,609.8
YPO Dividend	-350.0	0.0		0.0	-350.0			0.0	-350.0	0.0		0.0	-350.0
New Homes Bonus Grant	-849.0	0.0	-409.0	-409.0	-1,258.0		-400.0	-400.0	-1,658.0	0.0	-400.0	-400.0	-2,058.0
Top-slicing of additional New Homes Bonus Grant	0.0	0.0	-501.0	-501.0	-501.0		501.0	501.0	0.0	0.0	0.0	0.0	0.0
Contribution to District Council CT Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Council Tax Benefit - localisation One-off Transitional Grant	0.0	0.0	-617.0	-617.0	-617.0	0.0	617.0	617.0	0.0	0.0	0.0	0.0	0.0
Education Services Grant	0.0	0.0	-9,800.0	-9,800.0	-9,800.0	0.0	500.0	500.0	-9,300.0	0.0	300.0	300.0	-9,000.0
Sparsely Populated Areas - Transitional Grant	0.0	0.0	-857.0	-857.0	-857.0	0.0	857.0	857.0	0.0	0.0	0.0	0.0	0.0
Council Tax Freeze Grant	-6,162.0	6,162.0	3,688.0	-2,474.0	-2,474.0	0.0		0.0	-2,474.0	0.0		0.0	-2,474.0
<b>Sub-Total</b>	<b>22,652.1</b>	<b>7,438.9</b>	<b>-9,911.9</b>	<b>-17,350.8</b>	<b>12,740.2</b>	<b>-454.3</b>	<b>2,338.4</b>	<b>2,792.7</b>	<b>15,078.6</b>	<b>0.0</b>	<b>-1,124.9</b>	<b>-1,124.9</b>	<b>13,953.7</b>
Pending Issues Provision -	5,265.0	4,998.0	3,075.0	-1,923.0	8,340.0	-2,178.0	-902.0	1,276.0	7,438.0	0.0	-4,584.0	-4,584.0	2,854.0
<b>Corporate Miscellaneous Total</b>	<b>27,917.1</b>	<b>12,436.9</b>	<b>-6,836.9</b>	<b>-19,273.8</b>	<b>21,080.2</b>	<b>-2,632.3</b>	<b>1,436.4</b>	<b>4,068.7</b>	<b>22,516.6</b>	<b>0.0</b>	<b>-5,708.9</b>	<b>-5,708.9</b>	<b>16,807.7</b>



Department for  
Communities and  
Local Government

**Brandon Lewis MP**  
*Parliamentary Under Secretary of State*

*Department for Communities and Local  
Government*  
Eland House  
Bressenden Place  
London SW1E 5DU

Tel: 0303 444 3430  
Fax: 0303 444 3986  
E-Mail: [brandon.lewis@communities.gsi.gov.uk](mailto:brandon.lewis@communities.gsi.gov.uk)

To all English Local Authority Leaders

[www.gov.uk/dclg](http://www.gov.uk/dclg)

Dear Colleague,

3 0 JAN 2013

### **Council Tax Levels in 2013-14**

I am writing to you ahead of the budget debates that you will be having in the next few weeks

#### The Council Tax Freeze Scheme

As you are aware, the Coalition Government is making up to £450 million of funding available to English local authorities that freeze or reduce their basic amount of council tax in 2013-14. This comprises £225million in both financial years 2013-14 and 2014-15. We are making this offer as we want to offer real help to hard-pressed families with their cost of living. Council tax bills are already £1,444 a year on an average Band D bill: this is £120 a month from people's post-tax pay packet or pension.

From the moment it took office, the Government has been clear about its wish to protect council tax levels, and has worked to do this in partnership with local authorities. Council tax in England more than doubled between 1997 and 2010, placing an ever-increasing burden on the council tax payer. These are challenging economic times and - like all parts of the public sector - local authorities have tough decisions to make about priorities. This includes the recourse they have to council tax payers.

Over the last two years, the Government provided grants of around £2 billion to help freeze council tax. In 2011-12 all eligible authorities took up the freeze and will receive an annual grant from Government for the remainder of the spending review period. In 2012-13 90% of eligible authorities froze their council tax and received a one-off grant. Council tax payers across England appreciated the respite that the freezes gave them.

The Secretary of State has indicated that authorities which freeze or reduce their Band D council tax in 2013-14 will receive a grant equivalent to a 1% increase on 2012-13 Band D council tax levels. This will provide real help with the cost of living and will represent a real terms council tax cut of around 2.5% in 2013-14.<sup>1</sup> The cumulative effect of the three council tax freezes is potentially worth over £200 per year to residents in Band D homes.

I am very pleased to note that around a third of all eligible councils have already publicly signaled that they intend to freeze their council tax for 2013-14. I would strongly encourage all councils to sign up in response to the Government's offer. I appreciate that savings may

<sup>1</sup> Compared with RPI inflation



also have to be made to help achieve a freeze – but this is also an opportunity for councils to continue their programme of reform and innovation, and to lower their spending base permanently, whilst protecting hard-working families and those on fixed incomes in their area.

### Council Tax Referendums

You will be aware that the government is prepared to facilitate action where authorities choose to burden tax payers with excessive increases. On 19 December 2012, the Secretary of State proposed a council tax referendum principle of 2%, with some low taxing Shire District Councils, Fire and Rescue Authorities and Police & Crime Commissioners given additional flexibility to set a £5 increase.

Having taken account of representations, the final principles report will be put to the House of Commons for approval alongside the final local government finance report in February. If an authority raises its relevant basic amount of council tax by more than the level of the principles, the local electorate will have a right to approve or veto this increase in a binding referendum.

### Levy increases

Finally, I am concerned by reports that a small number of councils may be considering rejecting the freeze and – via an increase in levies - setting substantial increases in their overall Band D council tax without holding a referendum. Such increases would rightly be of considerable concern to council tax payers. I would like to remind such councils that the Secretary of State proposes referendum principles annually, taking into account the circumstances at that time. Although clearly no decisions have yet been taken in respect of principles for 2014-15 the Secretary of State has discretion to propose different principles for different categories of authority and to take into account authorities' council tax decisions in 2013-14.

I would be grateful if you could pass this letter on to your elected members ahead of them exercising their democratic duty in determining this year's council tax bills. I am also copying this to your local Member(s) of Parliament.



**BRANDON LEWIS MP**