NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

25 January 2022

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

EXECUTIVE SUMMARY

Item 5 a. - REVENUE BUDGET FOR 2022/23 & MEDIUM TERM FINANCIAL STRATEGY 2023/24 TO 2024/25

Context

1. This report sets out council tax options and makes recommendations to the County Council regarding the:
    - Revenue Budget for 2022/23; and
    - Medium Term Financial Strategy (MTFS) for 2023/24 to 2024/25; and
    - Council Tax for 2022/23.

Revenue Budget 2022/23

2. This is the final Budget for the County Council before the new unitary council for North Yorkshire comes into effect from 1 April 2023. The net revenue budget is set out in **Section 5** with the final net budget requirement being identified in the Table at **paragraph 4.5.10**.

3. The pressures are such that the 2022/23 Budget will require a higher degree of support from Reserves than would otherwise be the case or is desirable in 2022/23 (**Appendix G**). It is however a necessary position at this stage given the impact and on-going nature of covid; the need to successfully transition to a new council; whilst continuing to deliver key services.

4. The allocation of the net revenue budget proposed to be allocated to directorates, net of planned savings, is set out in **Section 5** and **Appendix C**.

Council Tax

5. An aggregate Band D council tax increase of 3.99% is recommended, consisting of 1.99% general council tax and 2.0% of adult social care precept.

6. This option results in a recurring shortfall of £18m and a need for Reserves of £34.9m over the projected 3 year MTFS period.

Medium Term Financial Strategy

7. A medium term approach up to 2024/25 is set out on a “going-concern” basis to assist in the future production of an emerging “shadow” financial strategy for the new unitary council for North Yorkshire. The successful transition to the new council arrangements will be a significant feature of the forthcoming financial year.

8. The MTFS for the period 2023/24 to 2024/25 is set out in **Section 3** and the recommended final MTFS is set out in **Appendix G**.

Reserves & Balances

10. Given the level of risks facing the County Council, it is proposed that the existing policy target for the minimum level of the General Working Balance is retained at £28m for all years of the MTFS (**paragraph 14.1 k)**).

Savings

11. Savings totalling £6,046k are proposed between 2022/23 and 2024/25. £682k of these savings are new proposals and the remainder have been reviewed in the light of covid and LGR. Some have therefore been re-profiled and there has been a reduction in the quantum of savings of £1,062k as a result (**Section 4.7** and **Appendices B1** and **B2**).

Section 25 Statement

12. The Corporate Director, Strategic Resources is obliged to offer a view of the robustness of estimates used in the Revenue Budget 2022/23 and the associated level of balances/reserves. The Corporate Director, Strategic Resources is satisfied that the report meets such a requirement. He does note that the recommended council tax level included within this report can be absorbed within available reserves for the period of the MTFS but that future action will be necessary to address the recurring shortfall.

13. Attention is also drawn to the context of significant volatility including:
    - increased demand for services;
    - uncertain Covid “scarring”;
    - rising costs in a high inflation environment;

- a need to provide capacity and time to successfully transition to a new unitary council; and
- an uncertain outlook on government funding

in order to ensure that decision making is optimised (**paragraphs 9.12** to **9.13** and **paragraph 14.1 a)**).

Other

14. The proposed Pay Policy statement for 2022/23 is set out for consideration and recommendation to County Council (**paragraphs 7.1** to **7.5; paragraph 14.1 l)** and **Appendix I**).

15. A revised LGPS Employers Discretion Policy is also proposed to allow salary sacrifice AVCs at no cost to the Council ((**paragraphs 7.6** to **7.8; paragraph 14.1 m)** and **Appendix J**).

16. An assessment of the key financial risks to the County Council has been carried out in **Section 10** noting that the current environment is highly uncertain.

17. A range of initiatives have taken place to engage with stakeholders to consult on views on priorities and the Budget. The results are set out in **paragraphs 6.1** to **6.12**.

18. An overview of equality issues associated with the Council's budget proposals has been carried out and summarises the potential equality impacts in line with the Public Sector Equality Duty (**paragraphs 8.3.1** to **8.8.4**, **paragraph 14.3** and **Appendix K**).

Item 5 b. - CAPITAL PLAN

19. As with the Medium Term Financial Strategy, the Capital Plan up to 2024/25 is also set out on a "going-concern" basis to assist in the future production of an emerging programme for the new unitary council for North Yorkshire.

20. The Council's 5 year Capital Plan for 2022/23 is put forward for approval (**paragraph 6.8 (a) and Appendices A-E**) – it totals £142.7m in 2021/22, £83.2m in 2022/23, £34.0m in 2023/24, £26.4m in 2024/25 and £35.1m in later years.

21. Since the last update at Q2 there has been a re-phasing of expenditure from 2021/22 to later years as a result of various updates within the programme. Key additions to the plan are set out at **paragraph 3.6** and there is an update

on progress of some of the key capital schemes in the current Plan (**paragraphs 3.8 to 3.21**).

22. Delegated authority is requested for the Corporate Director, Business & Environmental Services in consultation with the Corporate Director, Strategic Resources; the Executive Member for Open to Business; and the Executive Member for Finance to allocate £3.5m of Corporate Capital funding should it be required as a local contribution towards schemes for submission into the Levelling Up Fund **(paragraphs 5.2 & 6.8)**.

23. Financing of the Plan is set out in (**paragraph 6.4 and Appendix E**) with the majority from grants and contributions. Forecasts suggest potentially unallocated capital resources of £21.1m over the life of the Plan.

Item 5 c. - TREASURY MANAGEMENT

24. 2022/23 is the final year for establishing a Treasury Management Strategy for the County Council given that the new unitary council for North Yorkshire will come into effect from 1 April 2023. The production of an emerging “shadow” strategy for the new unitary council, an aggregation of the future projections of all 8 councils, will become the start position for the new unitary North Yorkshire Council.

25. The Annual Treasury Management Strategy for 2022/23 (**Annex 1**) including Capital Prudential Indicators and Minimum Revenue Provision Policy (**Appendix A**), Borrowing Strategy and Treasury Prudential Indicators (**Appendix B**) and Annual Investment Strategy (**Appendix C**) is put forward for approval in line with Code of Practice requirements as detailed in **paragraph 2.1.1**.

26. The key elements of the strategy are set out in **paragraph 2.1.2** and include the key limits relating to borrowing:

    (a) an authorised limit (maximum amount that can be borrowed) for external debt of £566.3m in 2022/23;

    (b) an operational boundary (the most likely level) for external debt of £546.3m in 2022/23.

27. The Capital Strategy is included at **Appendix D** of the report.

28. The Treasury Management Policy Statement (TMPS) is included at **Schedule 1** - it sets out the Council’s approach to managing risk associated with investments, cashflows, banking, money market and capital market transactions.

29. In order to ensure compliance with the Prudential Code and to synchronise with the Council's Capital Plan it is necessary to revise and approve a set of prudential indicators which cover the period 2022/23 to 2024/25. These recommended indicators are set out in **Appendices A** and **B** and are consolidated in **Schedule 2** of the report.

30. The climate for investments remains challenging with the number of suitably rated counter parties remaining low due to stringent credit ratings criteria. A number of alternative investment options are included in the schedule of Non Specified Investments (**Schedule 4**).

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04 February 2022

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

25 January 2022

REVENUE BUDGET FOR 2022/23 & MEDIUM TERM FINANCIAL STRATEGY TO 2024/25

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

1.0 PURPOSE OF REPORT

1.1 For the Executive to make recommendations to the County Council regarding:-

a) the Revenue Budget 2022/23;
b) the Council Tax for 2022/23; and
c) the Medium Term Financial Strategy (MTFS) for 2023/24 to 2024/25 (noting that this is solely for the purpose of assisting the new North Yorkshire Council to establish its emerging Financial Strategy given vesting day is 1st April 2023).

2.0 INTRODUCTION AND CONTEXT

2.1 This is the final year for setting the Budget for the County Council given the new unitary council for North Yorkshire will come into effect from 1 April 2023. In order to assist the production of an emerging "shadow" financial strategy for the new unitary council it has been determined, across all eight councils, that a medium term financial projection will take place up to 2024/25. This projection is included within this report and is produced on a "going-concern" basis so that all eight council positions can be aggregated as a starting position for the new unitary North Yorkshire Council. This forms the basis of the Medium Term Financial Strategy but it should be noted that implementation of the strategy is a matter for the new council, or otherwise.

2.2 It is also important that a MTFS is produced so that decisions can be seen in the context of the medium term financial position for the County Council and its unitary successor. All eight councils within North Yorkshire have been dealing with their own financial pressures and the last two years during the covid pandemic have severely impeded all in being able to resolve any underlying financial shortfalls.

2.3 We also remain in deeply uncertain times as the world deals with the Omicron variant and it remains unclear when we will enter a "post-covid" stage and what the financial challenges will be for society and the government more generally, and the councils of North Yorkshire more specifically. At the time of writing, the council and country is in the midst of covid response but we are seeing multiple financial challenges as demand for most people services increase; prices are increasing at rates not seen in decades; and there is a crisis in social care as staffing shortfalls reach unsustainable levels.

2.4 Pre-pandemic the period of austerity was heralded as ended by government but the global economic impacts of covid have led to a third year of a single year financial settlement for local government. Whilst this is extremely unhelpful and unfortunate, it is almost inevitable. It does mean, however, that all councils must be prepared to be able to respond to managing their financial pressures within a further tightening of public sector funding. This becomes even more challenging when local government reorganisation (LGR) is thrown into the mix, but LGR does also offer some greater opportunities for North Yorkshire in delivering financial savings and / or enhancements for the benefits of North Yorkshire residents, businesses and communities.

2.5 As a result of the above and consistent with the Budget Strategy last year, the 2022/23 Budget contained in this report has an eye to future years but does not seek to presume what the future will look like. It seeks to ensure that the Council can:

1. continue to provide vital services in response to Covid;
2. continue to provide other essential services to residents regardless of Covid;
3. deliver savings where practical and with due regard to any future council structure(s);
4. ensure that the new unitary North Yorkshire Council is well placed to capitalise upon the foundations, both financially and operationally, set within this Budget.

2.6 Given all of the issues identified above, there is a high degree of uncertainty and volatility at the same time that the Council needs to respond to covid and prepare for the new council arrangements. The pressures are such that the 2022/23 Budget will require a higher degree of support from Reserves than would otherwise be the case or is desirable. It is, however, a necessary position at this stage given there is extremely limited opportunity to launch and deliver a significant additional savings programme.

2.7 The County Council has performed well in responding to austerity and has taken earlier decisions in order to ensure that it was not pushed into short-term decisions. A good level of reserves has been maintained and this will now become an even more crucial component of the Budget strategy given the aggregate impacts of:

- responding to covid pressures;
- dealing with increased demand and prices for demand-led services;
- managing the impact of higher inflation; and
- needing to protect and provide the capacity to deliver the transition to the new council arrangements.

2.8 In each of the last 5 years or so this Budget report has talked about an increase in the level of risks faced by the County Council. It feels that those risks continue to rise and to describe them as “unprecedented” feels inadequate. More detail is set out in **Section 10** but this Budget / MTFS report, nevertheless, sets out a plan to address the risks as much as possible and that includes:

- delivering savings that do not impact on frontline services and / or risk detrimenting services essential for the covid pandemic and recovery;
- continuing with a Contingency to address the demand and growth pressures that are likely but cannot be predicted with any certainty;
- use of one-off Reserves to ensure plans are better sighted on longer term priorities and conditions (including restructuring);
- consideration of the use of the carry-forward of the 1.5% adult social care precept from last year.

2.9 The Table below outlines a total shortfall of £34.9m for the period to 2024/25 with a recurring shortfall thereafter of £18.0m. That position is after the savings delivery programme as set out in Appendix B. Following this period, the Council will have delivered a total savings programme of over £200m. This is akin to a reduction in spending power of 40% – for every £1 that the Council had at the start of the decade it is now estimated that it will have 60p to meet the equivalent need.

	22-23 £000	23-24 £000	24-25 £000	Total £000
Original Shortfall position	18,531	-3,186	0	15,345
Original Cumulative position	21,650	18,464	18,464	58,578
Inflation	5,601	2,500	12,500	20,601
Pay Inflation & Pressure	3,208	906	4,267	8,381
Service Pressures	2,333	664	3,875	6,872
Savings	502	138	-204	436
Hospital Discharge	1,750	-1,750	0	0
Council Tax Base	-4,171	-217	-4,051	-8,439
Other	-756	-925	-572	-2,252
Spending Review				
Extra Government Grant	-10,465	2,334	0	-8,131
Other funding changes	-8,581	1,184	-6,966	-14,364
Extra ASC Precept above 1%	-3,383	-104	-106	-3,593
Revised Position				
In year position	7,687	1,544	8,743	17,974
Cumulative Shortfall	**7,687**	**9,231**	**17,974**	34,892
Funding of Shortfall:-				
Reserves	7,687	9,231	17,974	34,892

2.10 As stated earlier, the MTFS set out in this report should be regarded as a financial projection that will require addressing rather than a target position to be achieved. It is neither sustainable, nor desirable, to rely upon one-off reserves to address an underlying budget shortfall but it does realistically deal with the current challenges. Ideally, the new unitary North Yorkshire Council will be able to address the aggregate deficits in a measured way that promotes longer term decision making. The financial situation may require, however, that savings are delivered more at pace – this simply cannot be determined at this stage.

2.11 The MTFS and the Council Plan are again presented to the Executive and County Council as a coherent package. The MTFS continues to provide the financial underpinning to deliver the core objectives as articulated in the Council Plan. Both also look to the future with the new unitary North Yorkshire Council in 2023.

3.0 THE MEDIUM TERM FINANCIAL STRATEGY

3.1 SERVICE PRESSURES

3.1.1 As with the last three year's Budget / MTFS reports, there are a significant number of pressures on service budgets as a result of additional demand. These are reported regularly through Quarterly Revenue Budget Monitoring Reports where many service pressures have been reported gross but exceptional covid funding from government has largely contained any net overspends in 2020/21 and 2021/22. There is a high degree of uncertainty but it is likely that:

- the care market will suffer even greater financial distress as providers struggle to fill places given the reluctance of families to use care homes; and some service users will present with higher needs (of which some may be Covid related) which result in more intensive care needs (Care and Support in HAS);
- families will come under greater stress following prolonged isolation and potential detriment to incomes (Children & Families in CYPS);
- the transport sector becomes less competitive pushing up prices following over a year of limited activity (Home to School Transport in CYPS and Public Transport in BES);
- inflationary pressures emerge across a wider range of headings as companies seek to recover lost income and profits; and the shortage of labour pushes up wages and ultimately prices (All areas).

3.1.2 Last year's Budget incorporated a recurring Corporate Risk Contingency of £10m in order to offset this multitude of financial risks and uncertainties. This Contingency will then be used to fund budget pressures when there is clearer information and evidence of overheating. It will initially be funded on a one-off basis pending further time to assess longer-term impacts but it may need to be built into service budgets on a recurring basis. It should be noted that there are already circa £2m of pressures identified within services that are currently underfunded – should this be realised then the contingency will immediately be reduced to circa £8m. Given the uncertain outlook it is proposed that this practice continues within the 2022/23 Budget to create some corporate financial headroom rather than funding all known risks (and thereby risking over-provision). The Corporate Risk Contingency will also continue to be used to provide for any further savings planned that cannot be delivered.

Health and Social Care Funding

3.1.3 Public Health and Adult Social Care continue to be at the forefront of the national and local response to Covid-19. The Spending Review and other policy announcements in Autumn 2021 saw the retention of the Public Health Grant and major reforms proposed for how people access, and pay for, adult social care.

3.1.4 As part of the pandemic response, COMF (Contain Outbreak Management Fund) has played a vital role in strengthening health protection services and supporting the emergency community and social care response.

3.1.5 However, aside from welcome short-term and one-off funding, there is yet to be any longer term national funding solution to the pressing issues of care market sustainability or care workforce pay and recognition. And, meanwhile, social care continues to be funded from multiple different funding sources (grants, council tax, social care precept, charges, money passported from the NHS).

3.1.6 This approach of cumulative and different funding sources brings with it many unwelcome complexities and does not provide for longer term sustainable planning.

3.1.7 The Table below identifies the various tranches of external funding that have been provided by government to support adult social care in recent years. It does not include Adult Social Care Precept (an increase in council tax) but it demonstrates that current spending within the Council depends upon circa £60m of on-going funding from government. The government has indicated that all of the current sources of funding will continue into 2022/23 and the MTFS has assumed that they will continue in perpetuity at this stage, as any reduction in funding will have a profound impact both locally and nationally. Clearly this assumption will need to be tested regularly and if there are reductions then further savings will be required possibly in very short timescales.

Adult Social Care Grant – Dependency upon Government Funding

	2021/22 £ m	2022/23 £ m	Ongoing £m
Better Care Fund (BCF)	16.3	16.3	16.3
Improved Better Care Fund (iBCF)	11.0	11.5	11.5
iBCF (£1.9bn)	3.4	3.4	3.4
Winter Funding	2.4	2.4	2.4
Existing Social Care Grant	14.2	14.2	14.2
New Social Care Grant	0	5.8	5.8
Market Sustainability/ Fair Cost of Care	0	1.6	6.0*
	47.3	55.2	59.6

*Estimated share of national funding

3.1.8 The Council has committed to deploying elements of the funding to reduce delayed transfers of care within health and social care as well as to increase social care capacity and to stabilise the social care market. The impact of any sudden end to this funding would therefore be felt in the wider health and care sectors.

Adult Social Care Precept

3.1.9 2022/23 will be the seventh year in which the government have allowed those councils who provide social care the opportunity to generate an additional "social care precept". For 2022/23, that amount has been set at a maximum addition of 1%. This sum is set as an increase on the whole council tax base (i.e. including both the general council tax base and the adult social care precept). In addition, the County Council has a "carry-forward" of 1.5% social care precept which was not used in the 2021/22 Budget. It can be combined, in 2022/23 only, to provide for a maximum of 2.5% social care precept.

3.1.10 The government has stated that the additional social care precept should only be used for that purpose. The Council's Section 151 officer is required to evidence that the additional council tax has been allocated to adult social care. The Council has been able to demonstrate that a combination of inflation provision and demand for the service are well in excess of funds raised by the social care precept (total projected budget increase of £13.6m).

Adult Social Care Reform

3.1.11 The Market Sustainability and Fair Cost Of Care Grant shown in the table above is intended to assist councils as they prepare for the changes in what people will pay for social care. North Yorkshire will receive £1.6m in 2022/23 but future year figures are yet to be confirmed. This grant is conditional on each local authority:

- conducting a cost of care exercise,
- setting out plans for driving market sustainability, including progress towards a fair cost of care,
- reporting to DHSC on how funding is being used.

3.1.12 At this stage much remains unclear about future funding for Adult Social Care and therefore no assumptions have been made beyond a continuation of the current arrangements and funding streams as identified above in **para 3.1.7.**

Public Health

3.1.13 Public Health is funded by a ring-fenced grant (£22.3m in 2021/22 with future years not yet confirmed) and therefore has no impact on the Council's net budget. However the grant does fund work across the council that improves and protects the health of people and recent uncertainties about its future and one-year allocations adds to the complexities mentioned above.

Schools Funding

3.1.14 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, including delegated budget shares.

3.1.15 The amount currently allocated for 2022/23 shows an increase in the baseline figure of £20.2m to £501.6m. This is due to the following factors:

- Additional funding allocated due to the new school funding settlement (national funding formula factor values and sparsity).
- An increase in High Needs Block funding estimated to be in the order of £5.7m
- An increase in the Local Authority early years funding rate of 17p per hour for 3 & 4 year olds and 21p per hour for vulnerable 2 years olds

3.1.16 In summary, therefore, the change in DSG (before deductions for Academies and other direct funding of High Needs Places by the Education and Skills Funding Agency) shows:

	£'000
2021-22 base*	481,404
New funding settlement – NFF	20,750
Primary and Secondary schools – population	749
Universal 3 & 4 yr. old numbers	-1,186
Working parents (3 & 4 yr. olds) numbers	-94
Entitlement for 2 year olds	205
Other	34
Central School Services Historic Commitments Reduction	-229
Sub-total	**501,663**
High Needs deduction**	-6,791
Schools National Non Domestic Rates deduction ***	-4,690
Total DSG Allocation (after High Needs deduction)	**490,152**

* Original DSG baseline as at December 2020. Total DSG amounts change throughout the year based on academy conversion, high needs recoupment and import/export adjustments.
**High Needs Recoupment as per the ESFA is currently £5.8m, but the final figure is not confirmed until a later date. NYCC internal calculations estimate the figure at £6.8m.
***NNDR will be paid by the Education & Skills Funding Agency (ESFA) directly to billing authorities on behalf of all maintained schools and academies from 2022/23.

3.1.17 After the deductions for High Needs and NNDR, the DSG figure is revised to £490,152k. The final allocation is dependent on final early years' numbers and academy recoupment and therefore the total DSG will change throughout the financial year.

3.1.18 The Autumn 2021 Spending Review confirmed £1.6 billion funding for schools and high needs, for the 2022/2023 financial year, above the DSG settlement for next financial year, to support the Health & Social Care Levy and wider cost pressures. Nationally, £1.2 billion of the additional funding has been allocated to schools via a supplementary grant and £325 million has been allocated as additional high needs funding on top of the Dedicated Schools Grant (DSG) High Needs Block allocations. The indicative additional funding allocations for the Council are £11.28m for the schools supplementary funding grant and £2.63m additional funding for high needs.

3.1.19 As in previous years, the DSG will be recalculated regularly throughout the year to take account of future Academy conversions, finalising High Needs and changes in Early Years numbers. For this reason, **it is recommended that the Executive agrees that the Corporate Director – Children and Young People's Service, in consultation with the Corporate Director, Strategic Resources and Executive Members for CYPS and Finance, are authorised to take the final and any subsequent decisions, as a result of continuing amendments to the DSG, on the allocation of the Schools Budget including High Needs, Early Years and the Central Schools Services Block.**

High Needs

3.1.20 The financial pressure associated with the rise in the number of Education, Health and Care Plans (EHCPs) has resulted in a projected overspend of c.£2.5m in 2021/22. In 2022/23, the financial pressure is expected to continue despite an estimated additional £5.7m in High Needs DSG funding and the £2.63m of additional funding to support financial pressures.

3.1.21 Despite the additional funds announced by DfE, High Needs funding for North Yorkshire remains insufficient to meet the statutory obligations arising from legislative reform in 2014. The reforms extended the age range of children and young people supported from 0-18 up to 25 years old. It also increased parental expectations about the packages of support that could be delivered through EHCPs. Since 2014, there has been a 122% increase in the number of EHCPs and this trend is expected to continue in 2022/23 and beyond.

3.1.22 Whilst a number of proposals have been progressed – and are included in the Medium Term Financial Strategy - to address this financial pressure, it is unlikely that these proposals will fully address this pressure. The local authority continues to implement the Strategic Plan for SEND (approved in September 2018). Any accumulated overspend on the High Needs budget will be required to be repaid from future High Needs Block funding allocations as DfE regulation changes in February 2020 effectively prohibit the use of LA funds for activity that should properly be funded by Dedicated Schools Grant

(DSG). However, the current projections indicate a continued increasing demand for High Needs support and services.

3.1.23 The Budget / MTFS makes provision for the projected high needs overspend. It does this by ensuring that there is sufficient funding to pay for the statutory services which the council has a duty to deliver and any deficit on DSG is set to be earmarked on the balance sheet at the year-end. The Budget / MTFS also provides for an equal and opposite provision to offset the projected deficit. In this way the Council is able to offset any deficit but should the DfE provide the appropriate level of additional funds then the Council can re-claim the offsetting provision and reduce its level of projected funding gap. The Council is therefore not funding the DSG deficit at this point but is funding provision for the possibility that it may need to in the future in line with good financial practice.

Home to School Transport

3.1.24 In 2022/23 there are 191 transport days. The daily rate for transport has continued to rise during 2021/22 and as at November 2021 represented a cost increase of an additional 6%. This is, in part, due to a rapid increase in demand for transport for SEND pupils. In March 2021, there were 1,143 pupils receiving SEN transport which has increased by 103 pupils to 1,246 pupils at November 2021 (i.e. 9% increase in demand). Contract pressures remain arising from driver shortages.

3.1.25 The Department for Transport have granted a current exemption to complying with the Public Service Vehicles Access Regulations (PSVAR) which will allow us to continue charging for transport until July 2022 , where applicable, whilst still making sure that there is no detrimental impact to children with accessibility issues. The position in relation to exemptions beyond July is not yet known.

School Improvement

3.1.26 In November 2021, the Department for Education undertook a consultation “Reforming how local authorities’ school improvement functions are funded”. The consultation proposes the full withdrawal of the LA School Improvement Monitoring & Brokering Grant by April 2023. North Yorkshire received £843k of grant funding in 2012/22 and is used to fund statutory service provision for core school improvement activities for maintained secondary, primary, and special schools and PRS.

3.1.27 De-delegation applies only to LA-maintained schools. Where services are able to be de-delegated, the budget is, technically initially delegated to all schools and academies. Services for de-delegation then have to be approved by Schools Forum and, if approved, the funding will be removed from maintained schools’ budgets before final school budgets are issued.

3.1.28 At the time of writing this report, the Department for Education have announced the outcome of their consultation and intend to proceed with reductions in the grant in 2022/23 and 2023/24. The local authority consulted the North Yorkshire Schools Forum in December 2021 to seek an ‘in-principle’ agreement to de-delegate funding in the event that the Department for Education proceed with the proposed grant removal from April 2022. As the Schools Forum did not form a consensus on de-delegation arrangements for 2022/23, it is likely that the Council will need to submit a disapplication request to the Secretary of State for Education to de-delegate funding in 2022/23.

Red Diesel

3.1.29 Growth is required in the Business and Environmental Services Directorate to cover increased charges associated to the use of rebated (red) diesel. An additional £300k is estimated to be required from 2022/23 to cover the additional costs. This budget pressure has arisen from a change in government legislation that now requires that rebated fuel should not be put into the engine of a machine such as a gritter or snowplough from 1 April 2022 as they will cease to be able to use rebated fuels from that date. From this date these vehicles will be required to use diesel or biofuels on which the full rate of fuel duty has been paid and therefore there is an increased cost associated with this.

3.1.30 The proposed Directorate budgets for 2022/23 are set out in **Appendix C**.

4.0 CORPORATE FINANCIAL ISSUES

4.1 The following sections consider the key assumptions within the MTFS and their impact on the County Council's financial position over the next three years.

4.2 LOCAL GOVERNMENT FINANCE SETTLEMENT

Provisional Settlement

4.2.1 The 2022/23 Provisional Local Government Finance Settlement was announced by the Department of Levelling Up, Housing and Communities (DLUHC) on 16th December 2021. This is only a one year settlement but the key headlines of the announcement for NYCC were as follows:

- The Government reaffirmed that the referendum principle will allow local authorities to raise basic Council Tax by up to 1.99% in 2022/23;

- The ability to levy an adult social care (ASC) precept has been further extended. Authorities can apply a precept of up to 1%. In addition any deferred element of ASC precept from 2021/22 (1.5% in the case of NYCC) can also be applied in 2022/23. This would raise circa £8m per annum for NYCC should the full 2.5% be applied;

- New national funding of £1.5bn has been split and distributed to local authorities through two grant mechanisms. £636m nationally has been allocated as a top up to the Social Care Grant giving the county council an additional £5.8m. £822m has been distributed in the form of a new Services Grant with NYCC receiving £4.7m. However, the detail of the settlement outlines that the latter grant can only be considered a one off amount at this stage, with this funding likely to be used to balance out some of the adverse financial effects of moving to new national distribution formulae. In light of this it has been assumed to drop to £2.35m in 2023/24 and beyond in the MTFS calculations;

- The Improved Better Care Fund will increase by £0.5m to reflect inflation;

- A new Market Sustainability and Fair Cost of Care fund has been introduced linked to the Government's plans for social care reform. This will allocate £1.64m to the county council. This will come with new requirements and is assumed to be matched by equivalent new spend in the budget figures;

- Rural Services Delivery Grant remains unchanged in cash terms at £8.7m

- New Homes Bonus payments continue for a further year with the Council expected to receive £1.6m. It was anticipated, and reflected in the opening MTFS, that the scheme would be significantly wound down in 2022-23.

- The Baseline Funding Level will remain the same in 2022/23 because the business rates multiplier will again be frozen. However, a specific grant to compensate for this under-indexation will be provided.

Future Council Funding Arrangements

4.2.2 For some time now there has been an on-going review of the arrangements for the funding of Councils by MHCLG/DLUHC covering Business Rates Retention and Fairer Funding. Any changes now implemented will impact the new unitary North Yorkshire Council rather than the County Council and the seven district councils. The main components are as follows:

Business Rates Retention

4.2.3 The government had proposed that council funding is moved from core government grant to a combination of council tax plus a greater share of business rates. The theory is that councils are incentivised to promote local growth as the additional business rates yield is partly retained by the relevant council(s). These new arrangements were originally scheduled to begin in 2020/21. It now seems that these plans will not be progressed at this stage which is to be welcomed due to the lack of correlation between medium sized business growth and council service provision. However, it does appear likely that there will be a baseline reset, where local historical growth in business rate yield is effectively redistributed back across the whole of local government. It is difficult to calculate the impact of this until we know the new baseline level and the approach to reallocating but it does represent a further area of uncertainty in making longer term financial plans.

Fairer Funding

4.2.4 The current needs assessment employed by government to calculate councils' spending need is incredibly complex and, the Council would argue, is unfair in particular in terms of the way it assesses the cost of delivering services in rural areas. In addition, it takes into account council tax levels and counties, including North Yorkshire, tend to have higher levels of council tax that is then "equalised" by reduced levels of government funding. The government had proposed new formula approaches to funding councils. These were originally intended to operate from 2020/21 but this timetable has slipped and it was thought by many that the proposals would be shelved. However, the Government has now indicated that work will start "in the coming months" to work out "with the sector" how to update funding distribution including the "challenges and opportunities facing the sector". This could mean potentially significant changes as early as 2023-24 but with little or no detail it is difficult to reflect this in any medium term plans at this stage. The Council, along with its representative organisations, will continue to lobby for a fairer and more transparent process. Members will, of course, be updated as further details of the proposals are revealed.

Final Settlement Announcement

4.2.5 At the time of writing it is still unclear when the Final Local Government Finance Settlement for 2022/23 will be announced although it is expected to be no later than early February 2022.

4.2.6 It is envisaged, as in previous years, that there will be little or no difference between the final and provisional settlements. However, there remains the possibility of late adjustments. Such adjustments are unlikely to have a recurring impact and it is therefore **recommended that any difference in overall funding is merely reflected in a transfer to / from the Strategic Capacity Unallocated Reserve so long as the value is no greater than £5m in 2022/23.**

4.2.7 Should the Recommendations in this report be compromised by any aspect of the Final Local Government Finance Settlement, then alternative recommendations would need to be formulated. Every attempt will be made to ensure that Members are advised of the implications of the Final Settlement and any proposed amendments on the part of the Executive.

4.3 COUNCIL TAX

Tax Base

4.3.1 The Tax Base figures notified by billing authorities for 2022/23 are itemised at **Appendix C -** the total for NYCC is 239,742.44. This represents a provisional increase in tax base from the current year of 1.73% and is 1.23% higher than forecast for 2022/23 when compared with the MTFS report presented in February

2021. Given the volatility seen in the last two years, the future tax base assumptions on growth rate have been retained at 1% for the remainder of the MTFS cycle.

Band D Charge

4.3.2 The previous MTFS assumed an increase in council tax of 1.99%. However following the announcement in the Spending Review that the government was proposing a further year of Adult Social Care Precept, and taking into account the 1.5% carry-forward Adult Social Care Precept from last year, the Executive is recommending an increase of 3.99% (1.99% general Council Tax and 2% for adult social care precept). Thereafter an increase in general council tax alone of 1.99% has been assumed for each year up to and including 2024/25. Over the last decade, council tax has proven to be the most important source of council funding and once in the base it is secure unlike government grant and business rates.

4.3.3 A 3.99% increase in 2022/23 would cost the average Band D household an additional £56.30 per annum (£4.69 per month or £1.08 pence per week) in relation to the County Council's element of the overall bill. The calculation is set out at **Appendix D** and would result in a Band D level of £1,467.35 in 2022/23.

4.3.4 Based on the Tax Base assumptions at **paragraph 4.3.1** and applying a 3.99% increase in the Band D charge in 2022/23, Council Tax income is forecast to rise from £332.5m in 2021/22 to £351.8m in 2022/23 (including an additional £7.3m for Adult Social Care).

Alternatives

4.3.5 The alternatives to the recommended 3.99% aggregate increase in Council Tax (i.e. 1.99% for general council tax plus 2% for adult social care precept) in 2022/23 would be to:

i) set the aggregate Council Tax increase at somewhere between 0% and 4.49% - each additional or lesser 0.1% equates to + / - £340k. Any unused element of the social care precept would not be available to be applied in the Budget for 2023/24;

ii) increase the aggregate Council Tax increase at more than the 4.49% referendum trigger which would require planning a second budget and incur the costs of undertaking a referendum (estimated to be £1m unless combined with an existing election by no later than the first Thursday in May of the year concerned).

Proposed Council Tax 2022/23

4.3.6 In accordance with the proposed MTFS and 2022/23 Revenue Budget, the following Council Tax Requirement and Band D Council Tax Charge are proposed. More detail, including the other Council Tax Bands A to H, is provided in **Appendix D.**

COUNCIL TAX 2022/23	
	3.99%
Council Tax Requirement	£ 351,786,060
District Council Tax Base (equivalent number of Band D properties)	239,742.44
Basic Amount of Council Tax per Band D property	£ 1,467.35
Increase over 2021/22 (£ 1,411.05)	
£ increase	£ 56.30
% increase	3.99%
Of which:	
Adult Social Care Precept (2.00%)	£ 28.22
Council Tax Precept	£ 28.08

4.3.7 From the total council tax requirement in 2022/23, £311m relates to the basic amount of council tax and the remainder (£40m) is made up by the Adult Social Care Precept. More detail, including the other Council Tax Bands A to H, is provided in **Appendix D.**

4.4 KEY SPENDING ASSUMPTIONS

Inflation

4.4.1 The last decade has been characterised by low inflation but recent events have fundamentally changed this position. Whilst the general rate of inflation (CPI) has increased within twelve months from 0.6% to 5.1%, there have been more profound inflationary pressures including the social care market and energy. To demonstrate the impact, last year's MTFS assumed an additional £10m would be required for inflation in 2022/23 whilst this Budget report now provides for £15.6m (an increase of £5.6m with more being added from contingency which had previously been built into the budget).

4.4.2 Inflation has been applied consistently across most budget heads and a general rate of 5.1% has been used based on the increase in the Consumer Prices Index (CPI) in the year to December 2021. This national index does not necessarily reflect the local price pressures faced by local government but it is regarded as a reasonable general indicator.

4.4.3 Inflation provision has been reviewed and applied according to need on other more specific budget heads. This includes Highways (6.15%), Electricity (38%), Gas (55%) and Children and Adult Social Care (up to 6%).

Fees and Charges

4.4.4 Following the adoption of the Fees and Charges Strategy, approved as part of the 2020/21 Budget, income budgets have been reviewed and updated in accordance with the strategy. The default charging policy is full cost recovery and for those services following an alternative approach a clear rationale has been provided.

Pay and the Living Wage

4.4.5 Pay award assumptions are included within the MTFS at 3% for 2022-23 and 2.0% for subsequent years.

4.4.6 The government have also confirmed the National Living Wage (NLW) will rise from £8.91 to £9.50 per hour from 1st April 2022, as recommended by the Low Pay Commission. This is in line with the government target to set the NLW at 2/3rds of median earnings by 2024, provided economic conditions allow, which on current forecasts would see it increase to £10.50/hour by 2024. The new local government NJC pay spine starts at £9.25 an hour although it should be noted that a pay award for 2021/22 has yet to be agreed and this rate is still subject to change. Based on current rates wages would need to increase by 13.5% over 3 years to remain compliant with this NLW target, which is likely to be above the annual pay award levels.

4.4.7 A number of factors, including the NLW have put further pressure in certain markets such as the care sector and has led to other measures being considered and funding approved as part of this budget

4.5 RESERVES AND BALANCES

4.5.1 The County Council uses reserves to manage spending and savings delivery over the longer term. As part of the budget process (and during each year) a review of reserves is undertaken to ensure the reserves held are appropriate and aligned to the Council's strategy.

4.5.2 Reserves are crucial to sustainable financial management but money set aside must be appropriate to the risks facing the organisation and must support delivery of corporate objectives. To this end, the following categories of reserve are maintained:

- General Working Balance – this is the Council's funding of last resort. It provides the contingency to manage risk across the Council and is subject to a policy requirement;
- Operational (Directorate) – these reserves help to manage financial risk, commitments and support improvement within service directorates;

- Strategic – these reserves provide funding to support the corporate objectives and priorities set out in the Council Plan. These include resources to support the long term viability of the Council; projects to improve infrastructure such as roads and broadband connectivity; provision in the event of non-delivery of savings proposals and funding to repay debt and/or generate cash returns.

4.5.3 A schedule of reserves is set out at **Appendix E** along with their planned movements and supporting notes.

General Working Balance (GWB)

4.5.4 The current policy for the General Working Balance is:

i) Maintenance of a minimum of 2% of the net revenue budget for the GWB in order to provide for unforeseen emergencies etc. (broadly estimated at £8m for the whole of this MTFS period); supplemented by
ii) An additional (and reviewable) cash sum of £20m to be held back to support the revenue budget given the heightened risk environment.

4.5.5 **Appendix F** sets out the current policy and also includes a set of "good practice rules". Given the uncertain financial challenges for the wider public sector and the need to successfully transition to the new unitary Council, this level of balance is considered appropriate at this time.

Operational (Directorate) Reserves

4.5.6 Taking into account planned movements in 2021/22; the estimated total of Operational (Directorate) Reserves is £75.9m by March 2022. These reserves provide funds for a variety of issues – for example self-insurance and major highways schemes. In addition, there are specific earmarked reserves for schools and public health grant funding.

4.5.7 These operational reserves are reviewed both as part of this MTFS refresh and on an on-going basis. Where it is established that the need for a reserve no longer exists then those amounts are "un-ringfenced" and reported in the quarterly budget monitoring reports. They are not available for more general use.

Strategic Reserves

Strategic Capacity - Projects

4.5.8 A number of specific projects have already been identified, approved and funding allocated. After planned movements, the balance on these reserves is estimated to total £25.7m at 31 March 2022. The largest projects within this Reserve are £18.9m for Superfast Broadband and £6.1m that was previously allocated for Brexit. As reported in quarterly monitoring reports during 2021/22, there has been a sizeable upwards pressure on capital projects where materials and labour process have risen sharply for a number of reasons. It is proposed to use this reserve to offset these (one-off) pressures when they are fully realised.

Strategic Capacity - Unallocated

4.5.9 This Reserve is used as the first call to support the revenue budget over the next four years in the event that a savings programme cannot be delivered to fund the savings gap. Subject to available resources it also provides the financial capacity to invest in projects and initiatives to support the Council Plan (including infrastructure projects across North Yorkshire).

4.5.10 The unallocated balance at 31 March 2022 is estimated at £73.6m. This reserve is essential in supporting the Budget strategy but it provides a relatively short-term solution - with an estimated shortfall of £34.9m over the life of this MTFS the reserve would be almost halved leaving an estimated balance of £38.6m by the end of 2024/25.

	22/23 £k	23/24 £k	24/25 £k	**Total £k**
Net Revenue Budget	421,538	432,126	443,033	
Budget Shortfall (Savings Requirement)	-4,569	-1,544	-8,743	**-14,856**
Cumulative Use of reserves for Budget Shortfall	-7,687	-9,231	-17,974	**-34,892**

Local Taxation Equalisation

4.5.11 As core grant funding reduced over time so the importance of Council Tax and Business Rates grew. Whilst these income streams are certain they are also subject to volatility – namely Council Tax and Business Rates Collection Fund surpluses and deficits. In order to enable stability of funds this reserve receives these surpluses and deficits – providing an internal ‘safety net’ to smooth these income streams. Examples of volatility include Drax Power Station, Ministry of Defence facilities and challenges from Hospital Trusts (noting that the Hospital Trusts lost their latest legal challenge but an appeal is expected) and of course the impact of the pandemic on collection rates and our tax base.

4.5.12 The balance of this reserve is estimated at £7.8m by 31 March 2022. This will be kept under review and resources released for alternative use as appropriate – a maximum balance of 2% of the County Council’s precept and Business Rates Retention income is proposed - £8.4m for this MTFS.

Local Government Re-organisation

4.5.13 This new reserve has been established in 21/22 to support costs of transitioning to the new unitary council and baseline funding of £31.4m has been earmarked, with the potential for further funds from underspends forecast in 21/22. Spending will be considered on a case by case basis but for the purposes of financial planning an indicative profile is assumed and included at **Appendix E**.

Total Level of Uncommitted Reserves

4.5.14 It is worth reflecting that the projected level of uncommitted Reserves at 31 March 2022 (circa £100m consisting of Strategic Capacity Unallocated plus General Working Balances) equates to the operational cost of the Council for approximately nine weeks. This illustrates that whilst £100m is a significant sum, it has to be seen in the context of the scale of the organisation and the risks we are facing.

4.6 FINANCIAL OUTLOOK TO 2024/25

4.6.1 The MTFS included in this report includes up to 2024/25 in full. It should be noted, however, that only 2022/23 is based upon government funding and related policy announcements. The financial years 2023/24 and beyond therefore need to be regarded as best estimates at this stage and, as stated earlier, assume that the County Council is a “going-concern” when we know that will not be the case.

4.6.2 The future financial prognosis for local government remains unclear given the unprecedented hit on taxes and the levels of support provided by government in the covid response. A multi-year Spending Review was again delayed and this will need to be revisited in the Autumn of 2022.

4.6.3 The Secretary of State for DLUHC has already indicated that he wishes to carry out a review of the funding regime for local government. He has already indicated that the current methodology is outdated and that he does not see any further roll-out of the retention of business rates as appropriate. This is to be welcomed but it means that we know there is likely to be much change in the future years and limited ability to pre-empt the outcome of any review.

4.6.4 Perhaps the most impactful of all government policy could, however, be in relation to the reform of the funding of adult social care. This area has been set out earlier in **Paras 3.1.11** and **3.1.12**. Further information and precise details are required as to how any cap on care costs are to be assessed and what impact this will have on the Council’s budget. However, the proposal that self-funders should not have to pay any more than councils for their care is potentially hugely significant in its financial impact. To equalise rates for the Council to that of self-funders is estimated to cost something like £45m per annum before new funding is allocated from government. Whilst it is unlikely that rates will simply rise to self-funder rates, there is inevitably significant upwards pressure on Council fees. Given that further information is required and the precise nature of the new arrangements are yet to be finalised this MTFS assumes that there is a net-nil cost at this stage.

4.6.5 It should also be borne in mind that there remains a systemic shortfall in the Dedicated Schools Grant funding for SEND and demand is continuing to increase. The deficits are currently ringfenced as negative reserves but this remains an unsustainable approach. In parallel, there remains a shortfall on capital funding particularly for schools and a lack of availability of special schools provision given rising demand.

4.6.6 This year's proposed Budget relies upon Reserves to ensure a balanced position. The MTFS as set out in this report assumes that the funding gap will again be supported by the use of one-off Reserves. This should not, however, be regarded as a target position but as a demonstration that it is possible to hold a position pending greater clarity on the financial position of the new unitary North Yorkshire Council and the next government Spending Review. It is therefore possible to fund the transition to the new council without the need to make short-term decisions on savings that may prove to be harmful to the residents of North Yorkshire. In the meantime, **para 4.5.10** illustrates that £34.9m of reserves would be needed to balance the budget over the extended MTFS period if no further savings were delivered and there would still be a recurring shortfall of £18.0m to be addressed. This will require immediate planning on behalf of the new Council following elections in May 2022.

4.6.7 The recurring annual savings from establishing a unitary council for North Yorkshire were estimated to range from £31.9m to £68.5m. Evidence from others suggests that this quantum of saving is possible but the precise nature of much of the savings will be defined as more detailed work is carried out as a new unitary council. The work to transition to the new council is now well underway and good progress is being made as a result of good cooperation from across all eight North Yorkshire councils. The immediate focus is naturally on ensuring the successful transition to the new arrangements and avoiding any loss of vital service for all from 1 April onwards.

4.6.8 Transformational opportunities will be identified as this transition work progresses but given capacity constraints (due to the ongoing Covid situation and the wider workforce pressures) and the focus on securing day one, the delivery of transformation, and the associated savings, will require further time. At this stage, it is therefore not possible to specify a savings programme for the new council and to factor these into the MTFS set out in this report. This work is likely to begin as soon as all eight councils determine their 2022/23 Budgets and a baseline is produced that the new North Yorkshire Council can start to work with as it produces a new medium term financial plan of its own following elections in May 2022.

4.6.9 Prior to Covid and LGR, the Council was working up a further Transformation Programme (Beyond 2020) that was targeted with meeting the residual savings gap projected for the County Council. This included three distinct areas:-

1. Transformational themes – initiatives to review how the Council operates as a whole and with partners ("top-down")
2. Focussed Reviews – intense reviews of specific areas of delivery to identify improvements and potential savings
3. Service Plans – annually produced plans that identify improvements and savings opportunities at specific service levels ("bottom-up").

4.6.10 The ongoing nature of the Covid pandemic and the need to deliver a successful transition to the new unitary council arrangements mean that the Beyond 2020 Programme has largely been on hold. The thrust of the Programme remains valid but it will need to be reviewed in a post-Covid environment and seen through the prism of a new council that delivers a broader set of services and outcomes than has hitherto been the case. The transition to the new council arrangements effectively becomes the replacement transformation programme and, the size of the prize is much greater than would be available to an upper-tier county council operating in a two-tier environment. Elements of the Beyond 2020 Programme are likely to be useful in subsequent transformational reviews and the work will therefore not be lost to the successor council.

4.6.11 Service Planning has continued to be delivered throughout 2020 and 2021 where there is a requirement for services to identify savings opportunities that equate to 2.5% and 5% of the service's net budget. This year's Budget / MTFS report therefore incorporates a small number of savings that have been produced from this year's service planning cycle. Again, it must be noted, however, that the scope for savings has been severely impacted by both Covid and the need to deploy resources into transitioning to the new council arrangements.

4.6.12 Work on the likely financial position of the new Council for North Yorkshire is already underway but will pick up further momentum as all eight North Yorkshire councils approve their 2022/23 sovereign budgets and indicative medium term financial strategies to 2024/25. Aggregation of these Budgets and MTFSs will allow a macro picture of spending pressures to be collated. In parallel, work will be undertaken to try and establish the likely funding position for the new Council including core government funding, grants and council tax (including impacts of harmonisation of rates noting that this will be an issue for the new Council by February 2023 as part of the determination of the 2023/24 Budget.) By that point there should be a clearer, but not necessarily "clear", financial prognosis for the new Council). The pace at which the new Council can transform may well be determined in part by the scale of the financial challenge. In the meantime, the financial position bequeathed by the County Council is helpful given the level of reserves and earlier groundwork as part of the Beyond 2020 Programme.

4.6.13 The Budget and the MTFS will both need to be monitored and reviewed closely. In the meantime the Budget / MTFS is managed through:-

i) A level of reserves deployed on a one-off basis to buy further time to understand the more medium term financial position and allow the new Council to formulate its own plans;
ii) A recurring Corporate Risk Contingency being provided which can be applied to provide for additional service pressures whether demand-led or inability to deliver savings;
iii) Regular budget monitoring reports to flag appropriate concerns and to consider any mitigations; and

iv) Work across all eight North Yorkshire councils to seek to determine the likely "shadow" financial position for the new Council at the earliest opportunity.

4.7 SAVINGS

Existing Savings Programme

4.7.1 The 2020 North Yorkshire Programme has now been in place for nine years. Following another turbulent year, as we continue to respond to the pandemic and start to prepare for local government reorganisation further refinements are proposed to savings profiles, which have been incorporated within the savings set out in **Appendix B1.** This Programme is effectively the Council's Savings & Efficiency Plan for the period 2022/23 to 2024/25 and is underpinned by a set of principles to ensure that there is coherency.

Directorate Savings	22/23 £m	23/24 £m	24/25 £m	Ongoing £m
CYPS	0.3	0.2	0.1	0.7
BES	1.1	0.2	0.1	1.3
CS	0.8	0.6	0.2	1.7
HAS	1.5	0.9	0.0	2.4
Shortfall	7.7	1.5	8.7	18.0
Total	**11.4**	**3.5**	**9.2**	**24.0**

4.7.2 As is inevitable in any change programme, there have had to be some refinements to profiles and quantum of savings from that which were agreed in previous versions of the MTFS. They are set out in **Appendix B2** for completeness.

4.8 INVESTMENTS

4.8.1 Whilst the recurring revenue budget remains under severe pressure, the Council has committed one-off funds in order to maintain and develop essential infrastructure and projects across the County.

4.8.2 As approved by the Executive on 31 August 2021, a one-off ringfenced fund was created to support the funding for the transition to the new North Yorkshire Council. A base funding of £31.4m is anticipated for this fund but this may be increased subject to the Executive decisions on the final revenue outturn position in 2021/22. This compares with an estimated cost of £38m as per PriceWaterhouseCoopers.

4.8.3 A sum of £1m was previously provided to pump prime for Carbon / Environmental Initiatives. To date £165k has been committed, with another £190k subject to approval. It is anticipated that there will be a need for further investments on the basis of business cases but, at this stage, no further provision is proposed.

4.8.4 The proposed Budget for 2022/23 includes £1m for the May 2022 elections for the new North Yorkshire Council. This was originally set-aside for May 2021 but following the deferral of the elections to May 2022 a Reserve was created and can be drawn upon to fund the May 2022 elections. The precise cost of the elections will be determined later in 2022 when we are notified of the costs by the district councils - it is expected that there may need to be some further contribution but that will be dealt with as an in-year 2022/23 budget issue.

4.8.5 There are no other proposed investments set out in this Budget / MTFS. Future investments will be a matter for the new North Yorkshire Council.

5.0 REVENUE BUDGET POSITION IN 2022/23

5.1 A summary of the 2022/23 revenue service budget set out below with further detail (including initial forecast MTFS assumptions through to 2024/25 in **Appendix G**).

REVENUE BUDGET AT DIRECTORATE LEVEL			
BUDGET REQUIREMENT **Directorate Net Budgets**	**2021/22 Budget/ MTFS £ '000**	**Changes**	**2022/23 Budget/ MTFS £ '000**
Business and Environmental Services	74,289	5,171	79,460
Children & Young People Services	83,082	5,494	88,575
Health and Adult Services	180,792	13,562	194,354
Central Services	69,791	1,819	71,610
Corporate Miscellaneous	-4,588	-186	-4,774
Net Expenditure	**403,365**	**25,860**	**429,225**

5.2 The table below pulls together various strands including:
i) Increased spending requirements;
ii) Savings and cost reductions;
iii) Adjustments to funding.

5.3 The resulting bottom line net surplus / shortfall and how that will be dealt with is set out below:

	£ k	**£ k**
Start with Net Budget Requirement from 2021/22		**400,248**
Add back net budget funded from reserve		**3,119**
Add back one off Investments in 2022/23		**-2,500**
Add Inflation (including pay) in 2022/23		**20,404**
Add Increased Spend in 2022/23		**6,453**
Council Tax Collection Fund Surplus/Deficit to reserve		**-884**
Savings and Cost Reductions		
2020 Budget Savings As Approved in February 2021 MTFS	-4,199	
Subsequent changes to the above	978	
New Savings Proposals	-476	**-3,697**
Adjustments to funding in 2022/23		**6,083**
Total Forecast Spend in 2022/23		**429,225**

5.4 The 2022/23 Services revenue budget is balanced by a contribution from reserves, as detailed in paragraph 4.5.10.

5.5 An analysis of the 2022/23 Revenue Budget at Directorate level is attached at **Appendix C**.

6.0 CONSULTATION

Partners

6.1 There have been unprecedented levels of consultation with the public, partners, businesses and communities over the last 12 months principally as a result of LGR and covid working arrangements. These include:

Health partners – Covid has strengthened closer working as witnessed by the hospital discharge arrangements that were set up at pace to assist at the start of the pandemic. This has also happened at the same time as some structural changes in the local health arrangements and has provided further opportunity for the Council and health partners to work together on areas of common interest such as health and social care workforce, the social care market and complex care.

Business - As a consequence of the pandemic the County Council sought to engage with the private sector and partners on the creation of an online market place. This saw engagement from a number of SMEs, the Federation for Small Business and the LEP, which resulted in ‘Buy Local’ - a free online business directory allowing residents to search for services and business to sell their goods. The County Council has also undertaken engagement and consultation on its refreshed Plan for Growth, working closely with the District Councils setting out a response to covid and future investment within North Yorkshire. Regular business sentiment is collated as part of NYCC local economy group, that speaks with a variety of businesses in the County, through our trading standards, economic growth and LEP teams informing sector specific responses to Government policy.

Voluntary & Community Sector (VCS) – the last two years has seen strengthened arrangements between the County Council, the 7 district councils and the VCS as the VCS was at the forefront of the community response to covid. This was building on the strong foundations of the Stronger Communities Programme and a mature and well established network of relations that will continue to help shape priorities and plans. Future priorities across a range of issues of shared interest were explored in detail at the Wider Partnership Conference in November 2021. In addition a well-attended seminar was held relating to LGR.

Town and parish councils – three seminars and three working group meetings have been held with Town and Parish Councils building upon the earlier areas of engagement relating to LGR.

LGR – a wide range of stakeholders were involved in the LGR proposals including the government consultation on the options submitted. This provided an opportunity to better understand the priorities of these stakeholders including all of those identified above.

6.2 The engagement as described above means that the Council feels well placed to understand the priorities of a range of partners as it seeks to bring together the Council Plan and the Budget.

General Public

6.3 A consultation has been carried out with the wider public that covers the Council Plan, priorities for both the Council Plan and spending and views on council tax levels.

6.4 The Council has again sought the views of the public purely through on-line means given the restrictions and practicalities of covid. The online survey ran between 13th December 2020 and 17th January 2022 and we received 158 responses to the budget survey. There has continued to be a decline in the level of public responses as witnessed over the last 2 years. This is perhaps unsurprising but nevertheless disappointing . Large consultation exercises have taken place over the last twelve months and it is anticipated that issues of council finances are likely to be regarded as less of a priority for many people in these unprecedented times.

6.5 Nevertheless it is still important to provide the responses from the public and information is included below:

6.6 Respondents were asked to rate the importance of each of our council plan ambitions which direct how we prioritise our spending to achieve our outcomes within the constraints of our budget. The majority of respondents felt that all of our ambitions are important to some extent:

- 99% felt ‘Every child and young person has the best possible start in life’ was important
- 97% felt ‘Every adult has a longer, healthier and independent life’ was important
- 95% felt ‘North Yorkshire is a place with a strong economy and a commitment to sustainable growth’ was important
- 92% felt ‘Innovative and forward thinking Council’ was important
- 86% felt ‘Leading for North Yorkshire’ was important

6.7 Respondents were asked how much they would support the County Council increasing the general rate of council tax to fund covid recovery and our priority areas in 2022/23. 65% of respondents supported an increase of some sort, 37% supported a 1% increase, 29% a 2% increase but 32% did not want an increase. Last year 68% of respondents agreed with a council tax increase of 1.99% and 24% disagreed.

6.8 Respondents were told that the government had said in the spending review that councils could raise council tax by up to an additional 3% for social care and asked what additional increase their should be for social care. 32% did not support an additional increase on top of the baseline for social care. Of the 61% that did support an increase, 37% support a 1% increase and 24% support a 2.5% increase. Last year 75% supported an additional increase for social care. Of these 31% supported a 3% increase, 14% supported a 2% increase and 25% supported a 1% increase. 20% did not support an increase.

6.9 Respondents were asked to make suggestions on how to fill the funding gap. 38 respondents commented. The most common comments were around:

- national policy around council tax and central funding (16)
- Social care costs (5)
- Staffing / councillor costs (9)
- Efficiency savings / improved working (7)
- Unitary savings (4)
- Unnecessary spending (3)

6.10 Respondents were asked how important they thought it was that the council prioritise spending on a number of key areas:

- Social care – ensuring we can meet the demands for care in all areas of the county support - 82% fairly important or very important.
- Supporting the North Yorkshire economy by purchasing from local businesses – 77% fairly important or very important.
- Supporting families and individuals made vulnerable as a result of Covid – 75% fairly important or very important.
- Investing in the voluntary sector and communities to support them to support people in their areas - 65% fairly important or very important.
- Climate change – investing in actions that will support carbon reduction in the county - 57% fairly important or very important

6.11 The final question allowed respondents to make any further comments they had. 35 respondents made a comment. The topics that comments most commonly related to were:

- Affordability (8)
- Economic development as a priority (4)
- National solution / council tax system (4)
- Making efficiencies (3)

- Environment (3)

6.12 The on-line consultation will remain live in the run-up to the County Council meeting on 16 February 2022 and it will be possible to feed-in any significant changes as a response. Further detail and some comments provided can be found in **Appendix H**.

Members Involvement

6.13 A number of Member's Seminars have been carried out (or are due to be) during the year to include the Budget and MTFS in the run up to consideration of the Budget at County Council on 17 February 2021. These include:-

5 January 2022	Update on Budget / MTFS including Provisional Local Government Finance Settlement followed by sessions to discuss directorate financial issues
6 – 19 Jan 2022	Updates at all 6 Area Constituency Committees with discussion on possible local financial impacts
2 Feb 2022	Update on Budget/ MTFS following the Executive recommendations from 25 January 2022

Overview and Scrutiny and the Budget / MTFS

6.14 The Council's five thematic overview and scrutiny committees undertake regular scrutiny of policies and strategies that have significant budgetary implications. The committees also have ongoing dialogue with Corporate Directors, Portfolio Holders, Spokespeople and partners about departmental and service finances, budgetary pressures and what action is being taken to address them. The committees have met regularly throughout 2021.

6.15 The formal scrutiny of the budgets for Children and Young People's Services and Health and Adult Services is now well established and was undertaken throughout 2021 by the Young People's Overview and Scrutiny Committee and the Care and Independence Overview and Scrutiny Committee. This was in response to projected departmental overspends and the longer-term demand and cost pressures being faced by services.

Corporate and Partnerships Overview and Scrutiny Committee

6.16 Some of the areas that the committee has reviewed that have a significant budgetary implication are as below:

- The expansion of the use of the Customer Portal as the first point of access to some Council services and the progress being made with the channel shift to online services
- Partnership arrangements and traded services, including the work of the Brierley Group

- The impact of the pandemic upon investment activity and the delivery of the Council's alternative investment framework
- The proposed updates to the Council Plan as part of the 2021 – 2025 refresh process
- Estates management, the impact of the pandemic on the Council's rationalisation projects and the remodelling of the Brierley Building. Linked to this, the ongoing work to improve energy efficiencies
- Progress with the implementation of the Council's Workforce Plan
- A review of the Council's Risk Register, in particular the risks around the response to and recovery from the pandemic and local government reorganisation.

Care and Independence Overview and Scrutiny Committee

6.17 Some of the areas that the committee has reviewed that have a significant budgetary implication are as below:

- Financial pressures and the departmental budget position
- The care market and care settings, the response to the pandemic and outbreak management
- The Local Account for North Yorkshire Health and Adult Services, which details how services have supported people across the county, how public money has been invested, and what the aims are for the following year
- The continued roll out of extra care housing and the savings derived from that programme
- How Direct Payments are applied in practice, prevalence data and the impact that the pandemic has had on the service and the people who requested and received a Direct Payment.

Young Peoples Overview and Scrutiny Committee

6.18 Some of the areas that the committee has reviewed that have a significant budgetary implication are as below:

- Children and Young Peoples Services department financial position
- Schools finances and the actions undertaken to support schools in financial difficulty
- The strategic review of the Outdoor Learning Service
- The Scarborough Opportunity Area and work to raise aspirations and improve prospects for children and young people in the area
- Elective Home Education and the local authority's regulatory role
- The SEND Strategic Plan for Education Provision 2018-23 and the financial pressures arising from an increasing number of children with EHC plans in schools.

Transport, Economy and Environment Overview and Scrutiny Committee

6.19 Some of the areas that the committee has reviewed that have a significant budgetary implication are as below:

- The response of Highways England to concerns raised about key trunk roads in the county, such as the A64, A19, A1 and A66

- The Local Enterprise Partnership and plans for economic growth and development in the county
- Rural bus services and the implications of the new national bus strategy. This included scrutiny of the demand-responsive bus pilot
- The implementation of Active Travel schemes in the county including the impacts on managing traffic congestion and promoting healthier lifestyles
- The proposed national changes to kerbside waste collection and domestic and commercial waste processing
- The performance of the Allerton Waste Recovery Park.

Scrutiny of Health Committee

6.20 The Scrutiny of Health Committee has also undertaken key aspects of overview and scrutiny work looking at changes to health service commissioning and provision in the county, which in turn impacts upon a range of services provided by the Council, particularly adult social care. This has included:

- Changes to the way in which the NHS delivers services as a result of the response to and recovery from the pandemic, particularly in primary care. Also, the impact of extended waiting lists for diagnostics and treatment and the impact that this then has upon social care
- The local development of the Integrated Care Systems and Partnerships and what this means for the local health and social care systems that cover North Yorkshire
- The integration of health and social care services, with a focus upon the Harrogate and Rural Alliance
- Changes to sexual health service commissioning and provision
- The development of the Catterick Integrated Care Campus
- An ongoing review of mental health service provision in the county, with a focus upon the implementation of enhanced community care and the response to recent CQC inspections.

Scrutiny Board

6.21 Scrutiny Board brings together the Chairs of the five thematic overview and scrutiny committees at the Council and the Older Peoples' and Young People's Champions. It provides an opportunity for a whole council view of scrutiny activity, which avoids gaps and overlaps and helps establish a lead committee for areas of joint interest.

6.22 Some of the areas that the committee has reviewed that have a significant budgetary implication are as below:

- Council service performance and areas for improvement, as part of the scrutiny of the quarterly budget and performance management report
- The Council's response to the pandemic, changes to the way that services are provided and the budgetary implications
- The report and recommendations of the Rural Commission, what they would mean for the Council and how they would or could be implemented
- The implementation of the Council's Carbon Reduction Plan.

6.23 In addition, the six Area Constituency Committees reviewed the Council's annual budget proposals at their January 2022 round of formal, public committee meetings.

7.0 PAY POLICY STATEMENT 2022/23 & LGPS DISCRETIONS

Introduction

7.1 The first pay policy statement was published in April 2012 in accordance with the Localism Act 2011. 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.

7.2 This report sets out the primary changes proposed to the pay policy statement that was approved for 2021/22 by full County Council.

7.3 The pay policy statement details the pay arrangements and salaries for Chief Officers and Senior Management. An appointment will not be made to an alternative 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.

Amendments to Pay Policy

7.4 There is no expectation that this policy will need amending during the period it covers (April 2022 to end of March 2023). 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. National pay settlements for the year 2021/22 and 2022/23 apply as and when agreed for relevant staff groups at a national level.

Transparency

7.5 All the information provided in the attached pay policy statement (**Appendix I**) has been fully disclosed and accessible to the public for a number of years on the Council's website and published data and information as required in the Transparency Code.

Pensions Discretions Policy

7.6 Since 2010 the Council has developed a range of voluntary benefits for all staff, including discounts on goods and services, health cash plans and financial wellbeing support. Salary sacrifice schemes provide staff with national insurance savings and, depending on the scheme, tax and pension savings. The schemes available include green lease cars, cycle to work, childcare vouchers, home technology, professional subscriptions and qualifications. It is proposed to extend the offer to add shared cost additional contribution scheme (SCAVC), to help staff make cost effective savings towards their retirement through attracting both tax and national insurance relief, and is at no cost to NYCC in the provision itself or the administration of the scheme. This requires a change to the current LGPS Discretions policy to enable access to SCAVCs for the specific purpose of salary sacrifice AVCs.

7.7 The salary sacrifice scheme is only available when both employer and employee make a contribution, hence the need to change the current position on SCAVCs within the Discretions Policy. The employer makes their contribution through a salary sacrifice arrangement along with the employee and saves the associated employer National Insurance contributions. LGPS regulations permit the SCAVC and there is no impact on the main pension benefits of the employee. This will help staff make cost effective savings towards their retirement, at no additional cost to the Council.

7.8 It is recommended that the Pensions Discretions Policy is amended as set out in **Appendix J** to allow Shared Cost Additional Voluntary Contributions (SCAVCs) for the purpose of salary sacrifice provisions only.

8.0 LEGAL IMPLICATIONS

General Legal Duties in respect of Budget

8.1 The legal duties upon the Council to calculate the budget, consider savings proposals, calculate council tax requirement and the amount of council tax are set out elsewhere in this report and in the remainder of this section.

Children's Services

8.2 There are very specific obligations in respect of Children's Services which are set out in this Section of the report.

8.2.1 The local authority has a legal duty under Section 19 Education Act 1996 to make arrangements for the provision of suitable education at school or otherwise than at school for those pupils of compulsory school age who by reason of illness, exclusion from school or otherwise, may not for any period receive suitable education unless such arrangements are made.

8.2.2 Under Section 19 the duties placed on the local authority are to ensure young people who have been permanently excluded from school have access to full time educational provision from day six of the exclusion. The local authority currently commissions places via the Pupil Referral Service / Alternative Provision providers to meet this duty.

8.2.3 Under Section 19 the duties placed on the local authority in respect of pupils with medical needs are to make arrangements for the provision of education as soon as it is clear that a child will be absent due to illness, for 15 days or more.

8.2.4 Part 3 of the Children and Families Act 2014 is entitled 'Children and Young People in England with Special Educational needs and Disabilities.' It places duties on Local Authorities in relation to both disabled children and young people and those with special educational needs (SEN). The strategic planning duties in the Act apply to all children and young people with SEND. The Special educational needs and disability code of practice: 0-25 years (2015) is the statutory guidance which underpins the legislation that the local authority must have regard to.

8.2.5 Section 27 of the Children and Families Act 2014 required local authorities to keep the education and training provision for children and young people with SEND under review. Local authorities must consider whether the educational, training and social care provision is sufficient to meet children and young people's needs. In carrying out this duty local authorities must consult children and young people and their parent/carers as well as education providers. It is noted that for the continuing areas of change to the High Needs Budget, that commenced during 2020/21, a full consultation exercise was carried out as detailed in the Executive report dated 15 January 2019.

8.2.6 Under section 42 Children and Families Act 2014 the Council must secure education provision in a child's Education, Health and Care Plan and the budget provides for the statutory duties to continue to be funded.

8.2.7 Under Section 11 Children Act 2004 the Council in delivering children services, must make arrangements for ensuring that their functions are discharged having regard to the need to safeguard and promote the welfare of children.

8.3 Further General Legal Implications

Equality Implications

8.3.1 The 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, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. This includes taking account of the additional 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 proposals and decisions on the Council's activities as a service provider and an employer must be considered.

8.3.2 At the earliest possible opportunity, significant proposed changes in service provision and budget are considered to identify whether there are likely to be any equality implications.

8.3.3 If potential equality implications are identified, the Council follows an Equality Impact Assessment (EIA) process to enable the collection of data and analysis of impacts and to try to reduce and mitigate any impact. EIAs are developed alongside savings proposals, with equalities considerations worked into the proposals from the beginning.

8.3.4 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.

8.3.5 Where the potential for adverse impact is identified in an EIA, services will seek to mitigate this so far as it is possible to do so 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.

8.3.6 The Council has also carried out a high level equality assessment to highlight which protected groups are affected by the budget proposals in 2010/21, identify any emerging themes and cumulative impacts, and consider them within evidence gathering and more detailed EIAs. The high level equality assessment can be found at **Appendix K**. Members are required to read the individual EIAs to inform their decision making and ensure legal compliance with the public sector equality duty under the Equality Act 2010. There must be conscientious consideration by Members, as decision makers, of the impact upon the proposals on the relevant groups. This duty cannot simply be discharged by officers and due regard must be paid by Members.

8.3.7 Pursuant to Section 149 Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(b) advance equality of opportunity between person who share a relevant protected characteristic and persons who do not share it;
(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.4 Overview

8.4.1 This section provides an overview of equality issues associated with the Council's budget proposals for 2022/23. It summarises the potential equality impacts identified in relation to the budget, and the steps taken to minimise any potentially adverse impact on protected groups during the development of the budget.

8.4.2 Individual equality impact assessments have been carried out for specific proposals identified as having potential equality implications.

8.4.3 Due to the requirement for resources to be redirected to address the demands upon the Council in dealing with the Coronavirus 19 pandemic, some proposals for savings have not been started or as fully developed as the Council officers had intended. As a result, there are a few proposals that have been placed on hold, as soon as these commence again, full consideration of the impact upon equalities will be prioritised taking into account the landscape at that time. In responding to the pandemic, the Council have fully considered the greater adverse impact upon those with protected characteristics.

8.5 Information used to analyse the effects on equality

8.5.1 This assessment is based on a process of consultation and equality impact assessment built into the Council's overall budget development process. This has included:

- Equality impact assessments (EIAs) for specific budget proposals where a potential equality impact has been identified
- On-going discussions between colleagues, partners and Executive councillors
- Additional consideration of cumulative equality and wider community impact of the proposals
- Responses to public consultation through a number of channels, including on our website.

8.5.2 Statistical information and research such as demographic data have been referenced where appropriate. Other information has informed equality impact assessments for specific proposals where appropriate.

8.6 Summary of impact

8.6.1 Funding provided by central government to local authorities to deliver services has been reduced significantly in recent years. The COVID-19 pandemic has only exacerbated this and we know that the long term financial position for the Council remains uncertain and difficult. By the end of the 2022-23 financial year we will have made revenue savings of over £200m with further savings required to balance the books. This will be extremely challenging to achieve, but we will remain focused on maintaining a strong financial grip and on delivering further financial savings or income growth.

8.6.2 North Yorkshire County Council has taken up the government's offer to raise an additional social care precept. This can only be used to fund extra costs of adult social care. Without this precept, the County Council would have to find additional savings as demand for adult social care is increasing and the costs of care packages are increasing.

8.6.3 The Council are aware that raising council tax may have an adverse impact upon household budgets particularly for those of working age with protected characteristics e.g. disability and sex, and especially if they have been adversely economically affected by the pandemic. In the current financial climate, however, a lower council tax increase would require even greater cuts to frontline services. It is likely that the impact will be minimal for most households as council tax does not constitute a large proportion of outgoings. However, the likely impact may be higher where the households are reliant upon social security benefits. More details of how protected characteristics may be affected are included in **Appendix K**.

8.6.4 Where possible savings to date have been achieved by improving the efficiency of our back office operations. This has helped us to keep the impact on frontline services to a minimum. However, as further savings are required, it becomes increasingly difficult to protect frontline services, which is why we are working with communities to find alternative ways of providing services. There is an increasing emphasis on preventative provision and a shift towards self-directed support.

8.6.5 Some potential adverse impact may occur as supporting vulnerable adults is a very high cost to the Council and more and more people require the Council's support. Around a quarter of the county's adult population is over the age of 65. This is considerably higher than the national percentage of 18.5%. Every year the population of older people increases, and with it the demand for the care and support which the council provides. By 2035, 32.60% of North Yorkshire's total population will be aged 65+ and 5.97% will be aged 85+. (Nationally 23.26% will be 65+ and 4.05% will be 85+ by 2035).

8.6.6 Potential adverse impacts have been identified regarding the Special Educational Needs and Disability (SEND) High Needs Funding in respect of children/young people with disabilities. In previous years the Council commenced work on changes to the High Needs Budget which are ongoing: 1) Changing the way provision for secondary aged pupils who are permanently excluded or at risk of permanent exclusion is commissioned and funded. 2) Inclusion restructure

8.6.7 The rurality and sparsity of population in some parts of the county also present challenges for the council in provision of services.

8.6.8 **Among the efficiency savings are**:

- reducing the costs of human resources, finance, technology, property, legal and democratic services
- cutting the cost of our contracts with suppliers and procuring services more efficiently
- increasing income and introducing new ways of working
- vacancy management

8.6.9 **Among the frontline savings are**:

- replacing elderly persons' homes with extra care housing
- ongoing savings from previous restructuring of the teams working within the children and young people's inclusion service
- ongoing savings from previous restructuring of the adults learning and skills team
- ongoing changes to the high needs budget as part of the Strategic Plan for SEND Provision in North Yorkshire

8.6.10 Reductions in budgets will inevitably have an impact on some citizens but measures are being taken to manage the changes in a planned way, consider cumulative impact, and seek to minimise any adverse impacts.

8.6.11 Overall impacts for the protected groups relating to savings proposals are summarised in **Appendix K**.

8.7 Summary of overall action to decrease adverse impact or increase positive impact

8.7.1 Various programmes have been implemented to increase resilience in the communities of North Yorkshire and reduce demand on services. These should help mitigate the effects of service reduction, particularly on those with protected characteristics.

8.7.2 Our Stronger Communities team has been set up specifically to support communities to help themselves and to take on a greater role in the provision of services. This is particularly in the areas of community libraries, community transport, activities for young people, children and families, and support for older and more vulnerable people to remain involved and active within their community.

8.7.3 During 2020/21, the Stronger Communities programme was primarily focussed on the response to the coronavirus pandemic, which has continued in 2021/22. Working with 23 Community Support Organisations (CSOs) the programme has to date, been able to provide essential support to thousands of North Yorkshire residents; this includes 92,000 bags of shopping or hot meals delivered to residents who were self-isolating and around 90,000 welfare and befriending calls have been made. Volunteers have given 187,000 hours of their time to support the county's most vulnerable residents. In addition to the CSO response, the team has also provided small grants to local community groups to enable them to adapt their services to be Covid compliant, to re-purpose the way they delivered their services and activities and to help people re-gain their confidence. £250k has been awarded to over 250 organisations across the county since the start of the pandemic.

8.7.4 As well as pandemic response, the Stronger Communities programme continues to be lead a number of other work areas including:

Local Food Support: This commenced with the management and administration of Defra's Local Authority Emergency Assistance Grant for Food and Essential Supplies to support and expand the direct provision of food to people experiencing financial hardship, with £277,000 awarded to 48 groups and / or projects. Further funding was subsequently secured to embed 19 local sustainable food options through the Food for the Future Programme in autumn 2021, with an additional 14 grants awarded to food banks to provide additional capacity over the winter period, via the Household Support Fund. In order to better understand the food insecurity landscape in the region, Stronger Communities are currently scoping a joint piece of insight work with City of York Council.

Holiday Activities and Food (HAF) Programme: The Stronger Communities programme leads on the delivery of HAF, which was launched with the branding of FEAST (Food, Entertainment, Arts & Sport Together) in partnership with Children and Young People's Service (CYPS) and the voluntary and community sector. Coordination of the programme is being undertaken by North Yorkshire Together who in conjunction with locally placed clubs and community organisations, delivered a range of enriching activities over holiday periods. This was alongside a host of online resources being made available for families. Funding has been announced by DfE to continue the programme in 2022-23 and, based on available information, it is likely that funding will continue for a further two years.

Suicide Prevention: Stronger Communities has administered a range of NHS mental health grants since 2019/20 including grass roots suicide prevention, self-harm co-design project and postvention support *(activities which reduce risk and promote healing after a suicide death)*. In 2020/21, the programme was asked to manage the entire budget for the Humber Coast & Vale ICS geographic footprint as well as Harrogate and Craven; the grants programme was subsequently launched in September 2021.

Reboot North Yorkshire: The collaborative project led by the County Council formed to address digital inequalities and to increase digital inclusion by getting as many people online as possible. The initial focus was to help supply school children with vital equipment to enable them to access lessons, which has subsequently been broadened to everyone in the county who needs help to get connected. Work has now commenced on starting to enlist the support of our local communities and voluntary sector groups as Community Partners to allow a network of community Reboot Projects to grow and develop across the county. Reboot North Yorkshire continues to work closely with Citizens Online and their Digital Champion Coordinator for North Yorkshire, who will now be in post until March 2022.

Grow and Learn: The Stronger Communities programme, in conjunction with CYPS, continue to lead and coordinate the school readiness pilot 'Grow and Learn' in Ryedale and Scarborough. It is anticipated that work on school readiness will be incorporated in the wider transformation of CYPS early intervention and healthy child programmes as part of the growing community capacity work stream.

8.7.5 Also, as part of the wider prevention service, our Living Well Coordinators work with individuals (and their carers) who are on the cusp of becoming regular users of health and social care services by helping them access activities in their local community, reducing loneliness and isolation, and supporting them to find their own solutions to their health and wellbeing goals. Team members provide help with practical and emotional issues. Since the service was put in place in October 2015 there have been nearly 14000 referrals. For the year 2020/21 the majority of people being supported are those that are physically frail or have another vulnerability (53%) with 20% needing mental health support and 90% of people receiving Living Well support said that they would definitely recommend the service to others.

8.7.6 Through our Extra Care programme we are providing homes where people can live independently, but with care on hand when they need it. We also support people with the skills and equipment they need to live independently.

8.7.7 Recognition of the need for real change has galvanized a strong partnership with a strategic focus on making real and targeted improvement to the lives and learning outcomes for children and young people who live and learn on the North Yorkshire coast. This has resulted in the Scarborough Pledge which is dedicated to having a positive impact on the life chances for children and young people in the area, and empowering them to achieve the best for their futures.

8.7.8 The Scarborough Pledge has identified a number of key priorities which are being addressed through project based initiatives and supported by significant funding from North Yorkshire County Council. Central to the Pledge is the need to recruit and retain good teachers into our coastal schools by ensuring those wishing to start or develop their career in this area understand and appreciate the positive challenge and the reward and the support they will receive.

8.7.9 The North Yorkshire Local Assistance Fund (NYLAF) is a fund that exists to provide support for those deemed most vulnerable in the County, by administering one-off, practical support to individuals and families under exceptional pressure. Awards are goods made in kind, not cash, and do not have to be repaid. The Fund is to be used when other forms of support have been exhausted and to help people who have experienced a crisis to get back on their feet.

The Department for Work and Pensions has recently given NYCC £3.5m through the Household Support Fund. Nearly 10,000 households who are eligible for council tax reduction schemes have been supported through direct awards so we can make sure people who might be struggling, and feeling the financial pressures of paying their bills over the winter, get additional help. NYLAF has received £250,000 of this allocation, to temporarily increase award entitlement for emergency provision from the Local Assistance Fund. Eligible applicants are now able to apply for up to four awards of emergency food and/or utility vouchers.

8.7.10 The Council commissions practical and strategic support to voluntary and community organisations and volunteering from Community First Yorkshire. This helps support the needs of the wider voluntary and community sector, much of which provides support and prevention services for vulnerable members of our communities.

8.7.11 The Council established an independent Rural Commission to give a fresh perspective on the challenges to our most rural communities and to find new ways to create opportunities for them to grow and prosper. The action plan and recommendations of the Commission, were published in July 2021 and provide a refreshed evidence base for making North Yorkshire's case to the Government for increased support for our rural communities. A North Yorkshire Rural Taskforce chaired by the Chief Executive of North Yorkshire County Council has been established to take forward the vision of the Commission.

8.8 Protected characteristics

8.8.1 **Appendix K** is a summary based on findings of EIAs carried out for specific proposals. It provides background information about the profile of the county and notes other factors likely to affect specific sections of the community. It then highlights any anticipated adverse (2.4% of total impacts) or mixed impact (6% of total impacts) for each group and notes steps taken to minimise impact. Where proposals are not specifically referenced, impacts are anticipated to be positive (25% of total impacts) or neutral (66.7% of total impacts). (NB. Percentages are rounded so may not add up to 100).

8.8.2 A number of other projects are also being progressed which aim to increase efficiency and improve customer experience. These projects are not intended to make cash savings in 2022/23 and therefore are not included in the information provided in **Appendix K**.

8.8.3 Specific details of how individual proposals have been adjusted to minimise impact and promote equality are set out in the EIAs for individual proposals which can be found at Equalities assessment and consultation | North Yorkshire County Council

8.8.4 Members are required to read the individual EIAs to inform their decision-making and ensure legal compliance with the public sector equality duty under the Equality Act 2010.

9.0 Other Statutory Requirements Relating to Budget Setting

Local Government Act 2003 - Section 25

9.1 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

9.2 The County Council then has a statutory duty to have regard to this report from the Section 151 Officer when making its decision about the proposed Budget and Precept (see **paragraph 9.12** below for the Section 25 opinion of the Section 151 Officer).

Robustness of the estimates

9.3 The Corporate Director, Strategic Resources, as Section 151 Officer, has undertaken a full assessment of the County Council's anticipated potential financial risks in 2022/23 (**Appendix L**) and the subsequent period up to 2024/25 as far as that is possible, including:

- the realism of the Revenue Budget 2022/23 estimates for
  - price increases
  - fees / charges income
  - loss / tapering of the remaining specific grants and / or changes to their eligibility requirements
  - provision for demand and supply chain pressures within services
  - additional Covid related financial pressures
  - pump priming sufficient LGR transitional costs
  - the financing costs arising from the Capital Plan. The existing policy decision to establish a cap (proposed to continue in 2022/23 at 10% elsewhere on the Executive's agenda) 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 including delivery / non-delivery of savings programme
  - the impact on current financial management arrangements of the budget savings required on management within services, and in 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
  - the need to respond to Covid, retain existing services and at the same time prepare for the new unitary North Yorkshire Council

- 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

9.4 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

- specific provisions in the accounts and in earmarked reserves
- a commitment to maintain the level of the General Working Balance at its policy target level of £28m.
- a Local Taxation Equalisation reserve to smooth surpluses and deficits from billing authorities' Collection Funds.
- A recurring Corporate Risk Contingency of £10m to provide for service growth and / or non-delivery of savings as a direct or indirect result of Covid
- A reserve to fund LGR Transitional Costs
- comprehensive insurance arrangements using a mixture of self-funding and external top-up cover

9.5 Estimates used in the Budget for 2022/23 are also based on pragmatic assumptions, taking into account:

- future pay and price increases across all services
- anticipated levels of both specific and general grants
- the impact of the economic situation on future interest rates, the Council Tax tax base, District Council Collection Fund surpluses and deficits, and the future levels of Business Rates collected in North Yorkshire
- policies and priorities as expressed in the Council Plan and associated Service Plans
- best estimates of continuing funding streams for services
- commitments in terms of demand for services

9.6 Whilst these estimates are based on pragmatic assumptions, some elements are inevitably subject to change, particularly when there is so much volatility in the external environment. Given the many risks and uncertainties it is inevitable that there will be many areas of high estimation and uncertainty, which will require constant re-calibration.

9.7 Budget monitoring will continue to be carried out on a regular basis and reported, alongside other key performance information, to the Executive on a quarterly basis.

Adequacy of Reserves and Balances

9.8 The Council has a good track-record on delivering planned savings and has managed well within overall budget over recent years earning a healthy level of reserves which are now extremely valuable given the levels of volatility. There had already been overheating in demand-led budgets in both CYPS and HAS but the uncertainty of a post-Covid environment brings the need for a good level of reserves into sharper focus. The availability of "one-off" funding from Reserves and Balances is therefore of crucial importance to support the in-year budget and to provide time for a coherent longer term financial strategy.

9.9 The lack of visibility of council funding beyond March 2023 combined with the structural changes to the funding of the new unitary North Yorkshire Council also means that there is greater merit in ensuring an adequate level of Reserves and Balances. The Council has a robust reserve policy and maintains both unallocated and earmarked reserves to manage risk and investment.

9.10 The s151 officer is content that there are adequate levels of Reserves and Balances for the 2022/23 Budget and for the early stages of the MTFS beyond.

However, this position will need to be reviewed constantly throughout 2022/23 and corrective action may be required should any forecast indicate that Reserves and Balances could become near-exhausted before any sustainable financial plan is in place.

9.11 It should be noted that the level of Reserves and Balances has also ensured that the Council has been able to invest in a host of other initiatives / projects:-

- superfast broadband
- highway maintenance
- extra care provision
- coastal erosion schemes
- technology and property for council staff
- locality and environmental budgets for Councillors
- Kexgill highways major scheme
- Pump priming for environmental projects to support carbon targets

Section 25 opinion of the Corporate Director, Strategic Resources

9.12 The Section 25 opinion expressed in this report is based upon a medium term assessment rather than a single year as effective financial planning requires a longer-term approach. This view is therefore based upon the County Council as a "going concern" which is clearly not going to be the case given local government reorganisation takes effect from 1 April 2023. However, this approach best provides a guideline for the new North Yorkshire Council and thereby provides line of sight to the new council arrangements.

9.13 Taking all of these factors and considerations into account the Corporate Director, Strategic Resources is satisfied that the:-

i) estimates used in the Revenue Budget 2022/23 are as realistic and robust as possible given the extremely challenging circumstances and that the provision of a £10m Corporate Risk Contingency plus the associated level of balances / reserves is adequate within the terms of the proposed revised policy.

ii) associated level of balances / reserves for the MTFS period is adequate within the terms of the policy noting that **there is no visibility beyond 2022/23 at this stage for the new unitary North Yorkshire Council and the estimated shortfall over the MTFS would deplete the level of available reserves. The new Council will inherit a need to develop further savings options to address the estimated residual savings gap.**

iii) high level estimates used in the projections for the MTFS beyond 2021/22 are as realistic as can be assessed at this stage given the large scale uncertainty across a range of factors. **The decisions taken for 2022/23 and beyond need to be seen in the context of significant volatility including increased demand for services; uncertain Covid "scarring"; rising costs in a high inflation environment; a need to provide capacity and time to successfully transition to a new unitary council; and an**

uncertain outlook on government funding in order to ensure that decision making is optimised.

10.0 RISKS

10.1 The Corporate Risk Register is attached as **Appendix M.** It is, however, appropriate to consider a more detailed range of risks at this stage which could adversely impact upon the Council's Budget / MTFS.

10.2 **Appendix L** sets out some of the key financial risks and a ready reckoner to quantify certain potential financial impacts. This should not be regarded as exhaustive due to many national and local uncertainties.

10.3 A brief summary of the key risks is identified below:-

i) *Cost pressures* – the financial strains in large parts of the County Council's supply chain but particularly in the high impact areas of adult social care, transport and energy lead to increased prices. In addition, higher levels of inflation potentially impact upon pay award levels for council staff.

ii) *Inability to identify further savings* – the residual and recurring budget gap will need to be filled at some point but because of the pressures of the pandemic and the preparation for the new unitary authority there is little resource to identify and action further savings at this point. Longer term local government restructuring will provide opportunities to identify savings but that detailed work will need to be carried out at a later date when resource becomes available.

iii) *Changes to local government funding* – the government has indicated that it will revisit the plans to change the system of local government finance. Whilst the County Council has been a strong advocate of making changes to the local government funding regime there remains a degree of risk and uncertainty about the outcome of any changes.

iv) *New Social Care funding regime* – the government's proposals for a care cost cap and associated changes represent a potentially high financial risk with limited information at this stage to understand the full cost implications for the County Council.

v) *Staffing capacity* – Insufficient resource to deal with competing demands of the authority and inability to progress strategically important initiatives.

vi) *Financial assumptions* – the MTFS includes assumptions around council tax levels and base; continuation of core funding streams; business rates levels; pay; and inflation (including cost of care exercise for adult social care) all of which carry a degree of uncertainty and risk.

vii) *Demand for services* – certain services such as children's social care, EHCPs, home to school transport and adult social care are likely to be subject to increased demand and / or increased care needs.

viii) *Legal challenge* – savings proposals and the way in which the County Council delivers services may be subject to legal challenge from third parties resulting in delays and additional costs.

ix) *Emergencies / incidents* – incidents such as flooding and severe winters will incur additional costs which it is simply not possible to predict and will compound costs and pressures.

x) Others including –

- *Schools / DSG* – increasing levels of deficit budgets
- *Unfunded additional responsibilities* – particularly in light of Covid

10.4 The on-going monitoring of the above and other risks will be essential throughout 2022/23 as there is less headroom to work with.

11.0 ENVIRONMENTAL IMPLICATIONS

11.1 The County Council has set its ambition to achieve carbon neutrality by 2030. The Council's base carbon position has been established and a carbon reduction plan published that sets out our progress to date and our plans for the next three years. This plan is being integrated into our Council Plan and will be reviewed annually. Progress will be regularly monitored as part of our corporate performance management framework including quarterly performance reports to our Management Board and Executive.

11.2 The Council has already made significant carbon savings by utilising its own resources and attracting government investment. This has included the completed £8m programme over three years to convert all the Council's street lights from incandescent to LED, reducing resulting in a significantly reduced carbon footprint and annual savings of £1.285m in energy and maintenance. More than 20 schools, two care homes and a library have benefitted from nearly £2m improvements, particularly the replacement of windows, which will improve energy efficiency and reduce carbon emissions, won from the Government public sector decarbonisation fund.

11.3 The Council will continue to utilise its own resources and to explore and take advantage of external funding opportunities as they arise. A heat decarbonisation plan is being developed for our properties alongside a study of options for environmental and energy efficiency initiatives at the authority's office buildings including opportunities for green initiatives such as electric vehicle charge points, generation of renewable energy on buildings and other carbon-saving measures and building improvements.

11.4 Last year the Council established a £1m carbon reduction pump priming fund primarily to provide the necessary initial investment to determine the merits of potential proposals rather the required funding for implementation. The commitments to date include developing an electric vehicle charging strategy for the county and a Climate Change Policy Officer post. Other proposals in development include piloting electric vehicles as part of the council's fleet. The commitment to date against the £1m pump priming fund currently amounts to £165k with other projects in pipeline totalling £190k that have not yet been approved. At this stage it is therefore regarded that there is sufficient funding remaining.

11.5 All companies in the Council's trading arm, the Brierley Group, are moving towards more environmentally sustainable operating models, including air source heat pumps and timber frame construction in some Brierley Homes housing schemes and solar panels at the head office of Yorwaste. Align Property Partners are registered as Low Carbon Consultants with architects accredited in low carbon technologies.

11.6 As described earlier, the Council developed Buy Local during the first Covid-19 lockdown specifically to bring together local customers with businesses in the county. About 850 North Yorkshire businesses have already signed up to the site. Customers can search for a wide range of goods and services, encouraging residents to purchase from local suppliers, supporting the local economy, with the added benefit of reducing distance travelled and carbon emissions.

11.7 The Council are also part of a wider leadership team, including district councils and the Local Enterprise Partnership, working to encourage and support our residents, businesses and communities to be part of the county and country achieving net carbon neutrality.

12.0 DELEGATION ARRANGEMENTS

12.1 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 services areas, subject to the Budget and the Policy framework.

13.0 CONCLUSION

13.1 This is the final Budget for the County Council before the new unitary council for North Yorkshire comes into effect from 1 April 2023. A medium term approach to 2024/25 is set out on a "going-concern" basis, however, to assist in the future production of an emerging "shadow" financial strategy for the new unitary council (and is replicated across all eight North Yorkshire councils). The successful transition to the new council arrangements will be a significant feature of the forthcoming financial year.

13.2 We also continue to be in the midst of the covid pandemic as the world deals with the Omicron variant and it remains unclear when we will enter a "post-covid" stage. At the same time, and partly due to covid, the Council is seeing multiple financial challenges as demand for most people services increase; prices are increasing at rates not seen in decades; and there is a crisis in social care as staffing shortfalls reach unsustainable levels.

13.3 The future financial prognosis for local government remains unclear given the unprecedented hit on government revenue through taxes and the levels of financial support provided by government in response to covid. A multi-year Spending Review was again delayed and this will be revisited in the Autumn of 2022 alongside possible reform of the funding for councils.

13.4 Further reform is due in relation to the reform of the funding of adult social care. Further information and precise details are required as to how a cap on care costs is to be assessed and what impact this will have on the Council's budget. However, the early proposals, particularly in relation to fee levels and self-funders could prove to be hugely significant in their financial impact.

13.5 Given all of the issues identified above, there is a high degree of uncertainty and volatility at the same time that the Council needs to respond to covid and prepare for the new council arrangements. The pressures are such that the 2022/23 Budget will require a higher degree of support from Reserves than would otherwise be the case or is desirable. It is however a necessary position at this stage.

13.6 An increase of 3.99% council tax would result in a recurring shortfall of £18m and a need for Reserves of £34.9m over the projected 3 year period.

14.0 RECOMMENDATIONS

14.1 That the Executive recommends to the County Council:

a) That the Section 25 assurance statement provided by the Corporate Director, Strategic Resources regarding the robustness of the estimates and the adequacy of the reserves **(paragraph 9.13)** and the risk assessment of the MTFS detailed in **Section 10** are noted.

b) That, in accordance with Section 42A of the Local Government Finance Act 1992 (as amended by Section 75 of The Localism Act 2011), a Council Tax requirement for 2022/23 of £351,786,060 is approved and that a Council Tax precept of this sum be issued to billing authorities in North Yorkshire (**Section 4.3** and **Appendix D).**

c) That a Net Revenue Budget for 2022/23, after use of reserves, of £421,538k (**Section 5.0 and Appendix G**) is approved and that the financial allocations to each Directorate, net of planned savings, be as detailed in **Appendix C.**

d) That in the event that the level of overall external funding (including from the final Local Government Settlement) results in a variance of less than £5m in 2022/23 then the difference to be addressed by a transfer to / from the Strategic Capacity Unallocated Reserve in line with **paragraph 4.2.6** with such changes being made to **Appendix E** as appropriate.

e) That the Corporate Director – Children and Young People's Service are authorised, in consultation with the Corporate Director, Strategic Resources and the Executive Members for Schools and Finance, to take the final decision on the allocation of the Schools Budget including High Needs, Early Years and the Central Schools Services Block (**paragraph 3.1.19**).

f) That the Medium Term Financial Strategy for 2022/23 to 2024/25, and its caveats, as laid out in **Section 3.0** and **Appendix G** is approved in line with the proposed council tax option.

g) That the Corporate Director – Business & Environmental Services are authorised, in consultation with the Executive Members for BES, to carry out all necessary actions, including consultation where he considers it appropriate, to implement the range of savings as set out in **Appendix B1** (**BES 1** to **3**).

h) That the Corporate Director – Health and Adult Services are authorised, in consultation with the Executive Members for HAS, to carry out all necessary actions, including consultation where he considers it appropriate, to implement the range of savings as set out in **Appendix B1** (**HAS 1** to **6).**

i) That the Corporate Director – Children and Young People's Services are authorised, in consultation with the Executive Members for CYPS, to carry out all necessary actions, including consultation where he considers it appropriate, to implement the range of savings as set out in **Appendix B1** (**CYPS 1** to **4**).

j) That the Chief Executive is authorised, in consultation with the Executive Members for Central Services, to carry out all necessary actions, including consultation where he considers it appropriate, to implement the range of savings as set out in **Appendix B1** (**CS 1** to **5**).

k) That any outcomes requiring changes following **Recommendations f), g), h) and i)** above be brought back to the Executive to consider and, where changes are recommended to the existing major policy framework, then such matters to be considered by full County Council.

l) That the existing policy target for the minimum level of the General Working Balance is retained and is set at £28m in line with **paragraphs 4.5.4** to **4.5.5** and **Appendix F**.

m) That the attached pay policy statement (**Appendix I**) covering the period 1 April 2022 to 31 March 2023 be approved as set out in **Section 7**.

n) That the updated LGPS Employers Discretion Policy be approved as described in **paragraphs 7.6 to 7.8** and as set out in **Appendix J**

14.2 That the Executive notes and agrees the delegation arrangements referred to in **Section 12** that authorise the Corporate Directors to implement the Budget proposals contained in this report for their respective service areas and for the Chief Executive in those areas where there are cross-Council proposals.

14.3 That the Executive have regard to the Public Sector Equality Duty (identified in **Section 8** and **Appendix K**) in approving the Budget proposals contained in this report.

RICHARD FLINTON
Chief Executive

GARY FIELDING
Corporate Director, Strategic Resources

County Hall
25 January 2022

25 January 2022

SCHEDULE OF APPENDICES TO MEDIUM TERM FINANCIAL STRATEGY 2022/23 TO 2024/25 & REVENUE BUDGET FOR 2022/23

Appendix	Title	Section Colour
A	Objectives	**Cream**
B B1 B2	Savings Schedule: - Directorate Savings Changes to Existing Savings Proposals	**Lilac**
C	Directorate Spending Analysis	**Mid Green**
D	Calculation of Council Tax Requirement	**Light Blue**
E	Reserves Schedule	**Buttercup**
F	Reserves & Balances Policy	**White**
G	Summary of MTFS to 2024/25	**Pink**
H	Budget Consultation	**Dark Blue**
I	Pay Policy Statement	**Orange**
J	LGPS Employer Discretion Policy	**Light Blue**
K	Equalities Impact Assessment	**Mint**
L	Risk Assessment	**Cream**
M	Corporate Risk Register	**Lilac**

MTFS Objectives

A **Medium Term Financial Strategy** is not a legal requirement, but given the scale of financial challenges and risks/uncertainties we face and as we transition to the new unitary council, it is important that shorter-term decisions are seen in the context of a longer-term position and that there is clear line of sight on the financial sustainability of the new Council. Given the well-publicised difficulties of a number of councils this longer term view is more important than ever. The MTFS provides the strategic framework for managing the Council's finances and ensures that:

- resources are aligned to achieve corporate objectives over the medium/longer term, and;
- the Revenue Budget, Capital Plan, Treasury Management Strategy and required Prudential Indicators are appropriately aligned.

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.

Whilst this is the County Council's final budget and MTFS these objectives are still valid but will be subject to review by the new Council as part of its initial budget setting next year. This MTFS achieves these objectives by:

- enabling the Council to understand its medium to longer term financial position;
- providing clarity over the revenue and capital resources available;
- informing decision making on the distribution of resources to deliver the Council's objectives;
- ensuring the Council can set a Council Tax that avoids central Government intervention;
- enabling the Council to plan and manage its day to day spending within affordable limits without undue reliance on balances and general reserves;
- identifying future budget 'pressure points' in order to plan accordingly and avoid unnecessary remedial action;
- identifying financial decisions that need to be taken to inform action planning and the development of projects;
- supporting a prudent, affordable and sustainable level of revenue and capital investment;
- creating financial capacity to deal with uncertain, volatile and unforeseen funding and cost pressures;
- Providing forecasts and insights on the financial issues and challenges that will pass to the new council.

Savings proposals for Business and Environmental Services (BES) directorate

Introduction

The Business and Environmental Services directorate provides a number of service areas that complement each other in delivering services that promote strong and sustainable communities with a sustainable economy. Highways and Transportation, Waste, Regulatory Services and Countryside Services are all provided along with close working with the Local Enterprise Partnership.

Critical to achieving the ambitions of the directorate is delivering the right housing and transport infrastructure, alongside high speed broadband and mobile phone connectivity, whilst protecting the outstanding environment and heritage.

The Directorate is working to achieve these aims whilst delivering on the savings programme as set out in the medium term financial strategy. The quarterly finance figures highlight the latest position and show some service areas are still impacted by COVID-19, particularly in Waste and Passenger Transport.

The BES Directorate, like all walks of life, has been significantly impacted by COVID-19; ranging from ensuring social distancing with household waste recycling centres (HWRCs), to ensuring frontline staff are as safe as possible by using measures such as ‘bubbles’, through to office-based staff having to change their way of working. Naturally, this has provided an additional level of challenge when contending with continuing financial pressures on the County Council. Part of that challenge is to not only continue to deliver high quality services but also to deliver a range of savings initiatives as laid out in the MTFS while also planning for and implementing Local Government Reorganisation.

Outside of service continuity due to COVID-19, an area of particular focus and priority over the MTFS is the successful development of the Highways ‘teckal’, NY Highways. The company successfully went live at the conclusion of the Ringway contract in June 2021. The public perception of the company is a seamless continuation of the service delivery allowing the business to push forward quickly and bring some other business improvements. The aim over the MTFS period is to subsequently seek to transform the service delivery. For the savings programme, a number of the highlighted savings below are directly or indirectly as a result of introducing NY Highways.

Proposals

<u>Highways & Transportation</u>

The Highways and Transport savings are made up of a number of initiatives:

- Efficiencies delivered as a result of improved service delivery made possible through NY Highways arrangements. This will involve the continuation of the lean reviews and service improvement initiatives.

- Investment in resource to increase income in chargeable areas including development works and highways license enforcement. These are areas for which charges are already levied but there is scope to do more as the service grows.
- Improved street lighting asset management having concluded the accelerated LED replacement project.
- A range of other smaller efficiency savings continue to be explored within the service.

Waste Management Services

The service continues to generate value for the Council through its relationship with City of York Council and Yorwaste by delivering to the waste volume 'sweet spot' at Allerton Waste Recovery Park. As part of that, the team – collectively – are reviewing value for money from each waste transfer station to ensure the overall operation is as efficient as possible.

Growth, Planning and Trading Standards

Various small initiatives including reduction in staff levels and identifying efficiencies in surveillance.

Further Savings

A range of lower value savings are included within the MTFS, all of these are generated through efficient working practices and therefore no reduction in service quality.

Business & Environmental Services

Appendix B1

Project No.	Savings Area	Description	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Highways & Transportation						
BES 1	Highways	Efficiencies delivered as a result of improved service delivery made possible through NY Highways arrangements	595	150	74	819
BES 2	Highways	Investment in resource to increase income in chargable areas including development works and highways license enforcement	450	0	0	450
Growth, Planning & Trading Standards						
BES 3	Trading Standards	Various small initiatives, including software review, reduction in staff levels and identifying efficiencies in surveillance	35	0	0	35
			1,080	**150**	**74**	**1,304**

BES		**New in above**	**20**		**74**	**20**

Savings proposals for Children and Young People's Service (CYPS) directorate

Introduction

In developing these budget proposals, the Council has ensured that key principles are consistent with a positive, cross-council strategy and remains ambitious for children and young people in North Yorkshire.

- Good and outstanding educational provision liberates individuals and can change the nature of both individual trajectories and communities;
- The Council, whilst maintaining a strategic overview of educational outcomes recognises the evidenced improvement made through collaborative, sector-led arrangements;
- Families need to have access to high quality information, advice and guidance including web-based advice;
- High quality whole family interventions are increasingly provided through early help to those needing more targeted prevention to prevent those problems escalating;
- We continue to protect the provision of care and protection for those with higher level needs;
- We aim for children to live safely with their families within communities but, where care is needed, that high quality provision should ideally be family-based and more locally available, and;
- We continue to seek further opportunities to enhance partnership working and commissioning.

Proposals

The proposals reflect the context and impact of the coronavirus pandemic, including the need to support children and families through the pandemic, and to continue to support schools, early years and educational settings through flexible delivery models, and partnership working. The proposals are informed by, and recognise, the current levels of support, particularly to those children and families who are most vulnerable, as well as the need to support recovery from the pandemic.

<u>Children with special educational needs</u>

Since the introduction of the **Children and Families Act 2014**, the local authority has experienced a rapid and sustained increase in the number of children and young people assessed as requiring a funded Education, Health and Care Plan (EHCP). Although funding increased in 2020-21 the local authority had an accumulated deficit of £8.7m as at March 2021. This is expected to increase to c.£11m by March 2022 despite additional funding for 2021-22. The DfE has confirmed that further funding will be allocated to local authorities for 2022-23 and, although this will be helpful in reducing the anticipated in-year deficit, it will not address the significant accumulated deficit. Special Schools and Alternative Provision establishments continue to operate under financially constrained circumstances particularly given their diseconomies of scale as relatively small special schools in a rural context. The increase in EHCPs also significantly impacts on the cost of providing home to school transport with a c.10% increase in the number of children and young people with EHCPs requiring SEND transport from September 2021.

The Council continues to implement the Strategic Plan for SEND (Special Educational Needs and Disabilities) 0-25 approved in September 2018 and current plans include developing a free special school in Selby, commissioning mainstream targeted provision across the county, building and reshaping capacity in schools and building confidence in parents/carers. The aim of the strategy is to ensure the right educational provision is in the right place to ensure children can be educated locally without the need for extensive travel.

Independent Travel Training	£120k
SEND Transport – solo travellers	£40k
Review of CRC	£25k

Children and Families

We continue to support children and families to remain at home or with family, where it is safe to do so. This approach requires relentless efforts to meet challenging targets for maintaining the numbers of children in care without compromising either the rigour of our child protection arrangements or the quality of care provided for those that we have assessed as requiring it.

Proposals include embedding the early help strategy and removal of a bespoke placement budget.

Early Help	£88k
Bespoke Placements	£50k

School Improvement and the role of the Local Authority in Education

Our School Improvement service aims to provide a more streamlined and targeted service that recognises the strategic role of the local authority in the monitoring and oversight of educational outcomes for children and young people throughout the county.

Our aim remains to ensure that every child in North Yorkshire has the chance to be educated in a good or outstanding school. The DfE has consulted on changes to the way in which School Improvement is funded with the potential removal of all grant funding by April 2023 with alternative arrangements being proposed whereby the local authority will be able to request funding to be de-delegated from maintained schools through the local Schools Forum.

The Outdoor Learning Service ceased to provide a residential offer during the pandemic including most of 2020 and the first part of 2021. In parallel, the service undertook a strategic review of the role of the Outdoor Learning Service. Proposals were approved, in principle, for the redevelopment of Bewerley Park residential learning site to enable the service to become more financially independent and for it to work in a more commercial manner.

Mainstream Transport	£200k
Strategic Planning	£30k
Other	£100k

Project No.	Savings Area	Description	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
CYPS 1	SEND & Mainstream Transport	SEN Transport - review of, and anticipated reduction in, arrangements for solo travellers. Develop approach to Independent Travel Training. Impact of previously agreed changes to the mainstream transport policy.	140	140	80	360
CYPS 2	Children and Families	Post-implementation review of Early Help. Reduction in expenditure on bespoke placement costs.	138	0	0	138
CYPS 3	High Needs and SEN	Review of Children's Resources Centre delivery.	0	25	0	25
CYPS 4	Other school and LA support services	Review of a range of strategic LA functions including pension provision and school place planning.	0	80	50	130
			278	245	130	653

Saving proposals for Health and Adults Services (HAS) directorate

Introduction

The Health and Adult Services directorate commissions and provides adult social care and public health services and leads on the Council's joint work with the NHS. Public Health is funded via a separate ring-fenced specific Grant from Government.

The financial impact of COVID on the Directorate for 2021/22 is estimated at the time of writing to be around £3.2m and this will have a knock-on effect into 2022/23. As seen in the Quarterly Performance Reports, activity levels are starting to return to (and exceed) pre-pandemic levels, and this is reflected in the finance figures. We are also seeing additional pressures from care market conditions, provider failure and additional costs arising from the national NHS discharge to assess programme. Therefore, it is important to continue to make savings wherever we can.

Most people want to be supported to live at home and to use services at home, or as near as possible. They want to remain with their family, in their community and to contribute to the community and the economy. They also want information and advice, support for their carers and short-term services to get them back on their feet or to give them a break from caring. To this end, the Council's model of social care focuses much more on prevention and keeping people as independent as possible, as well as providing long-term support where it is needed. The Council works with people who use services, carers, voluntary and independent sector colleagues and the NHS to deliver these services.

As part of this approach, we continue to expand our extra care housing provision across the County, while reviewing our provider services' position in the market. We have invested in prevention through our Stronger Communities programme (which works with community groups and the voluntary sector) and our Living Well service. And we have developed our reablement service, working closely with the NHS. More recently, we have also worked with borough/district council colleagues to develop new care and housing services for people with complex life circumstances (mental health and substance misuse), such as the REACH project in Scarborough.

As the savings table shows, we also continue with our roll-out of major changes to our social care practice, to an approach which is called "strength-based" practice: starting with what people's strengths are, how they can live independently and what support is available in the community.

The pandemic has changed and grown the role of Public Health – particularly in terms of our local health protection services.

Whilst significant savings have had to be made in social care over the past few years, the social care budget has had relative protection, accounting for an increasing share of the Council's overall budget. It is also important to note that provision is being made in the budget for continuing demand and market pressures, which is in addition to inflation for the cost of care and other pay / price increases. As a result, the cumulative impact is entirely consistent with the principles of the adult social care precept.

The service continues to work to reduce the impact of these pressures wherever it can, with a comprehensive deficit action plan in place. This continues, despite costs being increased and complicated by the impact of COVID. The plan's reliance on (at this stage) temporary funding from NHS to balance the books also remains a risk.

The Public Health budget sits within the Directorate. Although funded by grant, and therefore showing no net impact on the NYCC revenue account, the service has a medium-term plan in place to bring spending into line with a reduced grant, while also ensuring that services across the council which contribute to various Public Health programmes are fully funded by the grant. The County's new Director of Public Health is reviewing all areas of spend and the relative performance and outcomes for Grant investment. This approach is necessitating some savings as well as short-term deployment of reserves, so that a broader range of priorities can be addressed.

Proposals – already agreed in 2021

Full details of these savings can be found in last year's budget report, but a summary of some of the main themes is shown below.

In a number of cases, the timing of these savings has been delayed while work has focussed on dealing with the pandemic.

The areas of reprofiling are:

- Extra Care
- E-rostering solution for provider services

Strength Based Assessments

A key part of our work will be to make sure that wherever possible, people's support needs are met through prevention and reablement services and, where needed, longer-term support. This covers a number of our current projects including the strength-based practice, which is the biggest change to adult social care practice in a generation. We will focus on making our practice more consistent and ensuring that reablement services across the County match the performance and outcomes of the best teams in North Yorkshire.

Provider Services, Extra Care Housing and Elderly Person's Homes

This programme includes the current work on replacing the Council's own EPH estate with Extra Care Housing to improve accommodation choices for people who need support including those with complex needs. The overall target has increased slightly to reflect updated estimates but a new timescale is suggested which takes into account the delays caused largely by the impact of COVID.

Public Health

This is to ensure that any efficiencies/underspends and any increases in the PH grant is maximised to continue to fund Public Health-related work that improves and protects the health of people. Where this activity is currently funded by the Council budget in future it can be net through the grant and has a beneficial impact on the Council's finances.

This expenditure will contribute to the eight priorities set out by the Director of Public Health:

- Reducing Health inequalities through healthy place-shaping and targeted work with groups, communities and neighbourhoods
- Ensure measures are in place to protect the population's health
- Improving mental health of our population
- Ensuring babies and children and young people have a good start in life
- Ensuring the working age population have the opportunity to live well
- Ensuring older people are able to age well
- Work with NHS partners to maximise our joint effectiveness and impact on health outcomes
- Develop a centre for public health in research, training, practice and behavioural science

Support Services and Welfare Benefits

This continues the work begun in 2020 to look at how changes in technology and working practices will deliver some financial efficiencies over the next few years.

Appendix B1

Health & Adult Services

Project No.	Savings Area	Description	2022/23	2023/24	2024/25	Total
			£000	£000	£000	£000
HAS1	Strength Based Assessments	We will have a greater focus on meeting people's support and recovery by using their strengths as well as community based assets, such as services run by community groups or voluntary sector partners, to meet their needs. We will also work with Health partners to deliver improvements in service delivery through integrated multi-disciplinary working. This is the tail-end of a project which has delivered over £4m of savings over recent years.	200	0	0	**200**
HAS2	Extra care housing and EPHs	This programme includes the current work on replacing the Council's own EPH estate with Extra Care Housing to improve accommodation choices for people who need support including those with complex needs.	698	825	0	**1,523**
HAS3	Provider Services	Scope and deliver e-rostering solution for provider services	0	75	0	**75**
HAS4	Welfare Benefits	We will look at ensuring we have the most efficient support in place to enable us to maximise the income due to residents of North Yorkshire	25	0	0	**25**
HAS5	Public Health contribution to MTFS (PH-related care)	Maximising use of ring-fenced Public Health grant.	500	0	0	**500**
HAS6	Support Services	Review of services which support delivery of social care and taking advantage of changes in technology and working practices to deliver some financial efficiencies over the next few years.	100	0	0	**100**
	TOTAL		**1,523**	**900**	**0**	**2,423**

Savings proposals for Central Services directorate

Introduction

Central Services is comprised of three principal categories;

- Front line services including Library and Community Services,
- A range of support services; and
- Investment & commercial income generation

The approach taken through 2020 North Yorkshire and now into Beyond 2020 has been to simplify, standardise and share services across the Council and to rationalise the “back office”. The majority of support services have delivered savings early (for example in HR services, Business Support Services, Finance etc).

Similar to the rest of the organisation, the impact of COVID-19 has been felt within the Directorate placing additional demand on vital support services. In circumstances such as this, it is prudent to ensure delivery of savings identified in the previous MTFS, as they already present a high degree of challenge. Therefore, priority has been given to achieving those existing savings, which include:

- Rationalisation of corporate property
- Centralisation of IT systems
- Improved supply chain management leading to better value procurements and contract management
- Various efficiency savings across services in the Directorate

In addition, as the focus over this MTFS period turns to Local Government Reorganisation (LGR), given most central services teams are significantly impacted, resources are required to ensure LGR is delivered successfully.

Proposals

In addition to these areas, COVID-19 has presented an opportunity to develop new savings areas.

<u>Property</u>

A review of the property portfolio continues, to rationalise properties across the county and identify areas where property related costs such as repairs and maintenance can be reduced.

<u>Business Support</u>

As more work is completed virtually, demand for physical meeting spaces is reduced; coupled with this a decreased need for physical, printed material. Through 2021/22, the Council has experienced in-year savings across these two budget areas. It is expected that going forward, demand for these areas will also not return to pre-COVID-19 level. Therefore the proposal is to take savings from both Venue Hire and Printing budgets. There is also some additional savings linked to travel.

Procurement & Contracts

Similarly to previous years, the procurement service has been given a set of targets to achieve savings. This will be achieved through supply chain management, better purchasing and improved contract management arrangements. Further contracts, due for expiry, have been identified for review and it is expected that these will contribute towards the savings target.

Policy & Partnerships

Reduction of posts aligned with operational requirements.

Finance

A review of the service to explore ways to improve the efficiency of the service, including system reviews and new ways of working to assist with capacity.

Central Services **Appendix B1**

Project No.	Savings Area	Description	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Strategic Resources						
CS1	Corporate Property	Rationalisation of property across Council as part of Beyond 2020 Programme (and change of way of working due to COVID-19) should reduce property related costs including repairs & maintenance. Additional income generated through rent and services charges to NYH.	576	180	216	**972**
CS2	Finance	Reductions and review of service on risk assessed basis and reflecting anticipated reduction in budget over longer term. Updating of systems and ways of working implemented to help with capacity, including BEST		204		**204**
CS3	Procurement & Contracts	Continuation of previous savings challenge through supply chain management, better purchasing and improved contract management arrangements.	150	250		**400**
Business Support & HR						
CS4	Business Support	Due to new ways of working, additional savings on travel and printing have been made during 2021/22 which are expected to continue into next year.	50			**50**
Chief Executives Office						
CS5	Policy & Partnership	Reduction of posts aligned with operational requirements.	40			**40**
			816	**634**	**216**	**1,666**

CS		**New in above**	**476**			**476**

Re-profiling of Savings

The revisions to savings profiles over the MTFS period are now set out in the table below with explanation for the proposed changes. The schedules in this appendix have been amended on the basis that they are approved.

Savings Review		Notes	22/23 £ '000	23/24 £ '000	24/25 £ '000	Total
Re-Profiling						
CS	Property Review	1	0	-10	10	0
CYPS	Review of Children's Resource Centre	2	-25	25	0	0
CYPS	Invest to Save ITT	3	-40	-40	80	0
CYPS	Pension Enhancements	4	-50	0	50	0
HAS	Provider Services	3	-75	75	0	0
HAS	Extra Care Housing & EPH's	3	-290	290	0	0
Changes						
CYPS	Young Person's Accommodation Pathway	5	-412	-588	0	-1,000
BES	Development Management Chargeable Work	6	100	0	0	100
BES	Lean Review	7	0	0	74	74
BES	Streetlighting	8	20	0	0	20
BES	Review of Winter Salt Bins and Heaps	9	-50	0	0	-50
BES	CON29	10	0	-50	0	-50
BES	Historical Environmental Records	11	-6	0	0	-6
BES	Waste Transfer Station	10	-100	0	0	-100
CS	Policy and Partnerships	10	-50	0		-50
TOTAL			**-978**	**-298**	**214**	**-1,062**

Notes:

1. **Property Review –** A small element of the saving linked to energy has been delayed by a year.
2. **Review of Children's Resource Centre -** The timing of these savings have been delayed pending the review of services for disabled children and their families.
3. **Impact of COVID pandemic –** Given the level of resources that are still being required to deal with the effects of the COVID pandemic, a number of savings have once again been re-profiled.
4. **Pension Enhancements –** Savings profile has been updated in line with latest forecasts.
5. **Young Person's Accommodation Pathway –** Proposals were subject to engagement with district councils and in light of the impact of covid and local government reorganisation, options will be explored post-vesting date.
6. **Development Management Chargeable Work –** Adjusted to reflect additional chargeable work following review.
7. **Lean Review –** To reflect the additional savings forecast to be generated through NY Highways, in line with
8. **Streetlighting –** Further efficiencies linked to basic maintenance and planned work programmes.
9. **Review of Winter Salt Bins and Heaps –** Absorbed within the Lean Review Saving

10. **Impact of LGR –** All savings have been reviewed to assess the validity and achievability given the work required to establish the new Council from April 2023. As a result, a number of savings have been re-profiled or removed.
11. **Historical Environmental Records –** Removed as following review, procurement saving is no longer achievable

MTFS Savings Proposal Summary

	22/23 £ '000	23/24 £ '000	24/25 £ '000	Total
Directorate				
Business and Environmental Services	1,080	150	74	1,304
Central Services				
Service Areas	666	384	216	1,266
Procurement & Contract Savings	150	250	0	400
Children and Young People's Services	278	245	130	653
Health and Adult Services	1,523	900	0	2,423
Total	**3,697**	**1,929**	**420**	**6,046**
New Savings proposals included within the above for Feb 2022 Budget/ MTFS report	**476**	**0**	**206**	**682**

2022/23 REVENUE BUDGET AT DIRECTORATE LEVEL

BUDGET REQUIREMENT	2021/22 Original Budget £ '000	Additional spending needs: In-Year Adjs £ '000	2021/22 Current Budget £ '000	Inflation £ '000	Adult Social Care £ '000	Other Recurring £ '000	Funding Adjs £ '000	Other One-off £ '000	Savings 2020 £ '000	Funding £ '000	Total 2022/23 Draft budget £ '000
Directorate Net Budgets											
BES	74,289	555	74,844	5,237	-	459	-	-	-1,080	-	79,460
CYPS	83,082	-577	82,505	3,452	-	2,847	-	50	-278	-	88,575
HAS	180,792	-520	180,273	10,148	2,000	2,189	1,746	-478	-1,523	-	194,354
CS	69,791	-744	69,047	3,682	-	697	-	-1,000	-816	-	71,610
Directorates Subtotal	**407,954**	**-1,285**	**406,669**	**22,519**	**2,000**	**6,191**	**1,746**	**-1,428**	**-3,697**	**-**	**433,999**
Corporate Miscellaneous											
Interest Earned	-578	-1,694	-2,272	-	-	-844	-	-	-	-	-3,116
Capital Financing charges	23,307	-1,177	22,130	-	-	-948	-	-	-	-	21,182
Corporate Contingency	10,000	-	10,000	-	-	-	-	-	-	-	10,000
Brexit Contingency	3,000	-	3,000	-	-	-1,500	-	-	-	-	1,500
HAS Demographic growth	6,100	-	6,100	-	-	-	-3,891	-	-	-	2,209
2020 North Yorkshire	2,000	-	2,000	-	-	-	-	-	-	-	2,000
Business Rates Grants	-2,896	2,896	-	-	-	-	-	-	-	-	-
New Homes Bonus	-1,503	-	-1,503	-	-	-	-144	-	-	-	-1,647
Rural Services Delivery Grant	-8,693	-	-8,693	-	-	-	-	-	-	-	-8,693
Community Fund (affordable housing)	400	-	400	-	-	-	-	-	-	-	400
DSG Contribution to Corp Overheads	-1,115	228	-887	-	-	-	360	-	-	-	-527
Council Tax Surplus to reserve	6,159	-1,133	5,026	-	-	-	-	-317	-	-	4,709
Apprenticeship Levy	800	42	842	-	-	-	-	-	-	-	842
Social Care Support Grant	-14,220	-	-14,220	-	-	-	-	-	-	-	-14,220
Social Care Suport Grant - 22/23 (New)	-	-	-	-	-	-	-5,797	-	-	-	-5,797
Services Grant - 22/23 (New)	-	-	-	-	-	-	-4,668	-	-	-	-4,668
Traded Service Contribution to Corp Overheads	-1,495	110	-1,385	-	-	-	-	-	-	-	-1,385
School Improvement Monitoring and Brokering Grant	-950	-	-950	-	-	-	173	-	-	-	-777
PIP	821	-	821	-	-	-	-	-	-	-	821
COVID Funding	-10,860	-	-10,860	-	-	-	10,860	-	-	-	-
Local Council Tax Support Grant	-4,709	-	-4,709	-	-	-	4,709	-	-	-	-
Local Council Tax Income Guarantee	-2,735	-	-2,735	-	-	-	2,735	-	-	-	-
Other (incl funds to be allocated)	-7,421	2,013	-5,408	-2,115	-	33	-	-117	-	-	-7,607
Sub total	**-4,588**	**1,285**	**-3,304**	**-2,115**	**-**	**-3,260**	**4,337**	**-434**	**-**	**-**	**-4,774**
Net Expenditure	**403,365**	**-0**	**403,365**	**20,404**	**2,000**	**2,931**	**6,083**	**-1,862**	**-3,697**	**-**	**429,225**
General Working Balances and/or Additional Savings											
Budget / MTFS shortfalls											
Previous cumulative shortfall	-3,922										
2020/21 in-year position	803										
Subtotal	**-3,118**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-4,569**	**-7,686.80**
Net Budget Requirement	**400,248**	**-0**	**403,365**	**20,404**	**2,000**	**2,931**	**6,083**	**-1,862**	**-3,697**	**-4,569**	**421,538**
External Corp Funding											
Business rates											
From Districts	-19,673									-	-19,673
Top up from MHLUC	-48,043									-	-48,043
Cap Compensation	-									-2,036	-2,036
External Corp Funding Total	**-67,716**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-2,036**	**-69,752**
Council Tax Requirement	**332,532**	**-0**	**403,365**	**20,404**	**2,000**	**2,931**	**6,083**	**-1,862**	**-3,697**	**-6,605**	**351,786**
Tax Base	**235,662**										**239,742**
Band D Council Tax	**£ 1,411.05**										**£ 1,467.35**
Year-on-Year Increase											
£	£ 47.58										£ 56.30
%	3.49%										3.99%

REVENUE BUDGET AT DIRECTORATE LEVEL

BUDGET REQUIREMENT	2020/21 Budget/ MTFS £ '000	Changes	2022/23 Budget/ MTFS £ '000	Changes	2023/24 Budget/ MTFS £ '000	Changes	2024/25 Budget/ MTFS £ '000
Directorate Net Budgets							
Business and Environmental Services	74,289	5,171	79,460	3,749	83,209	3,826	87,035
Children and Young People Services	83,082	5,494	88,575	4,825	93,400	4,315	97,715
Health and Adult Services	180,792	13,562	194,354	8,654	203,008	9,556	212,564
Central Services	69,791	1,819	71,610	1,601	73,211	2,525	75,736
Corporate Miscellaneous	-4,588	-186	-4,774	-6,697	-11,471	-572	-12,043
Net Expenditure	**403,365**	**25,860**	**429,225**	**12,132**	**441,357**	**19,650**	**461,007**
Budget Shortfall	-3,118	-4,569	-7,687	-1,544	-9,231	-8,743	-17,974
Net Budget Requirement	**400,248**	**21,291**	**421,538**	**10,588**	**432,126**	**10,907**	**443,033**
External Corp Funding							
Business rates							
From Districts	-19,673		-19,673		-19,673		-19,673
Top up from MHLUC	-48,043		-48,043		-48,043		-48,043
Cap Compensation	-		-2,036		-2,036		-2,036
External Corp Funding Total	**-67,716**		**-69,752**		**-69,752**		**-69,752**
Council Tax Requirement	**332,532**		**351,786**		**362,374**		**373,281**
Tax Base	**235,662**		**239,742**		**242,140**		**244,561**
Band D Council Tax	**£ 1,411.05**		**£ 1,467.35**		**£ 1,496.55**		**£ 1,526.33**
Year-on-Year Increase							
£	£ 47.58		£ 56.30		£ 29.20		£ 29.78
%	3.49%		3.99%		1.99%		1.99%

CALCULATION OF COUNCIL TAX REQUIREMENT, PRECEPT AND BASIC AMOUNT OF COUNCIL TAX (BAND D EQUIVALENT) 2022/23

1. The County Council has a statutory 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.

2. Based on the Government's Provisional Funding Settlement figures announced in December 2021, the Council Tax and Precept position is set out below:-

COUNCIL TAX REQUIREMENT	**£ '000**	**£ '000**
Net Expenditure Budget		**429,225**
Contribution from Reserve (net shortfall)		**-7,687**
Net Budget Requirement		**421,538**
Funding from Business Rates		
Cap Compensation for BR	-2,036	
Share (9%) of BR income from District Councils	-19,673	
BR 'Top up' from Government	-48,043	**-69,752**
TOTAL COUNCIL TAX REQUIREMENT		**351,786**
District Council Tax Base (equivalent number of Band D properties)		239,742.44
Basic Amount of Council Tax per Band D property		£ 1,467.35
Increase over 2021/22 (£1,411.05)		
£ increase		£ 56.30
% increase		3.99%
Basic Council Tax Increase (1.99%)		£ 28.08
Adult Social Care Precept (2.00%)		£ 28.22
Increase in Basic Council Tax (including tax base)		11,917
Increase in Adult Social Care Precept (including tax base)		7,338
Total Basic Council Tax	311,383	
Total Adult Social Care Precept	40,403	
TOTAL BASIC COUNCIL TAX AND ADULT SOCIAL CARE PRECEPT		**351,786**

3. To produce a Council Tax per property, the amount required to be levied has to be divided by a figure representing the 'relevant tax bases'. For the County Council, this figure is the aggregate of the 'relevant tax bases' of each of the seven District Councils.

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

Billing Authorities	Tax Base (Band D Equivalents) 2022/23
Craven	23,234.41
Hambleton	37,907.40
Harrogate	65,124.71
Richmondshire	19,786.93
Ryedale	22,226.85
Scarborough	38,694.14
Selby	32,768.00
Total	**239,742.44**

5. Using the above information the County Council's equivalent Council Tax precept for a Band D property, based on a 3.99% increase, would be as follows:

Total Council Tax Requirement Relevant Tax Base	351,786,060 239,742.44
@ Band D =	1467.35

6. Using the appropriate 'weightings' for other property bands as determined by statute, the Council Tax precept for each property would be as follows[1]:-

Band	2021/22 £ p	2022/23 £ p
A	940.70	978.23
B	1,097.48	1,141.27
C	1,254.27	1,304.31
D	1,411.05	1,467.35
E	1,724.62	1,793.43
F	2,038.18	2,119.50
G	2,351.75	2,445.58
H	2,822.10	2,934.70

[1] All figures are rounded to the nearest penny

Appendix E

RESERVES SCHEDULE 2021/22 – 2024/25

	Actuals @31-Mar-2021	Est & Plan Movement 2021-22	Est @ 31-Mar-2022	Est & Plan Movement 2022-23	Est @ 31 Mar 2023	Est & Plan Movement 2023-24	Est @ 31-Mar-2024	Est & Plan Movement 2024-25	Est @ 31 Mar 2025
⊞		**(1,115,600.00)**	**(1,115,600.00)**		**(1,115,600.00)**		**(1,115,600.00)**		**(1,115,600.00)**
⊟ **GWB**									
⊞ **General Working Balance**	**(27,868,217.00)**	**(136,740.00)**	**(28,004,957.00)**		**(28,004,957.00)**		**(28,004,957.00)**		**(28,004,957.00)**
⊟ **Operational**									
⊞ **Business & Environmental Services**	**(16,558,496.31)**	**10,110,743.37**	**(6,447,752.94)**	**1,110,658.00**	**(5,337,094.94)**	**418,927.61**	**(4,918,167.33)**	**132,658.00**	**(4,785,509.33)**
⊞ **Business & Environmental Services - Misc Grants**	**(919,583.78)**	**500,000.00**	**(419,583.78)**	**419,583.81**	**0.03**		**0.03**		**0.03**
⊞ **Central Services**	**(11,056,239.73)**	**2,652,761.62**	**(8,403,478.11)**	**2,026,000.00**	**(6,377,478.11)**	**1,600,000.00**	**(4,777,478.11)**	**140,000.00**	**(4,637,478.11)**
⊞ **Children & Young Peoples**	**(13,079,019.65)**	**(1,386,152.55)**	**(14,465,172.20)**	**44,194.23**	**(14,420,977.97)**		**(14,420,977.97)**		**(14,420,977.97)**
⊞ **Children & Young Peoples**	**(1,747,654.96)**	**(281,000.00)**	**(2,028,654.96)**		**(2,028,654.96)**		**(2,028,654.96)**		**(2,028,654.96)**
⊞ **Children & Young Peoples - Misc Grants**	**(7,176,365.95)**	**4,183,794.35**	**(2,992,571.60)**	**658,000.00**	**(2,334,571.60)**		**(2,334,571.60)**		**(2,334,571.60)**
⊞ **Children & Young Peoples - Schools & DSG**	**(14,407,089.02)**	**18,245,855.38**	**3,838,766.36**		**3,838,766.36**		**3,838,766.36**		**3,838,766.36**
⊞ **Corporate**	**(40,084,966.10)**	**17,996,554.48**	**(22,088,411.62)**	**(1,817,070.14)**	**(23,905,481.76)**	**50,369.93**	**(23,855,111.83)**		**(23,855,111.83)**
⊞ **Health & Adult Services**	**(17,354,521.73)**	**6,045,363.26**	**(11,309,158.47)**	**713,883.04**	**(10,595,275.43)**	**500,622.01**	**(10,094,653.42)**		**(10,094,653.42)**
⊞ **Health & Adult Services - Public Health**	**(4,649,859.27)**		**(4,649,859.27)**		**(4,649,859.27)**		**(4,649,859.27)**		**(4,649,859.27)**
⊞ **North Yorkshire Education Services**	**(9,183,218.17)**	**1,892,253.86**	**(7,290,964.31)**		**(7,290,964.31)**		**(7,290,964.31)**		**(7,290,964.31)**
⊟ **Strategic**									
⊟ **LGR**									
LGR Reserve		(35,479,326.62)	(35,479,326.62)	10,000,000.00	(25,479,326.62)	10,000,000.00	(15,479,326.62)	10,000,000.00	(5,479,326.62)
⊟ **Local Taxation**									
Equalisation Reserve (CTax & BR)	(9,148,655.57)	1,348,655.57	(7,800,000.00)		(7,800,000.00)		(7,800,000.00)		(7,800,000.00)
⊟ **Strategic Capacity - UNALLOCATED**									
MTFS Shortfall	15,536,000.00	3,118,370.00	18,654,370.00	7,687,310.00	26,341,680.00	9,230,960.00	35,572,640.00	17,974,180.00	53,546,820.00
Strategic Capacity	(84,049,334.84)	(8,188,486.89)	(92,237,821.73)	116,000.00	(92,121,821.73)		(92,121,821.73)		(92,121,821.73)
⊞ **Strategic Capacity - Projects**	**(29,522,710.81)**	**3,832,565.73**	**(25,690,145.08)**	**330,000.00**	**(25,360,145.08)**		**(25,360,145.08)**		**(25,360,145.08)**
Grand Total	**(271,269,932.89)**	**23,339,611.56**	**(247,930,321.33)**	**21,288,558.94**	**(226,641,762.39)**	**21,800,879.55**	**(204,840,882.84)**	**28,246,838.00**	**(176,594,044.84)**

APPENDIX F

COUNTY COUNCIL'S 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 held at 31 March 2021 together with forecast movements over 2021/22 to 2024/25 is provided at **Appendix E.**

1.3 All the Reserves/Balances listed are reviewed and monitored on a regular basis by the Corporate Director – Strategic Resources. The level of the General Working Balance (GWB) is specifically reported to the Executive as part of each Quarterly Performance and Budget Monitoring report. Reserves are reviewed to establish:

- The current justification of the need for the reserve together with its intended use and the timing of that use;
- 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) thus eliminating the need for a specific earmarked reserve.

2.0 **Reserve Classification**

2.1 In order to provide clarity over the purpose and use of reserves they are categorised into the following types of Balances/Reserves:

- General Working Balance – this is the Council's funding of last resort. It provides the contingency to manage risk across the Council and is subject to a policy requirement;
- Operational (Directorate) – these reserves help to manage financial risk, commitments and support improvement within service directorates;
- Strategic – these reserves provide funding to support the corporate objectives and priorities set out in the Council Plan including: resources to support the long term viability of the Council; projects to improve infrastructure such as roads and broadband connectivity; funding to repay debt and/or generate cash returns; and funds for the transitional costs of Local Government Re-organisation.

2.2 The operation of reserves and balances are subject to the following:

General Working Balance

2.3 The current MTFS policy as agreed in February 2014 is to maintain the minimum level of GWB at:

a) A minimum of 2% of the net revenue budget (rounded to the nearest £m) in order to provide for unforeseen emergencies etc. supplemented by;
b) An additional (and reviewable) cash sum of £20m to be held back in the event of a slower delivery of savings targets.

2.4 The above policy is also accompanied by a set of "good practice rules".

2.5 These "rules" are as follows:

(a) that any underspending on the Corporate Miscellaneous budget at the year-end will be allocated to the GWB only if the balance drops below the target balance. Any other underspends will be allocated to the Strategic Capacity Reserve;

(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 The estimated profile of the GWB to 2024/25 is summarised in **Appendix E**.

Operational (Directorate) Reserves

2.7 These are specific funds for a range of initiatives and projects – current balances have been subject to challenge and work to establish appropriate spend profiles occurs as part of the council's budget monitoring and financial management arrangements. Appropriations to and from these reserves will be considered on a case by case basis.

Strategic Reserves

Strategic Capacity – Projects

2.8 These are specific funds for individual initiatives and projects which support the County Plan. Appropriations to and from these reserves will be considered on a case by case basis and funds will be allocated from the Strategic Capacity Reserve.

Strategic Capacity - Unallocated

2.9 This reserve was created from available balances within GWB and Corporate Miscellaneous as at 31 March 2016. Appropriations to this reserve will be dependent upon in-year revenue surpluses (beyond those required to top-up GWB) and windfall resources. The first call on this reserve will be to fund any revenue budget shortfalls after planned reserve movements.

2.10 Subject to available resources, appropriations from this reserve to fund specific projects will be subject to approved business cases.

Local Taxation Reserve

2.11 This reserve was created in 2017/18 to receive the surpluses and deficits on the County Council's share of Council Tax and Business Rates Collection Funds administered by the billing authorities (district councils) in North Yorkshire. The purpose of this reserve is to mitigate the risk of a significant Collection Fund deficit impacting on the revenue budget in a single year.

2.12 A maximum balance which is sufficient to provide a reasonable internal 'safety net' is proposed at 2% of these income streams – estimated at £8.4m for 2022/23.

2.13 Should this maximum balance be exceeded then the excess will be released to the Strategic Capacity Reserve for alternative use.

2.14 A minimum balance of £1m is held and if this is insufficient to meet an expected net Collection Fund deficit, then the Strategic Capacity (Unallocated) Reserve will be used to fund any shortfall and reinstate the minimum balance.

Local Government Re-organisation (LGR)

2.15 This new reserve has been established to support the additional costs of transitioning to the new unitary council as identified in the County Council's LGR business case. Baseline funding of £31.5m has been earmarked with the potential for further funds from underspend forecast in 21/22 (at Q2 a further possible £4m).

2.16 Appropriations from and to this reserve will be considered on a case by case basis.

Appendix G

NORTH YORKSHIRE COUNTY COUNCIL
MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2021/22 to 2024/25

EXECUTIVE SUMMARY

		2021/22 £ '000	2022/23 £ '000	*2023/24 £ '000*	*2024/25 £ '000*
A	**Starting Position**	389,489	400,248	*421,538*	*432,126*
B	**Inflation**				
	Pay Awards	3,751	4,803	*4,164*	*4,267*
	Other Inflationary Costs	10,000	15,601	*12,600*	*12,500*
	Pay Review	250	-	-	-
		14,001	20,404	*16,764*	*16,767*
C	**Increased Spending / Growth Requirements**				
	BES				
	Waste	250	-	-	-
	Red Diesel Withdrawal	-	300	-	-
	Central				
	Appropriation to Reserve - C Tax deficit	5,026	(317)	*(4,709)*	-
	Locality Budgets	720	-	*(720)*	-
	Insurance	1,000	-	-	-
	System Developments	-	187	*214*	-
	Corporate				
	Treasury Management & Capital Financing	1,664	(1,792)	*(2,113)*	*(572)*
	Business Rates Adjustment	1,133	(567)	*(566)*	-
	NI Health Care Levy	-	1,600	-	-
	Brexit Contingency	-	(1,500)	*(1,500)*	-
	Corporate Redundancy Fund	(2,000)	-	-	-
	Elections	1,000	(1,000)	-	-
	Commercial	1,200	(300)	*(400)*	-
	Carbon reduction/Environmental Initiatives	1,000	(1,000)	-	-
	PPE	1,000	-	-	-
	Hospital Discharge	-	1,750	*(1,750)*	-
	CYPS				
	Children and Families	(350)	-	-	-
	High Needs	(1,080)	-	*2,000*	*2,000*
	Transport	1,480	2,500	*500*	-
	CYPS Capital	(1,000)	-	-	-
	Partners in Practice	515	-	-	-
	Digital EHCPs	340	(175)	*50*	-
	School Improvement	-	225	*(50)*	*(125)*
	HAS				
	Adult Care	2,000	2,000	*2,000*	*2,000*
	Market Pressures	5,100	-	-	-
	Impact of Covid on HAS	478	(478)	-	-
	Market Sustainability/ Fair Cost of Care Costs	-	1,636	-	-
		19,476	3,069	*(7,044)*	*3,303*
D	**Cost Reduction / Savings Requirements**				
	BES				
	2020 Budget Savings	(570)	(1,080)	*(150)*	*(74)*
	Central				
	Central Services Budget Savings	(989)	(666)	*(384)*	*(216)*
	Procurement & Contract	-	(150)	*(250)*	-
	Corporate				
	Travel	(1,000)	-	-	-
	CYPS				
	2020 Budget Savings	(1,497)	(278)	*(245)*	*(130)*
	HAS				
	2020 Budget Savings	(370)	(1,523)	*(900)*	-
		(4,426)	(3,697)	*(1,929)*	*(420)*
E	**Adjustments to Funding**				
	Corporate				
	New Homes Bonus	527	(144)	*1,647*	-
	Rural Services Delivery Grant	(409)	-	-	-
	Social Care Support Grant - 21/22	(1,180)	-	-	-
	COVID Grant	(10,860)	10,860	-	-
	Local Council Tax Support Grant	(4,709)	4,709	-	-
	Local Tax Income Guarantee	(2,735)	2,735	-	-
	Social Care Grant 22/23	-	(5,797)	-	-
	Services Grant 22/23	-	(4,668)	*2,334*	-
	CYPS				
	School Improvement Grant	-	173	-	-
	School's Central Services DSG	420	360	*360*	-
	Extended Rights Transport Grant	(150)	-	-	-
	HAS				
	Improved Better Care Fund	-	(509)	-	-
	Market Sustainability and Fair Cost of Care Funding	-	(1,636)	-	-
		(19,096)	6,083	*4,341*	-
F	**Use of General Working Balances (GWB)**				
	MTFS Balance/(Shortfall)	803.30	(4,569)	*(1,544)*	*(8,743)*
		803	(4,569)	*(1,544)*	*(8,743)*
G	**Total Net Budget Requirement**	400,248	421,538	*432,126*	*443,033*
H	**Funding Sources**				
	Business Rates Top Up	(48,043)	(48,043)	*(48,043)*	*(48,043)*
	Business Rates District Councils	(19,673)	(19,673)	*(19,673)*	*(19,673)*
	Cap Compensation	-	(2,036)	*(2,036)*	*(2,036)*
		(67,716)	(69,752)	*(69,752)*	*(69,752)*
I	**Balance Required from Council Tax**	332,532	351,786	*362,374*	*373,281*
J	**District Council Tax Base (Band D equivalents)**	235,662.19	239,742.44	*242,139.86*	*244,561.26*
K	**Basic Amount of Council Tax (Band D)**	**1,411.05**	**1,467.35**	***1,496.55***	***1,526.33***
	Annual % Increase		3.99%	*1.99%*	*1.99%*

MTFS Balance/Shortfall Workings

1,411	**1,467**	***1,497***	***1,526***
332,532	351,786	*362,374*	*373,281*
331,728	356,355	*363,918*	*382,024*
803	(4,569)	*(1,544)*	*(8,743)*

Summary of In-Year Budget Shortfall	(3,118)	(4,569)	*(1,544)*	*(8,743)*
Cumulative Budget Shortfall		(7,687)	*(9,231)*	*(17,974)*

Appendix H

Your services, your say results

1.0 Introduction

The online survey ran between 13th December 2020 and 17th January 2022 and was publicised via social media, the council website and press releases. Further information on the budget was available on the website. Members of NY Views were informed of the survey.

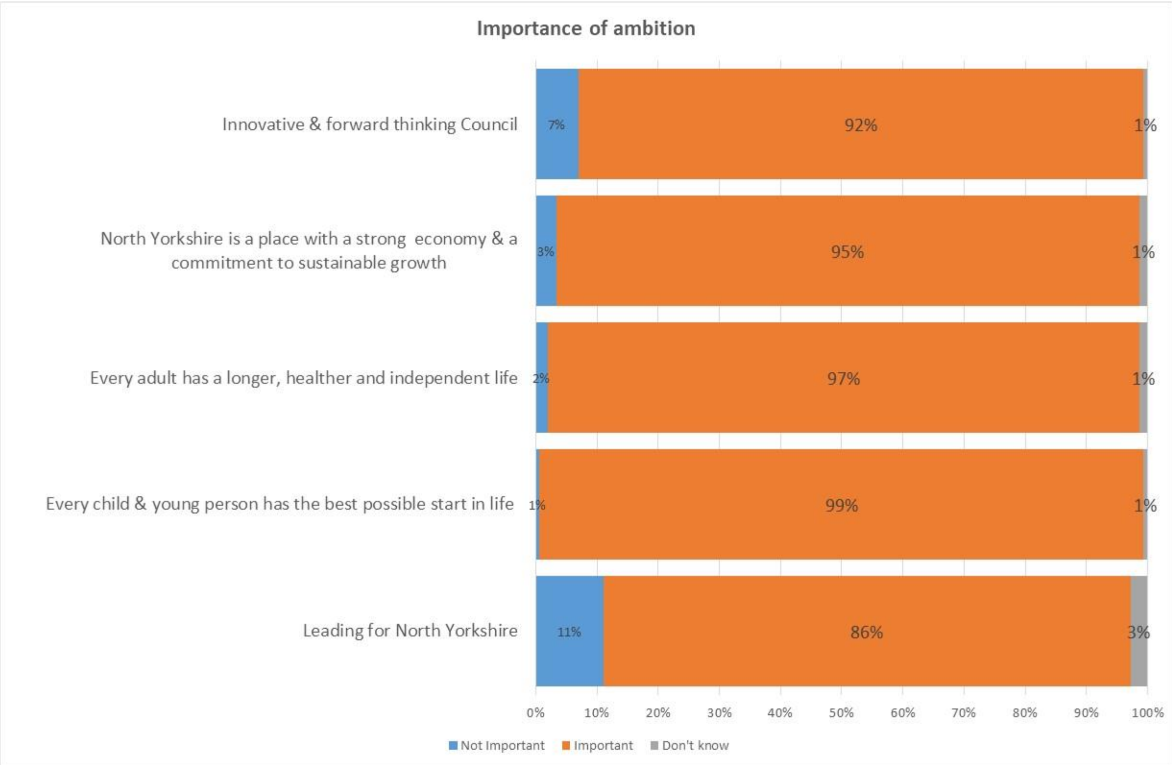
We have received 158 responses to the budget survey. This document details the unweighted results of the survey.

2.0 Background and methodology

Summary of main findings

Council plan

The council plan directs how we prioritise our spending to achieve our outcomes within the constraints of our budget. Respondents were asked to rate the importance of each of our council plan ambitions.

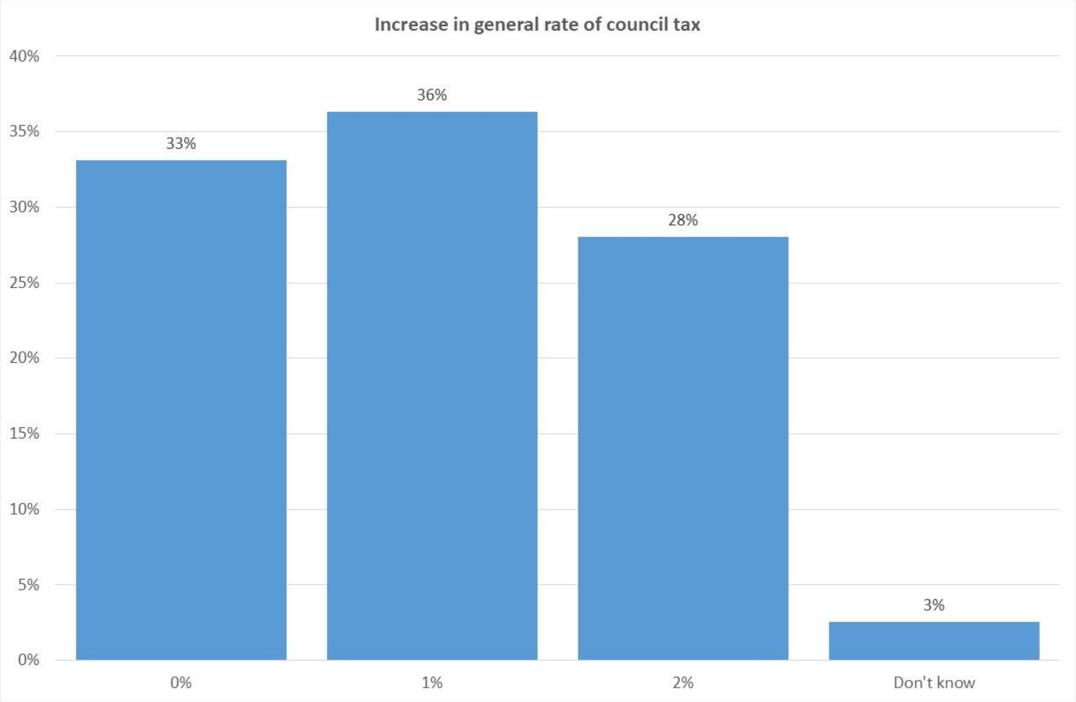


The majority of respondents felt that all of our ambitions are important to some extent:

- 99% felt 'Every child and young person has the best possible start in life' was important (84% very important / 16% fairly important).
- 97% felt 'Every adult has a longer, healthier and independent life' was important (81% very important /18% fairly important).
- 95% felt 'North Yorkshire is a place with a strong economy and a commitment to sustainable growth' was important (63% very important / 33% fairly important).
- 92% felt 'Innovative and forward thinking Council' was important (55% very important / 37% fairly important).
- 86% felt 'Leading for North Yorkshire' was important (50% very important / 36% fairly important).

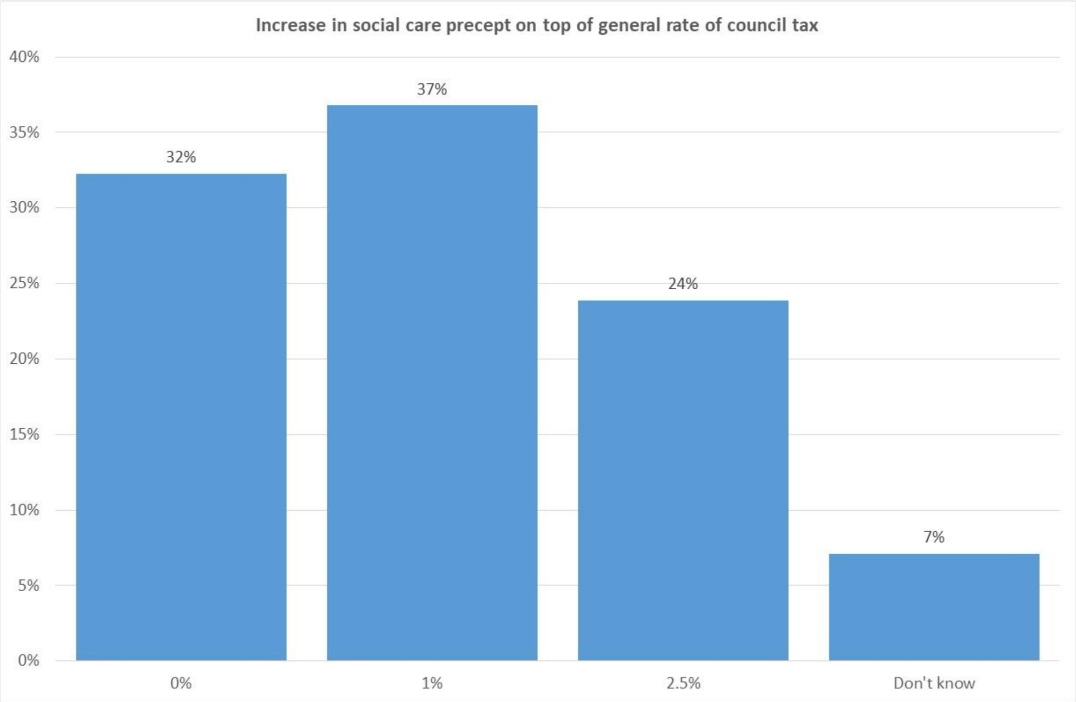
Budget

Respondents were asked how much would you support the County Council increasing the general rate of council tax to fund Covid recovery and our priority areas in 2022/23.



64% of respondents supported an increase of some sort, 33% supported a 1% increase, 36% a 2% increase but 28% did not want any increase. Last year 68% of respondents agreed with a council tax increase of 1.99% and 24% disagreed.

Respondents were told that the government had said in the spending review that councils could raise council tax by up to an additional 3% for social care and asked what additional increase their should be for social care.



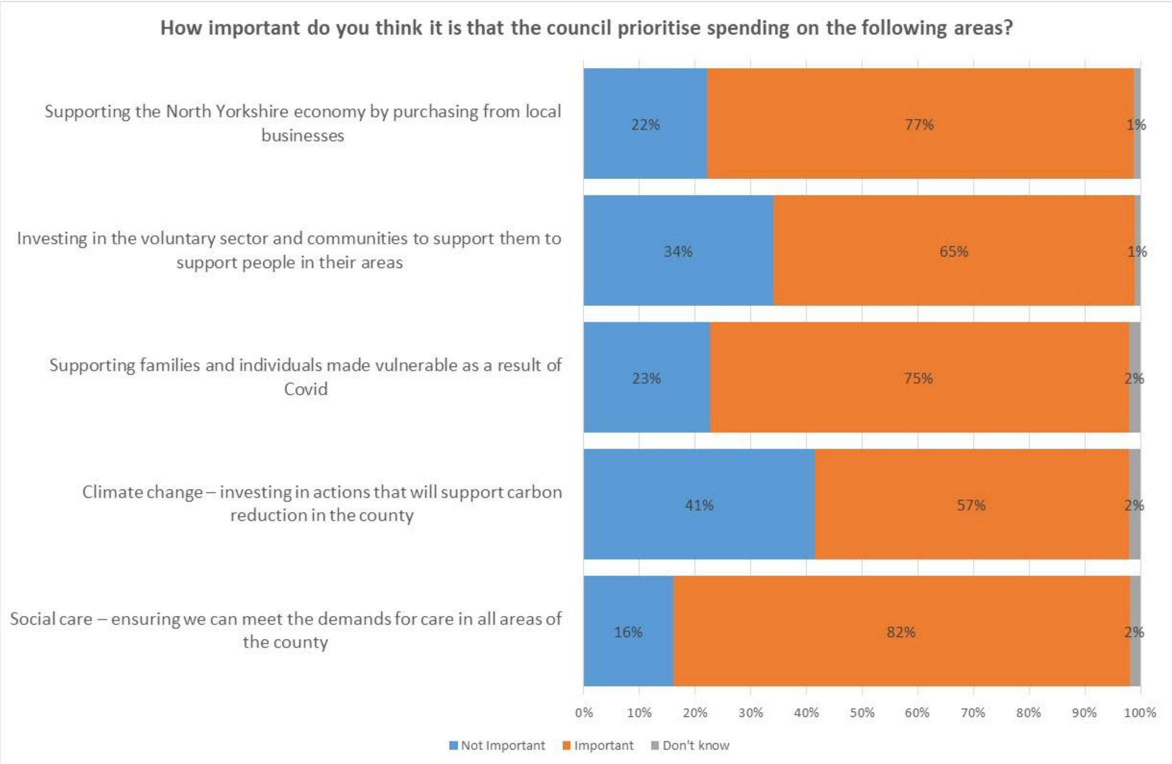
32% did not support an additional increase on top of the baseline for social care. Of the 61% that did support an increase, 37% support a 1% increase and 24% support a 2.5% increase. 7% stated they did not know.

Last year 75% supported an additional increase for social care. Of these 31% supported a 3% increase, 14% supported a 2% increase and 25% supported a 1% increase. 20% did not support an increase.

Respondents were asked to make suggestions on how to fill the funding gap. 53 respondents commented the most common comments made were:

- National solution / lobbying (16)
- Staffing / councillor costs (9)
- Efficiency savings / improved working (7)
- Health and social care (5)
- Unitary (4)
- Unnecessary spending (3)

Respondents were asked how important they thought it was that the council prioritise spending on a number of key areas.



Respondents were asked how important they thought it was that the council prioritise spending on a number of key areas:

- Social care – ensuring we can meet the demands for care in all areas of the county support - 82% fairly important or very important.
- Supporting the North Yorkshire economy by purchasing from local businesses – 77% fairly important or very important.
- Supporting families and individuals made vulnerable as a result of Covid – 75% fairly important or very important.
- Investing in the voluntary sector and communities to support them to support people in their areas - 65% fairly important or very important.
- Climate change – investing in actions that will support carbon reduction in the county - 57% fairly important or very important

The final question allowed respondents to make any further comments they had. 43 respondents made a comment. The topics that comments most commonly related to were:

- Affordability (8)
- National solution / government (4)
- Economic development as a priority (4)
- Efficiencies (3)
- Environment as a priority (3)

Respondents

Respondents were asked for some demographic information.

Craven	6	4%
Hambleton	45	30%
Harrogate	27	18%
Richmondshire	14	9%
Ryedale	14	10%
Scarborough	34	23%
Selby	11	7%

Respondents from across the county completed the survey. The highest proportion of respondents came from Hambleton followed by Scarborough and Harrogate.

20-29	8	5%
30-39	14	9%
40-49	13	9%
50-64	67	43%
65-74	29	19%
75-84	11	7%
85 and over	2	1%
Prefer not to say	11	7%

The majority of respondents were aged 50-64 (44%).

Comments

Q3. Are there any other issues we should be considering?

Environment

- Rewilding
- Access to the outdoors/countryside for all
- Greener living and infrastructure linked to transport
- Green agenda - impact upon Climate change and the Natural World
- Improving the county's impact on the environment.
- There needs to be greater commitment to protecting and improving the environment.
- The environment and climate change must be a key part of the council's strategy.
- I am pleased to see the leadership role around climate change listed in the council's ambitions
- I'd want to see the definition of "sustainable" around growth - it's crucial we re-use and recycle to the best of our ability - and show a strong commitment to fighting climate change. I also want to see a commitment to supporting and developing the rich cultural and creative community in the county.
- As a Council act set a high standard of cutting down on waste and eliminating the use of plastic items and toxic inks. Create the simplest, and most informative recycling operation possible. Collect all types of plastic and food waste. At the same time encourage residents to waste less. More information to convince people that what they are recycling does not end up in landfill or sent for incineration. I am currently unconvinced.
- Addressing climate change needs to underpin all the above ambitions. To be sustainable, innovation, growth, equality and quality of life will depend on how we look after and engage with the environment.

Budget

- The Council should continue to press for a better financial settlement for rural authorities such as North Yorkshire. Delivering services in a city such as Leeds and Manchester is very different to rural North Yorkshire.
- People are living in poverty already
- People are living in poor conditions already and in debt cannot sustain price increases
- Accountability and transparency on how public money is spent
- NYCC should concentrate on providing what it is lawfully mandated to, no time or money should be spent on 'nice to have' services or things to do

Highways

- Please don't get carried away with creating pedestrian or cycle only areas in towns. It's a great idea in theory but for disabled or elderly people it can be a problem. The idea of shopping without traffic is great but you then have to carry said shopping home again or balance it on a bike. Not everyone can do this without resorting to a bus or car.
- Make plans to replace Whitby Swing Bridge asap, before it's health becomes terminal!
- Improve road conditions
- Pot holes!!!!!!!!!!
- Dual the A64 as your top priority - long over promised and overdue since 1905

- I ……. have become very disappointed with the state of my local pavements and some road surfaces. As someone who prefers to walk into town but who also suffers from arthritis I find that the condition of the pavement surface (uneven and damaged) makes the pain in my knees more severe. Also the car parking problems seem to get worse.

Community Safety

- Need to concentrate more on the massive increase in drug dealing, anti social behaviour. Dog excrement on pavements, basic things like keeping streets clean and maintained. Council tax should not rise as there has been no improvement to any services, in fact they have gone backwards.
- Better lighting, for safety in surrounding villages
- Safety for women and girls in designs of open spaces eg. sufficient lighting etc
- More visible and active policing to combat deteriorating standards of public behaviour.

Housing

- Take into account how many houses are being built.
- The impact of reduced servicing to the existing residents and the intense building developments that are not linked to employment roles, the infrastructure has not extended to meet need and this if increasingly evident, not only are there untreated road potholes these are frequent in the pavements too.
- Consider more affordable housing for the younger generation, what is happening right now is not enough, and for the retirees who want to down size to be able to release their larger homes to them. We are all supposing to be living longer? Give us some retirement villages with smaller individual homes not high rise units.

Health and social Care

- Need to ensure that Adult Social care receives the support it needs
- Making careers in the care sector more attractive to people living in North Yorkshire. Making care providers more accountable for the quality of care they deliver by advertising how much we may them and what the outcomes are and putting them on a league table....transparent care services for all.
- Provision for older adults in terms of health and social care
- Two issues, namely the lack of NHS dentistry provision and care for elderly and disabled.
- Ensuring all aspects of the healthcare system are improved and fully operational.

Economic Development

- Scarborough town centre needs the empty shops filling and to be made a more pleasant place to visit. It feels intimidating and not somewhere I like being with a young child
- Balanced outlook for increasing Scarborough tourism with some classier projects. Don't try to turn us into another Blackpool please!
- and what if a strong economy and sustainable growth are incompatible?????
- Better universal access to fast speed internet. Some areas are still shockingly poor, which in turn have a knock on impact in the ability to move forward with innovation and strong economic growth

Litter

- Rubbish, litter - currently our village and local area is blighted by it. Why are people so uncaring and dump it. Also dog mess. Not enough Dog Warden support in Scarborough - fund them and get them working to resolve these inconsiderate people.
- Litter, fly tipping and graffiti, which are important if a happy life is the aim.

Staffing

- I think a re-look at middle management and how team leaders are graded across HAS sector as there seems to be a big discrepancy between pay grades for very similar jobs which old job descriptions may not reflect
- Have management that goes out and checks things, and employ people who actually know what they are doing.

Young People

- Young people be given priority as they are the future. The health of everybody is also a priority. Jobs next. The rest can be out on hold.
- Standards of education, early years and family services, youth services. School budgets especially given rurality. Lobbying the central Conservative government to actually provide funds make a difference in their promised 'levelling up'
- Feel more should be spent on youth services to allow all youngster to have the opportunities to attend youth clubs which offer up-to-date opportunities. Some kids will love outdoor opportunities some technology opportunities, some fashion ,music and theatre opportunities. We used to have Youth clubs which were a great leveller. Seems our youth are missing out. Why can't the local facilities be shared I.e. Scout huts, churches village and town halls do there bit. Seems the equality only goes so far.

Communities

- Developing shared sense of North Yorkshire identity that supports what our communities have in common whilst recognising the unique contributions each makes in its own right. Making the move to being a unitary authority a success will require winning hearts and minds to look for shared solutions.
- Prevention is the way forward.
- Would like all services which we pay for through Council tax to be the best in every area. Not just in the larger towns. I sometimes feel ashamed of the state of the Landscape hard and soft areas in an around all of North Yorkshire. The smaller towns, villages should have confidence that their services are as good as they are in the touristy areas.
- Home support mechanisms to offer support to the isolated in rural areas, without a bus service and few community centres to meet. This would prevent total isolation, relying on a phone call is hardly enough.

Other

- Preserving the History and Heritage of North Yorkshire, both natural and in terms of buildings, records etc. It's the only thing that once lost can't really be brought back.
- Ensure that party politics has no place in the running of the council
- A diverse and proportionally elected Council.

Q4. Do you have any suggestions on how the funding gap could be filled?

National policy and council tax

- Go back and tell government it can't be done. You are a conservative council! 4.5 percent increase is appalling. Failing that, go bankrupt and prove the point. How much money will be wasted on the costly reorganisation next year?
- Invite the wealthiest residents who benefit from the lower rate of capital gains tax (cp to income tax) to contribute the difference between this and income tax rates to the County Council to contribute to social care funding for the most vulnerable and financially insecure. Increase taxes on second homes. Invite all those entering the National Park other than residents to pay an entry fee to fund road repairs (like a bridge toll). Accommodation tax on those staying in hotels etc.
- More money from central government raised by an equal and fair tax system.
- Our personal funds have gone done drastically over the last few years also with rising costs in living - foodbanks etc are getting more widely used, extra funding needs to come from central government not local people who are already on poverty lines
- Government have provided additional funding and this needs to be taken into account. Especially with rises in taxes, National Insurance and fuel making it difficult for a lot of people to make ends meet.
- Increase zero car tax to £30 minimum per car, as all create potholes and impact on the environment. Use money for roads and transport which will free up some funds to reduce the gap.
- I think most households in my Housing bracket cannot afford an increase in Council Tax. This is not to say I think the funding is enough, only that many people are already struggling with increased costs of living that are projected to get higher. Lobbying Central Government to tax businesses properly might be a way to increase overall public spending.
- More money from the Treasury. Ensuring all benefits are claimed from the government. Supporting charities that help North Yorkshire people.
- More people need to be in work and paying the full council tax rate. The government should be providing any additional funding after crippling the economy with covid restrictions.
- Double council tax for second home owners. Commercial house builders should contribute to public transport infrastructure as well as roads, schools etc. New developments should not be built without additional public transport being put in place.
- Lobbying the Government / MPs to recognise the rurality of the county and the extra pressure that puts on delivering core services and to match that with appropriate funding.
- Pressure on government to get them to really level up across the board as promised in their manifesto.
- The responsibility for the funding issues lies squarely with central govt. There have been years of cuts and we are now seeing the sharpest of sharp edges as a result. I'm aware there was a better than expected settlement this year, but that will not repair the huge damage done. Westminster must recognise its responsibilities and fund local govt properly. I'd expect senior county councillors to use their local contacts and put the required pressure on the Chancellor.
- The government has sufficient funds to support local councils. NYCC is earning it's own money with private enterprise , which must present a conflict of interest with external companies
- Scrap police commissioner. Non job.
- It’s time all the LAs stood up to the Govt to dispel the myth that taxes, whilst important, DO NOT fund public services & demand proper funding. Shame you didn’t do it 11 years ago when the lie that is Austerity was first touted. Also it cannot possibly cost £39k a month to look after 1 older person in a care home.
- Reversing brexit and getting rid of the tories.

Staff and councillors

- Look more closely on internal staffing productivity and how many staff for such is really needed. Also check how other similar councils are making urgent savings if at all
- Cut the number of highly paid officers to a bare minimum, thus saving their immense salaries, cut expenses for councillors and reduce their numbers.
- Look at expenses that staff get, could costs be reduced. Do staff receive expenses for refreshment when they are out of the office/attending meetings, in which case they should not, they would eat and drink anyway. This I realise may only be a small saving, but the old adage, "If you look after the pennies the pounds will look after themselves" is true. Others may come up with other smaller savings but ALL savings add up.
- Reduce Chief Executives salary
- Trim costs at the top of your payroll
- Limit the wage increases and salaries of all Council employees. Most of who are not low paid. We are all supposed to be in this together.
- Stop paying some of the management staff such high salaries. The standard answer that if we do not pay high salaries we would not get the correct quality of person. This is a …. answer. Used people who have experience, do not need degree.
- Much tighter management of staffing costs and ensuring all employees do a full day's work for a good rate of pay.
- Stop paying council officials so much.

Efficiencies

- Utilise the labour available via the probation service clients, end the unnecessary repetition of management roles that do not produce measurable outcomes, reengage the road weeding available in the town sites to the village areas, assess the role of the dog warden service and their effectiveness, the crime and fire commissioner has no measureable success and accountability to the community - why?
- Building on the county response and approach to managing the pandemic that saw better integration of both statutory and community based health and social care services - that improve customer experience and reduces overheads across the system.
- Outsourcing services, rationalising the number of premises, reducing staffing, reducing the number of vehicles, withdrawing essential car user allowances, increasing the electric vehicle fleet, rationalising the number of management posts etc.
- Less outsourcing it nearly always costs more than in house.
- Instead of looking at a year on year increases NYCC should look at zero based budgeting. Requirements change, ways of doing things change
- Stop wasting money mowing and strimming every blade of grass every 2 weeks, this ill lawo mitigate climate change and cut lung damage from particulate pollution and preserve bees and biodiversity in general

Social Care

- Work with care providers to make private cost / public cost the same ie not subsidising
- Care providers need to make less profit and not have the monopoly that they have in Harrogate. Go back to the days of Council funded care put the money back into the service.
- I have paid the precept and the rate increase willingly for the past few years - but when does this stop? I don't have any extra money coming in. My NHS deductions are going to increase in 2022 too. I have seen the price of care costs (adult social care) and I'm not convinced we are getting good value for money. Rather than set a precept every year why don't you put more focus on the

quality we are getting for our money? If you think the taxpayer is getting good quality for their money - why don't you advertise it? I don't know what you have spent the precept on in the last few years - and now you want more money....where did that last lot of money go? It would be easier to support if it were more transparent - but all I can see are nursing homes going bust, no care available in people's houses and lots of staff stood around talking about problems, but not doing a right lot being done about it.

- I won't support a precept when I believe you are not commissioning the care industry effectively. You are giving a lot of money to specific care homes in my area and I don't know why and letting others fail..... I wonder if you will be brave enough to publicise it and be honest about how the precept is being spent? My mother can't find care....I am doing it because there is nothing available in my area. Relatives in the past gave found care no problem....it's the worst it's ever been, and despite your annual plea for more money, I'm seeing no improvement. If someone asked you for a tenner and said they were going to use it to make care better/ work better you'd probably give it..but then things got worse but you were being asked for another tenner, so you begrudgingly agree, thinking things might just take time to fix.....but things get worse...but you get asked for more and more tenners. Would you agree? I don't understand how you've spent my money. If anything I'm worse off, because I have to provide care and then pay you for the privilege.
- When I hear how much some social care costs per week - I struggle to comprehend it. Surely long term Council run residential would be cheaper than the expensive privately run places.

Fees and charges

- Increase Tourism related fees such as park and ride fees. Pass costs on through charges on people who can afford to visit the area and let local people benefit who serve those visitors. What about a tourist tax on local hotels and guest houses? The money could be used to reinvest back into local services
- There is so much money to be made through parking fines, dog fouling, littering and other offences that attract a financial penalty that are never capitalised upon.

Reduction in property

- Assuming many office based staff now work from home, could the Council look to reduce its buildings portfolio with resultant reductions in running costs.
- Cut down on waste. Stop building lavish council offices.

Unitary

- You do not seem to have included the vast amount of capital money you will be inheriting from the districts when we become one big 'happy family' of One North Yorkshire in 2023. Surely this will impact upon the budget enormously??
- Becoming a Devolved council promised £m's of savings and grants from central Govt. Adding to the below inflation salary increases over the last decade and impending tax/cost of living rise by raising Council tax is unacceptable.
- Radical and serious look at efficiencies in operating the (new council). Commitment to brave decisions to properly scrutinise for and cut waste. Is the use of part or all of the facilities at County Hall really that important AND cost effective? An ageing dispersed campus style facility vs a tight homogenous modern purpose built one? If climate change is really that important why is the council not radically embracing associated money saving or generating schemes? Utilise assets that large organisations have - space and facilities to install PV panels, solar water heaters, wind

turbines etc and educate counsellors and the public with a proper committed long term communication plan to show the medium to long term economic benefits.

Unnecessary spending

- Eliminate all unnecessary spending starting with discretionary spending given to Councillors. Stop investing in owned businesses (e.g. Brierly) and stop competing with the private sector (e.g. leisure centres).
- Reduce unnecessary purchases, such as the useless and horrible 'Craven' signs.
- Stop giving money to ridiculous art projects.

Other

- Better use of community resources. Encouraging individual's to be responsible for making plans and implementing environmental changes in preparation for their own futures. Encouraging all new housing to be efficient life times homes to accommodate the differing needs over a life span as well as being eco friendly. Reducing the "prevention" offer, ie low level provision be funded via benefits by the individual.
- More flexibility with housing development - and get developers to make greater contribution to local needs based on reducing council budget pressures.
- The funding will be met because of all the new build houses that have been built in the area that are now adding to the budget that didn't previously.
- There was a big enough increase last year and with the Covid lockdown, monies should have been saved as there was next to nothing done by the council in this time period
- Get people claiming unemployment benefit back to work if they are able to.

Q7. Further comments

Affordability

- Working families who do not claim benefits are feeling the economic impact. My own wage has increased a decent amount over the last 6 years, yet at this time I am almost in the same financial struggle that I was when my wage was considerably lower. We cannot expect families like this to continue absorbing the costs when they are just about managing at this moment.
- I think an increase in council tax would put more unnecessary pressure on working families that are already struggling to pay high increases in bills
- Needs to be more help for disabled people struggling to pay their council tax bills and not enough services to help them instead of focusing all the money on the elderly care
- There is no need for yet another rise in council tax. There hasn't been a year in a number of years there has not been a rise despite all the new houses in the area. These new houses increase the budget greatly so should be shown to fill in the gap of budget. Everyone is struggling financially and shouldn't have another hit by increasing council tax the council should support the residents and leave it as it is which is already too high.

- There is very difficult balance where many families are going to be significantly worse off due to rising fuel prices, impacting gas and electric for homes and businesses; rising transport costs impacting the cost of necessary items for both businesses and communities. We need to ensure services support those who need support but also make best use of resources available.
- Please consider the impact the rise of fuel bills and inflation is having on working families that are on low incomes or like myself on a low fixed budget a rise in Council Tax will cause untold misery to thousands so please think again about increasing it
- It is vitally important to me that adult social care is prioritised and that our most vulnerable in society, ie. older people, and disabled people receive the care that they need and have a right to receive, and whilst I can understand the need for a rise in council tax to help financially support these and other vital services, I very much fear that I and many others who are in receipt of welfare benefits will really struggle to pay for a large increase, particularly as there is already a cost of living crisis, food price increases, huge energy prices looming etc. I am already faced with having to choose whether to ration heating my home or eating. I simply cannot absorb a council tax rise without it affecting my ability to keep my home warm or to eat. I am already suffering poor physical and mental health.
- Council tax already too high………

Economic development

- I would like to see overall further consultation and investment around transport and tourism across the smaller areas of our district as well as investment in preserving our heritage. I would like to see stricter planning policy for new developments and if they must happen - more focus on green development, environmental impacts, the infrastructure to support the additional housing pressures (college & schools, surgeries, transport again etc) and on keeping prices affordable for existing families. I hope that the formation of the new council will mean a change that brings a fairer share of spend across the district and a move away from Harrogate seemingly receiving the majority of money being spent mainly in Harrogate, bringing little impact or benefit to the surrounding areas in the district. In my opinion as a resident of Ripon - it has been largely left behind since local government reorganisation many years ago and we are in danger of losing historic buildings and our ancient history as one the UK's smallest & oldest cities. The loss of our university in the early 'noughties' to York and the subsequent rolling closure of the army camp has hugely affected the economy over the years. I would love to see some of these areas being redeveloped in a much more community focused way considering further education, leisure facilities and small business developments to bring improvements for the whole area, instead of just mass housing and nothing else in between. I'm a big supporter of improved transport links (as an example only there are only a handful of buses a day to Northallerton but there are buses every 15 minutes to Harrogate / Leeds). If it was looked at again - I would also strongly support our rail link being reinstated (ideally via Thirsk to meet the east coast line) to hopefully create greener commuter links, better travel options for residents, take more cars off the roads and increase tourism..
- Feel Covid had lot of financial problem on business and self employed business. Many business have had to go in administration. Very sad.
- The impact of increasingly large house building developments lack of employment roles to new residents the infrastructure has not extended to meet need and this if increasingly evident, The untreated road and pavement potholes and the un gritted roads cause increased access for medical intervention. The need for the majority of coastel residents to travel to York Hospital for essential intervention is no longer viable due to train service reduction, fuel costs. York Health Trust manages the budget and allocates its services centrally, this is NHS led and not patient led. Many have expressed concern to no avail - a sad end to care in England.

- Please ensure that future council developments are made for the full benefit of Scarborough. There is a wealth of heritage in this area which can attract business and tourism for the long term future. Council members should be reminded that they have been elected to serve the people of the borough, and not to polish their own ego's.

Efficiencies

- Savings CAN be made and should be, rather than simply relying on raising council tax which affects almost every person in NY.
- It's a good exercise but improving efficiencies and reducing wastage across public services will also help. Each organisation needs to understand their role in the long term financial health of the county, which in turn will benefit everyone. Then any additional funds raised will go further and have more impact.
- Try to identify areas to save money. The identification of unnecessary streetlights from 12 midnight would be a saving. Time to get away from the idea that councils must provide everything to everyone…..we can't afford it.

Government

- A rise of 4.5 percent is appalling. With rises in NI, inflation and rising interest rates, the reorganisation surely has to be postponed, paused or scrapped. A tone deaf central government that cares nothing for anyone, please reconsider.
- I don't agree with people living in a one bungalow been in the same band as people in 2 and 3 bedroom houses
- Funding for social care should come directly from central Govt via the NHS.
- I think that some of the later questions are for the National Government to address and not the County Council.

Highways and housing

- Sort out the highways department they are useless and the roads are a disgrace
- The County infrastructure needs huge investment, this should prioritise walking, Cycling, public transport for both commuting, wellbeing and leisure
- Roads need attention, homeless need homes.
- Housing development continues to worry people due to the loss of open spaces, extra drain on local resources, schools and services.

Fees and charges

- Increase Tourism related fees such as park and ride fees. Pass costs on through charges on people who can afford to visit the area and let local people benefit who serve those visitors. What about a tourist tax on local hotels and guest houses? The money could be used to reinvest back into local services
- Dog fouling never seems to get a mention but it is a daily problem for me, as a pram user. I often report and see absolutely no improvement. If the council is so desperate for money, why not make an effort to fine these offenders. The posters say £1000 fine. There you go - money to be made instead of increasing my tax. My wages have been frozen for years. Council needs to be more inventive and stop penalising hard working people.

Other

- Policing needs to be more proactive, curb on drug dealing, Anti social behaviour current state of town is quite bad, certainly in reference to other different council areas I have been to
- We need councillors to work together for the greater good …… …It is so important for people to have faith in their councillors.
- Money is coming in from very large housing developments all over, yet this additional funding is never itemised or taken into account. More transparency on this will serve to decrease suspicions that tax rises are really necessary at the levels you seek.
- I think often local government plans are short sighted and try to simply reverse the problems they are facing rather than look for realistic ways of solving them/mitigating them. For instance an ageing and declining population is a problem but instead of building more houses, creating more jobs, attracting immigrants etc. which isn't easy to do and isn't always popular, we should turn the problem into a positive by making more conservation sites (even if it means turning a more standard brownfield site into a meadow etc) and making buildings (when they do have to be built) look attractive and the type of things that will last and be liked by the community (classical style architecture), and expanding museums and natural heritage sites in order to attract more tourists to improve the economy, improve quality of life and provide some job and education opportunities. Similarly I feel the climate change agenda should focus on conservation and negating the potential negative effects of environmental change rather than trying to avoid them by investing in largely useless projects like wind turbines or electric cars.
- The basic services are important to us and are included in the payment of council tax we pay which has gone through the roof.
- Change the mindset that costs have to increase
- Social care reform has to be a major priority both locally and nationally. It affects most families at some point. The current system is broken.
- Don't worry about it, the end is nigh, roll on the reorganisation.
- Please do not fall for the govts lies that the pandemic is over. We all know it's not. Bring more protection measures in if need be. Go rogue if necessary. It's time all the lies were exposed.
- Individual budgets to councillors should be scrapped. NYCC should be looking for value for money in providing the services it is mandated to carry out.
- We need to keep the community charge rise as low as possible due to the high cost of living forced upon us with fuel prices out of control
- I know people need to be supported in N Yorkshire, by a good Council, but how is the Council going to address issues such as pay for their workers? When we merge in to one, there are different contracts for different workers. Some have never been made to take Compulsory unpaid leave, and some have more days leave than others. How is the Council going to address the inequality of their workers?
- This is an opportunity for NYCC to be bold and ambitious and lead the way in creating a meaningful green economy that will benefit everyone.

NORTH YORKSHIRE COUNTY COUNCIL
PAY POLICY STATEMENT ON PAY STRUCTURE, GRADING AND CONDITIONS FOR SENIOR MANAGERS COVERING THE PERIOD 1ST APRIL 2022 TO 31ST MARCH 2023

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
- **Senior Managers on the Management Board** who report directly to the Head of Paid Service:
  Assistant Chief Executive, Business Support
  Assistant Chief Executive, Legal and Democratic Services (Statutory Monitoring Officer)
- **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 1st April 2022. The spinal point pay values are at 2020-21 rates as the national pay awards for 20/21 backdated to 1st April 2021 and from 1st April 2022 to 31st March 2023 have not yet been agreed.

SCP	Pay 20/21	Grade
84	185,385	CE1
83	181,148	
82	176,730	
81	172,620	
78	141,023	DIR2
77	136,926	
76	130,749	
75	125,913	
74	121,245	
71	114,001	DIR1
70	112,100	
69	107,773	
68	103,778	

Grade		SCP	Salary*
CE1	Richard Flinton	84	184,365
DIR2	Stuart Carlton	78	140,248
DIR2	Richard Webb	78	140,248
DIR2	Gary Fielding	78	140,248
DIR2	Karl Battersby	78	140,248
DIR1	Justine Brooksbank	71	113,374
DIR1	Barry Khan	71	113,374
	Total:		972,105

***The above figures reflect the 2 days' unpaid leave applied since April 2012.**

In addition Janet Wagstaff and Stacey Burlett are employed by Selby and Ryedale District Councils respectively in joint leadership roles as their Chief Executives and also have part time Management Board roles for NYCC as Assistant Chief Executive (0.2fte), paid £22,557and £21,989 for their NYCC role.

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.

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 Local pay and terms and conditions arrangements are reviewed as necessary. Small changes are made locally via the collective agreement. Larger changes are made in response to legal or national requirements. In April 2007 national equal pay requirements and the introduction of job evaluation schemes resulted in a wholesale review of local terms and conditions. Again in 2018 the introduction of a new NJC national pay spine required a fundamental review of the Council's grading structure. Local pay, terms and conditions are based on a "one employer" approach which 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 all 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, JNC for Chief Officers, and Soulbury). This pay policy reflects the last 2020-2021 year pay settlements for NJC staff, Chief Executives and Chief Officers which increased pay for all grades by 2.75% each year, with the minimum annual leave entitlement increasing by 1 day to 24 days for new entrants. No agreement has yet been reached for any staff group for 2021-2022 or 2022-2023.

NYCC in common with many other authorities has a locally determined extended pay spine that extends beyond SCP 43 where the current national pay spine ends. The Green Book sets out national NJC terms and conditions confirms that any national pay award applies to NJC staff on points SCP 44 and above where they are not covered by separate JNCs for Chief Executives and Chief Officers. The national pay 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 JNC for Chief Officers and Soulbury 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 Increased flexibility in national agreements allowed greater discretion for local determination, resulting 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 employment 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.

2.7 The 2018-20 NJC pay agreement included a new pay spine, implemented in April 2019. Working jointly with Unison a new grading structure was developed to apply the new pay spine. This work adhered to the principles of the council pay policy set out in 2.4 above. The new structure had to avoid removing and significantly eroding pay differentials across pay grades so pay continues to reflect the job evaluated value of the different size, scope or responsibility of roles.

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, initially determined in 2007 based on job evaluation, were reviewed and changed in 2018 to implement the new pay spine and structure and can be 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 needs to recognise managers' efforts in achieving this. Further benchmarking reviews were undertaken in 2009, 2011 and 2014, and AD pay bands extended by 1 (AD1) and 2 (AD2) points respectively.

Extensive benchmarking of frontline and hard to fill posts, which included some senior roles, was carried out in 2018 and used to inform the positioning and length of the new grades, and value of the pay points above the national pay spine for senior managers. Professional and senior management posts at NYCC have a pay maximum at around the median for the benchmarked role.

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 and information.

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.
- Mandatory training – to be undertaken within specified timeframes

The Chief Executive's appraisal and assessment against the above criteria in order to receive an increment or retain the last increment if at the top of the grade, 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 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.
- **Incentive 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 honorarium payment (limited to equivalent of 1 or 2 increments) or a thank you payment to a maximum £300.
- **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 payment 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 subsistence expenses
- Annual leave (minimum increased 2020 by 1 day to 24 – 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, paternity and shared parental 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 at a maximum of £6k.

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

3.7 Since 2010 the Council has developed a range of voluntary benefits for all staff, including discounts on goods and services, health cash plans and financial wellbeing support. Salary sacrifice schemes provide staff with national insurance savings and, depending on the scheme, tax and pension savings. The schemes available include green lease cars, cycle to work, childcare vouchers, home technology, professional subscriptions and qualifications. In 2022 it is proposed to extend the offer to add shared cost additional contribution scheme (SCAVC) to help staff make cost effective savings towards their retirement, at no additional cost to the Council.

3.8 **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 as determined through each Triennial Valuation of the North Yorkshire Pension Fund. The Local Government Pension Scheme provides employers with discretion to make monetary awards including additional benefits, payments and shared cost ATC arrangements that can add significant value to members' accrued pension benefits. However, the NYCC Discretion Policies (updated in 2014 and 2019) 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. In line with recent case law redundancy calculations now include employer's pension contributions up to the statutory maximum of a week's pay for redundancy purposes (£544, 2021).

Legislation implemented in December 2020 which introduced a £95k cap on public sector termination payments was subsequently rescinded. Further changes to local government exit payments and to local government pension rules are under consideration by the government.

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 comply 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 had only made one amendment since then to reduce the Chief Executive's salary in 2010 from £179k spot salary to a pay band range at the time of £155k - £170k. The Committee met again in 2018 to determine the new Director 2 grade points for the 4 Chief Officers. It has historically been the Council's policy, as yet not utilised, that severance payments for Chief Officers and senior managers over a cost of £100k will be considered and if deemed necessary recommended by the Chief Officers Appointments and Disciplinary Committee to Full Council for approval. The components of any such package will be clearly set out and include pay in lieu of notice, redundancy payment, pension entitlements and holiday pay.

5.0 Pay Multiples and Wider Pay Structure

The complete pay structure is detailed at Appendix 1. The lowest paid staff are at new SCP 1 on a salary of £17,842 as of 1st April 20. The highest paid salary is £184,365 paid to the Chief Executive. The median average (excluding schools) in this authority is £22,627 per annum (equivalent to the bottom of Grade G), an increase of 1 spinal point on the previous year. The ratio between the median and the highest i.e. the 'pay multiple' has reduced again to 8.1:1, which compares well with the recommendation 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 Head teachers is determined nationally. There are currently 4 Head teachers paid above £100k and 41 Heads and Deputies in posts with salaries equivalent to Assistant Director pay bands. This does not include Academies that set their own pay for Head teachers and all other staff.

Appendix 1

New scp	Apr 20 Salary	Apr 20 Hourly rate	2019 Pay structure	
1	£17,842	£9.25		GRADE A - 217-258
2	£18,198	£9.43	GRADE B - 259-308	GRADE C - 309-345
3	£18,562	£9.62		
4	£18,933	£9.81	GRADE D - 346-369	
5	£19,312	£10.01		
6	£19,698	£10.21		GRADE E - 370-397
7	£20,092	£10.41		
8	£20,493	£10.62	GRADE F - 398-422	
9	£20,903	£10.83		
10	£21,322	£11.05		
11	£21,748	£11.27		
12	£22,183	£11.50		
13	£22,627	£11.73		GRADE G - 423-447
14	£23,080	£11.96		
15	£23,541	£12.20		
16	£24,012	£12.45		
17	£24,491	£12.69		
18	£24,982	£12.95	GRADE H - 448-474	
19	£25,481	£13.21		
20	£25,991	£13.47		
21	£26,511	£13.74		
22	£27,041	£14.02		
23	£27,741	£14.38		GRADE I - 475-509
24	£28,672	£14.86		
25	£29,577	£15.33		
26	£30,451	£15.78	GRADE J - 510- 550	
27	£31,346	£16.25		
28	£32,234	£16.71		
29	£32,910	£17.06		GRADE K - 551 - 587
30	£33,782	£17.51		
31	£34,728	£18.00		
32	£35,745	£18.53	GRADE L - 588-624	
33	£36,922	£19.14		
34	£37,890	£19.64		
35	£38,890	£20.16		
36	£39,880	£20.67		GRADE M - 625-713
37	£40,876	£21.19		
38	£41,881	£21.71		
39	£42,821	£22.20		
40	£43,857	£22.73	GRADE N - 714 - 941	
41	£44,863	£23.25		
42	£45,859	£23.77		
43	£46,845	£24.28		

44	£47,782	£24.77		
45	£49,320	£25.57	NBSM1 - 942- 1043	
46	£51,375	£26.63		
47	£53,302	£27.63		
48	£55,768	£28.91		
49	£57,376	£29.74		
50	£59,526	£30.86		NBSM2 1044-1190
51	£61,758	£32.01		
52	£64,074	£33.21		
53	£66,274	£34.35		
54	£67,815	£35.15		
55	£69,356	£35.95		
56	£70,743	£36.67		
57	£72,182	£37.42		NBAD1 1191-1320
58	£74,961	£38.86		
59	£77,847	£40.35		
60	£80,844	£41.91		
61	£84,769	£43.94	NBAD2 1321-1600	
62	£88,032	£45.63		
63	£91,422	£47.39		
64	£93,914	£48.68		
65	£96,585	£50.07		NBAD3 1601-1760
66	£98,517	£51.07		
67	£100,695	£52.20		
68	£103,778	£53.79	NBDIR1 1761-2015	
69	£107,773	£55.86		
70	£112,100	£58.11		
71	£114,001	£59.09		
72	£116,282	£60.28		
73	£118,604	£61.48		
74	£121,245	£62.85	DIR2,3 2016-2700	
75	£125,913	£65.27		
76	£130,749	£67.77		
77	£136,926	£70.98		
78	£141,023	£73.10		
79	£145,391	£75.36		
80	£150,015	£77.76		
81	£172,620	£89.48	CEX - no change	
82	£176,730	£91.61		
83	£181,148	£93.90		
84	£185,385	£96.10		

NB the above figures do not reflect the 2 days unpaid leave element, which is effectively a reduction in pay.
2 days unpaid leave has been applied since April 2012.

Appendix 2

Directorate	Grade	AD Job Title	FTE	22/23 SCP	Salary*	Notes
BES	AD3	Highways & Transport	1.0	67	100,141	
BES	AD2	Travel, Environmental & Countryside	1.0	65	96,054	
BES	AD2	Growth, Planning & Trading Standards	1.0	65	96,054	
BES	AD2	Economic Partnership Unit	1.0	64	93,397	
CS	AD3	Technology & Change	1.0	67	100,141	Market supplement £4k pa
CS	AD2	Strategic Resources	1.0	65	96,054	
CS	AD2	Strategic Resources	1.0	64	93,397	
CS	AD2	Strategic Resources	1.0	62	87,548	
CS	AD2	Strategic Resources & SDC CFO	1.0	65	96,054	Employed by NYCC, part funded by SDC as s151 officer and business partner
CS	AD2	Policy, Partnerships & Communities	1.0	64	93,397	
CS	AD2	Commercial Director	1.0	64	93,397	
CS	AD1	Human resources	1.0	60	80,399	
CS	AD1	Head of Communications	1.0	60	80,399	
CYPS	AD3	Children & Families	1.0	67	100,141	Market Supplement £4,800
CYPS	AD2	Education & Skills	1.0	65	96,054	
CYPS	AD2	Inclusion	1.0	65	96,054	
CYPS	AD1	Safeguarding and Partnership	1.0	60	80,399	
HAS	AD3	Director of Public Health	1.0	67	100,141	
HAS	AD2	Care & Support	1.0	65	96,054	
HAS	AD2	Care & Support	1.0	65	96,054	
HAS	AD2	Prevention & Service Development	1.0	65	96,054	
HAS	AD1	Public Health Consultant	1.0	60	80,399	Market supplement £2.4k pa
HAS	AD1	Public Health Consultant	0.8	60	64,102	Market supplement £1.9k pa
HAS	AD1	Public Health Consultant	0.8	60	64,102	Market supplement £1.9k pa
HAS	AD1	Public Health Consultant	0.61	60	48,891	Market supplement £1.5k pa
HAS	AD1	Public Health Consultant	1.0	59	77,419	Market supplement £2.4k pa
HAS	AD1	Alliance Director HARA	1.0	60	80,399	Joint funded with NHS
				AD Total	2,382,695	Excl. supplements
				MB Total	972,105	
				Total	3,354,800	

*The salary figures reflect the 2 days' unpaid leave which has applied since April 2012.
*Market supplements and other temporary payments such as merit and incentive payments eg thank you payments are excluded.

CHANGES FOR POSTS AT AD1 AND ABOVE:
CYPS: AD Safeguarding and Partnership new post
CS: HR Postholder previously deployed to CYC as AD HR, returns to support LGR work

North Yorkshire County Council

LGPS Employer Discretion Policy

Revised – ~~December, 2018~~January 2022	Approved by full Council - ~~20 February 2019~~xxxx

Introduction

1. The regulations governing the application of the Local Government Pension Scheme allow each employer to determine how certain discretionary provisions of the scheme will be applied. The following is a statement of North Yorkshire County Council's (NYCC) policy on the exercise of these discretions.

Scope and Policy

2. Due to changes of the Scheme over time, different regulations and provisions may apply to pension benefits and pensionable service accrued under different arrangements. This policy sets out the relevant discretions in different sections. At the commencement of each section the applicable Regulations are detailed.

3. The sections are as follows:

Section	Contents
Section 1	Discretions from 1.4.14. in relation to post 31.3.14. active members (excluding councillor members) and post 31.3.14. leavers (excluding councillor members)
Section 2	Discretions in relation to scheme members (excluding councillor members) who ceased active membership on or after 1.4.08 and before 1.4.14
Section 3	Discretions in relation to: • councillor members who ceased active membership on or after 1.4.98., and • any other scheme members who ceased active membership on or after 1.4.98. and before 1.4.08
Section 4	Discretions in relation to scheme members who ceased active membership before 1.4.98
Section 5	Discretions in relation to redundancy and compensatory payments on the early termination of employment
Section 6	Discretions in relation to any compensatory added years awarded before 1 April 2007

Section 7	Injury allowances as they apply to leavers, deaths and reductions in pay that occurred after 15 January 2012
Section 8	Injury allowances as they apply to leavers, deaths and reductions in pay that occurred before 16 January 2012

4. Unless otherwise stated, the application of these discretions will be in accordance with the Officers Delegation Scheme with advice from the Corporate Director – Strategic Resources and the Assistant Chief Executive – Business Support – who is accountable for the proper and consistent application of this policy on behalf of NYCC.

Definitions

5. Within the Regulations all discretions have a classification as follows:

Mandatory - an employer must formulate, publish and keep under review a policy on these discretions.

Recommended - there is no requirement for an employer to publish a written policy on these discretions. However, as these matters arise fairly frequently it may be appropriate so that members can be clear on your policy on these matters.

Less common - there is no requirement for employers to publish a written policy on these discretions, though they may choose to do so.

6. Within a number of the discretions, reference is made to **administrative shortcomings**. The following would be considered an administrative shortcoming:

- A scheme member is not given appropriate advice/information to enable him/her to transfer pension rights
- A scheme member contacts NYCC, NYPF or a previous pension scheme regarding transfer within 12 months but does not receive correct or sufficient information to enable them to make a proper decision
- A scheme member believes that the action he/she has taken within 12 months is sufficient to have effected transfer
- A scheme member has used his/her best endeavours to effect a transfer within 12 months of joining the scheme but the transfer has not taken place for reasons outside of his/her control, e.g. investigation into mis-selling, winding up of previous fund, etc.

Injury Allowances

7. The process for the consideration and approval of injury allowances detailed in Section 7 and Section 8 is attached as appendix 1 to this policy.

Review

8. This policy will apply from the date of approval and replaces all previous employer discretion policies from that date. The policy in force at the time a relevant event occurs will be the one that is applied.

9. This policy will be reviewed every three years or in the event of any change which makes an earlier review necessary.

10. Should any provision within this policy contradict any LGPS Regulation then the Regulation would apply.

Section One - Discretions from 1.4.14. in relation to post 31.3.14. active members (excluding councillor members) and post 31.3.14. leavers (excluding councillor members)

Applicable Regulations:
R = Local Government Pension Scheme (LGPS) Regulations 2013 (SI 2013/2356)
TP = LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014
A = LGPS (Administration) Regulations 2008 (SI 2008/239)
B = LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) (SI 2007/1166)
L = LGPS Regulations 1997 (as amended) (SI 1997/1612)

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
1	**Granting additional pension**	Whether to grant additional pension to an active member or within 6 months of ceasing to be an active member by reason of redundancy or business efficiency (by up to £6,500 p.a - figure at 1 April 2014. This is inflation proofed annually)	**R**31	Employer	**Mandatory**	NYCC will not grant additional pension to a member
2	**Shared cost Additional Pension Contributions (to buy additional pension)**	Whether, how much and in what circumstances to contribute to a shared cost Additional Pension Contributions (APC) scheme A member can buy additional pension through an APC contract. The discretion is whether the employer will share the cost of the APC	**R**16(2)(e) & **R**16(4)(d)	Employer	**Mandatory**	NYCC will contribute to Shared Cost APC Schemes only when an employee has opted to buy back 'lost' pension due to a period of authorised unpaid leave (including sickness and child related leave) within 30 days of returning to work from that leave. In these circumstances, the employee will pay one third of the cost of the Shared Cost APC and the employer will pay two thirds of the cost

3a	**Flexible retirement**	Whether all or some benefits can be paid if an active member aged 55 or over and with at least 2 years qualifying service reduces their hours or grade (flexible retirement)	**R**30(6) & **TP**11(2)	Employer	**Mandatory**	NYCC will consider applications in accordance with its policy on early/flexible retirement.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
3b	**Flexible retirement (cont.)**	Whether to waive, in whole or in part, actuarial reduction to benefits paid on flexible retirement	**R**30(8)	Employer (or Admin. Authority where Employer has become defunct)	**Mandatory**	NYCC will not waive any actuarial reduction on benefits paid on flexible retirement. All applications for flexible retirement will be considered in line with the process and criteria set out in NYCC's policy on early/flexible retirement.
4	**85 Year Rule**	Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (other than on the grounds of flexible retirement).	**TP**Sch 2, para, 1(2) &1(1)(c)	Employer (or Admin. Authority where Employer has become defunct)	**Mandatory**	NYCC will not switch on the 85 Year Rule for any employee voluntarily drawing benefits on or after age 55 and before age 60

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
5a	**Waive Reduction**	Whether to waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age other than on the grounds of flexible retirement (where the member has both pre 1/4/14 and post 31/3/14 membership) a) on compassionate grounds (pre 1/4/14 membership) and in whole or in part on any grounds (post 31/3/14 membership) if the member was not in the Scheme before 1/10/06, b) on compassionate grounds (pre 1/4/14 membership) and in whole or in part on any grounds (post 31/3/14 membership) if the member was in the Scheme before 1/10/06, will not be 60 by 31/3/16 and will not attain 60 between 1/4/16 and 31/3/20 inclusive	**TP**3(1), **TP**Sch 2 para 2(1) & B30(5) & B30A(5)	Employer (or Admin. Authority where Employer has become defunct)	**Mandatory**	NYCC will not waive any actuarial reduction arising out of a voluntary early or flexible retirement. NYCC will pay any pension strain costs arising out of voluntary early or flexible retirement where this has been approved through its early/flexible retirement policies.
	Waive Reduction (cont.)	c) on compassionate grounds (pre 1/4/16 membership) and in whole or in part on any grounds (post 31/3/16 membership) if the member was in the Scheme before 1/10/06 and will be 60 by 31/3/16 d) on compassionate grounds (pre 1/4/20 membership) and in whole or in part on any grounds (post 31/3/20 membership) if the member was in the Scheme before 1/10/06, will not be 60 by 31/3/16 and will attain 60 between 1/4/16 and 31/3/20 inclusive				

5b		Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age other than on the grounds of flexible retirement (where the member only has post 31/3/14 membership)	**R**30(8)	Employer (or Admin. Authority where Employer has become defunct)	**Mandatory**	NYCC will not waive any actuarial reduction on benefits paid which a member voluntarily draws before normal pension age
6	**Shared cost Additional Pension Contributions (to buy lost pension following a period of authorised unpaid absence)**	If a member has an **authorised unpaid** absence (not including illness or injury, relevant child-related leave or reserve forces service leave) and within 30 days of returning to work they elect to buy back the lost pension, the employer must share the cost (2/3rds) The discretion is whether to extend the 30 day deadline for a member to elect for a shared cost APC	**R**16(16)	Employer	Recommended	NYCC will extend the deadline for a member to elect for a shared cost APC to 60 days or longer where there is evidence of administrative shortcoming.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
7	**Transferring in non LGPS pension rights**	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	**R**100(6)	Employer and Admin. Authority	Recommended	NYCC will allow members to opt to transfer pension rights beyond the 12 month period in exceptional circumstances and/or if there is evidence of administrative shortcomings. The Administering Authority can provide guidance on individual queries.

8	**Transferring in LGPS pension rights (only for pre 1.4.14 rejoiners)**	Whether to extend the 12 month option period for aggregation of deferred benefits**Care: This must match your existing discretion under the 2008 Scheme.**	**A**16(4)(b)(ii)	Employer	Recommended	NYCC will only permit aggregation beyond 12 months in exceptional circumstances and/or if there is evidence of administrative shortcomings
9a	**Transferring in LGPS pension rights (only for post 1.4.14 rejoiners)**	Whether to extend the 12 month option period for a member to elect that deferred benefits should not be aggregated with a new employment	**R**22(8)(b)	Employer	Recommended	NYCC will only extend the 12 month option period beyond 12 months in exceptional circumstances and/or if there is evidence of administrative shortcomings
9b		Whether to extend the 12 month option period for a member to elect that deferred benefits should not be aggregated with an ongoing concurrent employment	**R**22(7)(b)	Employer	Recommended	NYCC will only extend the 12 month option period beyond 12 months in exceptional circumstances and/or if there is evidence of administrative shortcomings
10	**Transferring in LGPS pension rights (i.e. final salary benefits which will buy CARE pension only for post 1.4.14 rejoiners)**	Whether to extend the 12 month option period for a member (who did not become a member of the 2014 Scheme by virtue of **TP**5 (1)) to elect that pre 1 April 2014 deferred benefit should be aggregated with a new employment	**TP**10 (6)	Employer	Recommended	NYCC will only permit aggregation beyond 12 months in exceptional circumstances and/or if there is evidence of administrative shortcomings

No.	Area	Discretion	Regulation	Exercised by	Key	Policy

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11	**Employee contribution rate**	Employers to assess the relevant contribution band to determine the rate of employee contribution. Banded contribution rates for employees are based on actual pensionable pay received and not whole time equivalent salary. Employers to allocate appropriate band at each 1 April and determine other circumstances in which the banding will be reviewed.	**R**9(1) & **R**9(3)	Employer	Recommended	On 1st April each year, NYCC will allocate the appropriate band for all members' pensionable pay based on the previous years' pensionable pay and include incremental progression and cost of living increases where known as at 1 April . This will not change during the financial year unless there is a post change or cessation of salary protection arising from that change, or a pay award which cannot be applied on 1 April. This would include a pay award which is being applied retrospectively to 1 April or a pay award which applies from a date other than 1 April. For new posts commencing during the year, their band will depend on starting salary. Only permanent changes to pensionable pay will result in re banding. If members have variable or nil hours contracts, the relevant band will be based on an assessment of the total pensionable pay received in the previous year. For new variable or nil hours posts, banding will be based on the whole time equivalent salary, and reviewed 6 months after appointment to ensure the correct band has been allocated (based on total pensionable pay in their first 6 months). If any member believes this would be inaccurate, they should ask their Line Manager to contact ESS for further information.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
12a	**Assumed Pensionable Pay (APP)**	In determining APP, whether a lump sum payment made in the previous 12 months is a "regular lump sum"	**R**21(5)	Employer	Recommended	NYCC would include lump sum payments in the calculation of APP where there is evidence that the lump sums were regularly received.
12b		Where in the employer's opinion, the pensionable pay received in relation to an employment (adjusted to reflect any lump sum payments if appropriate) in the 3 months (or 12 weeks if not paid monthly) before the start of APP, is materially lower than the level of pensionable pay the member would have normally received The discretion is whether to substitute a higher level of pensionable pay by taking into account the pensionable pay received by the member in the previous 12 months	**R**21(5A) & **R**21(5B)	Employer	Recommended	NYCC will allow the substitution of a higher level of pensionable pay assessed over the previous 12 month period.
13	**Late conversion of AVCs to service**	Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership (where AVC arrangement was entered into before 13/11/01)	**TP**15(2A)(b) & **L**66(8) & former **L**66(9)(b)	Employer	Less Common	NYCC will extend the 30 day deadline if there is evidence of administrative shortcomings.
14	**Shared cost AVCs**	Whether, how much, and in what circumstances to contribute to shared cost AVC arrangements	**R**17(1) & definition of SCAVC in **R**Sch 1	Employer	Less Common	~~NYCC will not enter into SCAVCs.~~ <u>The Council will pay Shared Cost Additional Voluntary Contributions (SCAVC) where an employee has elected to pay AVCs by salary sacrifice. Employees will be required to contribute a minimum of £1 per month into the SCAVC. NYCC's SCAVCs will not contribute more than the amount of salary sacrificed by the employee.</u>

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
15	**Refund of contributions - member left due to an offence/grave misconduct**	No right to return of contributions where a member left their employment due to offence of a fraudulent character or grave misconduct in connection with that employment unless employer directs a total or partial refund is to be made	**R**19(2)	Employer	Less Common	NYCC will consider whether or not to make a refund based on the merits of each case and in light of advice from Audit.
16	**Pensionable payments**	**Specify in an employee's contract** what other payments or benefits, other than those specified in R20(1)(a) and not otherwise precluded by R20(2), are to be pensionable	**R**20(1)(b)	Employer	Less Common	NYCC reserves the right to specify what, if any, other payments or benefits are to be pensionable in accordance with the Regulations and will automatically include "detriment" or "protected" pay as pensionable pay. See the NYCC Pay Policy for guidance on pensionable and non pensionable pay.
17	**T3 Ill health review**	Determine whether person in receipt of Tier 3 ill health pension has started gainful employment	**R**37(3) & (4)	Employer	Less Common	NYCC will make a determination whether to suspend or cease the pension, if it is made aware that such a person has started gainful employment (more than 30 hours for more than 12 months).
18	**T3 Ill health review overpayments**	Whether to recover any overpaid Tier 3 pension following commencement of gainful employment	**R**37(3)	Employer	Less Common	NYCC will recover any overpaid Tier 3 pension following commencement of gainful employment.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy

19	**Deferred member - Ill health**	Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner	**R**38(3)	Employer (or Admin. Authority where Employer has become defunct)	Less Common	NYCC will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP) Applications from former employees with deferred benefits will be managed by former Service; the Service is responsible for referring the former employee to the Independent Registered Medical Practitioner (IRMP) via the Health and Wellbeing Service and notifying the former employee of the outcome of the application. Payment of pension benefits will commence from the date NYCC makes the decision that the member meets the criteria for early release of the deferred pension benefits.
20	**T3 Ill health recommencement**	Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health	**R**38(6)	Employer (or Admin. Authority where Employer has become defunct)	Less Common	NYCC will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP). See above
21a	**Forfeiture certificate**	Whether to apply to Secretary of State for a forfeiture certificate where member is convicted of a relevant offence (a relevant offence is an offence committed in connection with an employment in which the person convicted is a member, and because of which the member left the employment)	**R**91(1) & (8)	Employer	Less Common	NYCC will consider whether or not to apply for and enact a certificate based on the merits of each case and in light of advice from Audit.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
21b	**Forfeiture certificate (cont.)**	Where forfeiture certificate is issued, whether to direct that benefits are to be forfeited (other than rights to GMP – but see **R**95 below)	**R**91(4)	Employer	Less Common	NYCC will consider whether or not to recover and reduce benefits accordingly based on the merits of each case and in light of advice from Audit
21c		Where forfeiture certificate is issued, whether to direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits	**R**92(1) & (2)	Employer	Less Common	NYCC will not direct that interim payments are made from the Fund pending a decision.
22	**Recovery of monetary obligation**	Whether to recover from Fund any monetary obligation or, if less, the value of the member's benefits (other than benefits from transferred in pension rights or APCs or AVCs or, subject to R95 below, in respect of any GMP) where the obligation was incurred as a result of a grave misconduct or a criminal, negligent or fraudulent act or omission in connection with the employment and as a result of which the person has left employment	**R**93(2)	Employer	Less Common	NYCC will consider whether or not to recover and reduce benefits accordingly based on the merits of each case and in light of advice from Audit.
23	**GMP forfeiture**	Whether, if the member has committed treason or been imprisoned for at least 10 years for one or more offences under the Official Secrets Acts, forfeiture under **R**91 or recovery of a monetary obligation under **R**93 should deprive the member or the member's surviving spouse or civil partner of any GMP entitlement	**R**95	Employer	Less Common	NYCC will consider each case on its merits.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy

24	**Bulk transfer**	Agree to bulk transfer payment Whether to agree to bulk transfer payment where two or more members' active membership ends on their joining a registered non local government pension scheme	**R**98(1)(b)	Employer / Admin. Authority / trustees of new scheme	Less Common	NYCC will consider whether or not to agree on the merits of each case after consideration with the Administering Authority and after having taken appropriate actuarial advice.
25	**Final pay period (fees)**	Whether to allow a member to select final pay period for fees to be any 3 consecutive years ending 31st March in the 10 years prior to leaving	**TP**3(6), **TP**4(6)(c), **TP**8(4), **TP**10(2)(a), **TP**17(2)(b) & **B**11(2)	Employer	Less Common	NYCC will allow members to so choose.

Section Two - Discretions in relation to scheme members (excluding councillor members) who ceased active membership on or after 1.4.08 and before 1.4.14

Applicable Regulations:
A = LGPS (Administration) Regulations 2008
B = LGPS (Benefits, Memberships and Contributions) Regulations 2007
T = LGPS (Transitional Provisions) Regulations 2008 (SI 2008/238)

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
26a	**85 Year Rule**	Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60	**TP**Sch 2, para, 1(2) &1(1)(c)	Employer (or Admin. Authority where Employer has become defunct)	Mandatory	NYCC will not switch on the 85 Year Rule for any deferred member voluntarily drawing benefits on or after age 55 and before age 60

26b		Whether to "switch on" the 85 year rule for a pensioner member with deferred benefits (i.e. a suspended tier 3 ill health pensioner) voluntarily drawing benefits on or after age 55 and before age 60,	**TP**Sch 2, para, 1(2) &1(1)(c)	Employer (or Admin. Authority where Employer has become defunct)	Mandatory	NYCC will not switch on the 85 Year Rule for any deferred member voluntarily drawing benefits on or after age 55 and before age 60
26	**Waive reduction**	Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under **B**30 (member)	**B**30(5) **TP**Sch 2, para 2(1)	Employer (or Admin. Authority where Employer has become defunct)	**Mandatory**	Applications from deferred Pensioners will **only** be considered on compassionate grounds, taking into account the costs of waiving any reduction. All applications will be considered by the relevant Service Director and the Chief Executive.
27	**Waive reduction**	Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under **B**30A (pensioner member with deferred benefits, i.e. a suspended tier 3 ill health pensioner)	**B**30A(5) **TP**Sch 2, para 2(1)	Employer (or Admin. Authority where Employer has become defunct)	**Mandatory**	Applications from deferred Pensioners will **only** be considered on compassionate grounds, taking into account the costs of waiving any reduction. All applications will be considered by the relevant Service Director and the Chief Executive.
No.	**Area**	**Discretion**	**Regulation**	**Exercised by**	**Key**	**Policy**
28	**Late conversion of AVCs to service**	Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership (where AVC arrangement was entered into before 13/11/01)	**T**Sch1 & **L**66(8) & former **L**66(9)(b)	Employer	Less Common	NYCC will extend the 30 day deadline if there is evidence of administrative shortcomings.
29	**Refund of contributions - member left due to an offence/grave misconduct**	No right to return of contributions where member left employment due to offence of a fraudulent character or grave misconduct in connection with that employment, unless employer directs a total or partial refund is to be made	**A**47(2)	Employer	Less Common	NYCC will consider whether or not to make a refund based on the merits of each case and in light of advice from Audit.

30a	**Forfeiture certificate**	Whether to apply to Secretary of State for a forfeiture certificate where member is convicted of a relevant offence (a relevant offence is an offence committed in connection with an employment in which the person convicted is a member, and because of which the member left the employment)	**A**72(1) & (6)	Employer	Less Common	NYCC will consider whether or not to apply for and enact a certificate based on the merits of each case and in light of advice from Audit.
30b		Where forfeiture certificate is issued, whether to direct that benefits are to be forfeited	**A**72(3)	Employer	Less Common	NYCC will consider whether or not to recover and reduce benefits accordingly based on the merits of each case and in light of advice from Audit
30c		Where forfeiture certificate is issued, whether to direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits	**A**73(1) & (2)	Employer	Less Common	NYCC will not direct that interim payments are made from the Fund pending a decision.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
31a	**Recovery of monetary obligation**	Whether to recover from Fund any monetary obligation or, if less, the value of the member's benefits (other than transferred in pension rights or AVCs/SCAVCs) where the obligation was incurred as a result of a criminal, negligent or fraudulent act or omission in connection with the employment and as a result of which the person has left employment	**A**74(2)	Employer	Less Common	NYCC will consider whether or not to recover and reduce benefits accordingly based on the merits of each case and in light of advice from Audit.

31b		Whether to recover from Fund any financial loss caused by fraudulent offence or grave misconduct of employee (who has left employment because of that fraudulent offence or grave misconduct), or amount of refund if less	**A**76(2) & (3)	Employer	Less Common	NYCC will consider whether or not to recover and reduce benefits accordingly based on the merits of each case and in light of advice from Audit.
32	**Deferred member - Ill health**	Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria	**B**31(4)	Employer (or Admin. Authority where Employer has become defunct)	Less Common	NYCC will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP) Applications from former employees with deferred benefits will be managed by former Service; the Service is responsible for referring the former employee to the Independent Registered Medical Practitioner (IRMP) via the Health and Wellbeing Service and notifying the former employee of the outcome of the application. Payment of pension benefits will commence from the date certified by the IRMP.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
33	**T3 Ill health recommencement**	Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment	**B**31(7)	Employer (or Admin. Authority where Employer has become defunct)	Less Common	NYCC will be guided by the recommendation of an Independent Registered Medical Practitioner (IRMP). See above

Section 3 - Discretions in relation to:

a) **councillor members who ceased active membership on or after 1.4.98., and**
b) **any other scheme members who ceased active membership on or after 1.4.98. and before 1.4.08**

Applicable Regulations:
L = LGPS Regulations 1997 (as amended) (SI 1997/1612)
R = LGPS Regulations 2013([SI 2013/2356)
TP = LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
34	**Employer consent retirement**	Grant application for early payment of deferred benefits on or after age 50 and before age 55	**L**31(2)	Employer	**Mandatory**	NYCC will not grant early payment of deferred benefits before the age of 55.
35	**Waive reduction**	Waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early	**L**31(5) & **TP**Sch 2, para 2(1)	Employer	**Mandatory**	NYCC will not waive actuarial reduction on deferred benefits paid early.
36	**Employer consent at Normal Retirement Date for optant out**	Where a member who opted out of the scheme continues to be employed by a Scheme employer, the member is only entitled to receive their benefits at NRD if their employer consents to them doing so (in respect of a member who opted out of the scheme after 31 March 1998 and before 1 April 2008).	**L**31(7A)	Employer	**Mandatory**	NYCC will agree to optants out being able to get benefits paid from their NRD.
37	**85 Year Rule**	Whether to “switch on” the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60	**TP**Sch 2, para 1(2) & 1(1)(f) & R60	Employer (or Admin. Authority where Employer has become defunct)	**Mandatory**	NYCC will not switch on the 85 Year Rule for any deferred member voluntarily drawing benefits on or after age 55 and before age 60

No.	Area	Discretion	Regulation	Exercised by	Key	Policy

38	**No double entitlement**	Decide, in the absence of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership (i.e where a member is entitled to a the 'normal' payment of a preserved benefit and an ill health benefit from preserved status, they are not entitled to both payments. In the absence of an election from the member, the employer can decide which benefit can be paid)	**L**34 (1)(b)	Employer	Less Common	NYCC will choose to automatically apply the regulations of greatest benefit to the employee.
39	**Refund of contributions - member left due to an offence/grave misconduct**	No right to return of contributions where a member left their employment due to offence of a fraudulent character or grave misconduct in connection with that employment, unless employer directs a total or partial refund is to be made	**L**88(2)	Employer	Less Common	NYCC will consider whether or not to make a refund based on the merits of each case and in light of advice from Audit.
40a	**Forfeiture certificate**	Forfeiture of pension rights on issue of Secretary of State's certificate following a relevant offence (a relevant offence is an offence committed in connection with an employment in which the person convicted is a member, and because of which the member left the employment)	**L**111(2) & (5)	Employer	Less Common	NYCC will consider whether or not to apply for and enact a certificate based on the merits of each case and in light of advice from Audit.
40b		Where forfeiture certificate is issued, direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits	**L**112(1)	Employer	Less Common	NYCC will not direct that interim payments are made from the Fund pending a decision.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
41a	**Recovery of monetary obligation**	Recovery from Fund of monetary obligation owed by former employee or, if less, the value of the member's benefits (other than transferred in pension rights)	**L**113(2)	Employer	Less Common	NYCC will consider whether or not to recover and reduce benefits accordingly based on the merits of each case and in light of advice from Audit.
41b		Recovery from Fund of financial loss caused by employee, or amount of refund if less	**L**115(2) & (3)	Employer	Less Common	NYCC will consider whether or not to recover and reduce benefits accordingly based on the merits of each case and in light of advice from Audit.

Section 4 -

Discretions in relation to scheme members who ceased active membership before 1.4.98

Applicable Regulations:

LGPS Regulations 1995 (as amended) (SI 1995/1019)

TL = LGPS (Transitional Provisions) Regulations 1997 (SI 1997/1613)

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
42	**Employer consent retirement**	Grant application for early payment of deferred benefits on or after age 50 on compassionate grounds	**TP**3(5A)(vi) **TL**4 & **L**106(1) & D11(2)(c)	Employer (or Admin. Authority where Employer has become defunct)	**Mandatory**	NYCC will not grant applications for early payment of deferred benefits between the ages of 50 and 55. Over the age of 55, NYCC will consider on a case by case basis.
43	**No double entitlement**	Decide, in the absence of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership (i.e where a member is entitled to the 'normal' payment of a preserved benefit and an ill health benefit from preserved status, they are not entitled to both payments. In the absence of an election from the member, the employer can decide which benefit can be paid)	D10	Employer	Less Common	NYCC will choose to automatically apply the regulations of greatest benefit to the employee.

Discretions in relation to redundancy and compensatory payments on the early termination of employment

Applicable Regulations:

Section 5 -
Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended) (SI 2006/2914)

	Area	Discretion	Regulation	Exercised by	Key	Policy
44	**Redundancy Pay on actual week's pay**	To base redundancy payments on an actual weeks pay where this exceeds the statutory week's pay limit	5	Employer	**Mandatory**	When calculating redundancy payments NYCC will use the employee's actual weekly pay plus the applicable employer pension contribution rate, where the total does not exceed the statutory weekly capped amount. Where these combined payments exceed the statutory weekly capped amount the higher of actual weekly pay or the statutory weekly amount will be used. These entitlements will be applied to part-time staff on a pro rata basis.
45	**Lump sum compensation**	To award lump sum compensation of up to 104 weeks' pay in cases of redundancy, termination of employment on efficiency grounds, or cessation of a joint appointment	6	Employer	**Mandatory**	NYCC will not award any lump sum compensation in any situations.

Discretions in relation to any compensatory added years awarded before 1 April 2007

Applicable Regulations:
Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended) (SI 2000/1410)

No.	Area	Discretion	Regulation	Exercised by	Key	Policy

Section 6 -

46	**Abatement during re-employment**	Whether and to what extent to reduce or suspend the member's annual compensatory added years (CAY) payment during any period of reemployment in local government	17	Employer	**Mandatory**	NYCC will make a determination after consultation with the administering Authority and having regard to the date of original award.
47	**Reduction following cessation of reemployment**	How to reduce the member's annual CAY payment following the cessation of a period of re-employment in local government	19	Employer	**Mandatory**	NYCC will make a determination after consultation with the administering Authority and having regard to the date of original award.
48	**Apportionment of survivor benefit**	How to apportion any surviving spouse's or civil partner's annual CAY payment where the deceased person is survived by more than one spouse or civil partner	21(4)	Employer	**Mandatory**	NYCC will consider on a case by case basis.
49a	**Effects of remarriage, new civil partnership or co-habitation on survivor's compensation payments**	Whether, in respect of the spouse of a person who ceased employment before 1 April 1998 and where the spouse or civil partner remarries, enters into a new civil partnership or cohabits after 1 April 1998, the normal pension suspension rules should be disapplied i.e. whether the spouse's or civil partner's annual CAY payments should continue to be paid	21(7)	Employer	**Mandatory**	NYCC will consider on a case by case basis.
49b		If, under the preceding decision, the authority's policy is to apply the normal suspension rules, whether the spouse's or civil partner's annual CAY payment should be reinstated after the **end** of the remarriage, new civil partnership or cohabitation	21(5)	Employer	**Mandatory**	If NYCC determined to suspend such payment, it will reinstate after the end of the remarriage, new civil partnership or cohabitation.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
49c	**Effects of remarriage, new civil partnership or co-habitation on survivor's compensation payments (cont.)**	Whether, in respect of the spouse or civil partner of a person who ceased employment before 1 April 1998 and where the spouse or civil partner remarries or cohabits or enters into a civil partnership on or after 1 April 1998 with another person who is also entitled to a spouse's or civil partners annual CAY payment, the normal rule requiring one of them to forego payment whilst the period of marriage, civil partnership or co-habitation lasts, should be disapplied i.e. whether the spouses' or civil partners' annual CAY payments should continue to be paid to both of them	21(7)	Employer	**Mandatory**	NYCC will consider on a case by case basis.

Section 7 - Injury allowances as they apply to leavers, deaths and reductions in pay that occurred after 15 January 2012

Applicable Regulations:
Discretions under the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011(SI 2011/2954)

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
50a	**Injury Allowances**	Whether to grant an injury allowance following reduction in remuneration as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job	3(1)	Employer	**Mandatory**	NYCC will consider each case on its merits.

50b		Amount of injury allowance following reduction in remuneration as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job	3(4) and 8	Employer	**Mandatory**	Any injury allowance granted will not exceed the amount of the reduction in remuneration offset against any other benefits, payments or awards received in relation to the injury or disease.
50c		Determine whether person continues to be entitled to an injury allowance awarded under regulation 3(1) (reduction in remuneration as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job).	3(2)	Employer	**Mandatory**	Any injury allowance granted will cease when the employee leaves employment with NYCC. The injury allowance will be reviewed should the employee's circumstances change e.g. relation to the employee's working or earning capacity or other payments received.
50d		Whether to grant an injury allowance following cessation of employment as a result of permanent incapacity caused by sustaining an injury or contracting a disease in the course of carrying out duties of the job.	4(1)	Employer	**Mandatory**	NYCC will consider each case on its merits.

No.	**Area**	**Discretion**	**Regulation**	**Exercised by**	**Key**	**Policy**
50e	**Injury Allowances (cont.)**	Amount of injury allowance following cessation of employment as a result of permanent incapacity caused by sustaining an injury or contracting a disease in the course of carrying out duties of the job	4(3) and 8	Employer	**Mandatory**	Any injury allowance granted will not exceed 85% of the employee's final pensionable remuneration, offset against any other benefits, payments or awards received in relation to the injury or disease.
50f		Determine whether person continues to be entitled to an injury allowance awarded under regulation 4(1) (loss of employment through permanent incapacity)	4(2)	Employer	**Mandatory**	Any injury allowance granted will cease when the employee reaches their state pension age or is granted tier 1 ill-health retirement.

50g		Whether to suspend or discontinue injury allowance awarded under regulation 4(1) (loss of employment through permanent incapacity) if person secures paid employment for not less than 30 hours per week for a period of not less than 12 months.	4(5)	Employer	**Mandatory**	Any injury allowance granted will be reassessed or suspended if the employee becomes capable of working again.
50h		Whether to grant an injury allowance following cessation of employment with entitlement to immediate LGPS pension where a regulation 3 payment (reduction in remuneration as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job) was being made at date of cessation of employment but regulation 4 (loss of employment through permanent incapacity) does not apply	6(1)	Employer	**Mandatory**	NYCC will not make an injury allowance.
50i		Determine amount of any injury allowance to be paid under regulation 6(1) (payment of injury allowance following cessation of employment)	6(1)	Employer	**Mandatory**	NYCC will not make an injury allowance.

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
50j	**Injury Allowances (cont.)**	Determine whether and when to cease payment of an injury allowance payable under regulation 6(1) (payment of injury allowance following cessation of employment).	6(2)	Employer	**Mandatory**	NYCC will not make an injury allowance.

50k		Whether to grant an injury allowance to the spouse, civil partner, co-habiting partner or dependent of an employee who dies as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job.	7(1)	Employer	**Mandatory**	NYCC will consider each case on its merits.
50l		Determine amount of any injury allowance to be paid to the spouse, civil partner or co-habiting partner under regulation 7(1) (employee who dies as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job).	7(2) and 8	Employer	**Mandatory**	Any injury allowance granted will not exceed 85% of the employee's final pensionable remuneration, offset against any other benefits, payments or awards received in relation to the injury or disease.
50m		Determine whether and when to cease payment of an injury allowance payable under regulation 7(1) (employee who dies as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job).	7(3)	Employer	**Mandatory**	Any injury allowance granted will cease at the date when the employee would have reached their state pension age or may be reviewed if the beneficiary remarries, enters into a new civil partnership or cohabits.

Section 8 - Injury allowances as they apply to leavers, deaths and reductions in pay that occurred before 16 January 2012

Applicable Regulations:
Discretions under the Local Government (Discretionary Payments) Regulations 1996 (as amended) (SI 1996/1680)

No.	Area	Discretion	Regulation	Exercised by	Key	Policy
52a	**Injury Allowances**	Suspend or discontinue injury allowance if person becomes capable of working again	34(4)	Employer	**Less Common**	Any injury allowance granted will be reassessed or suspended if the employee becomes capable of working again.

52b		Amount and duration of a dependant's, spouse's or civil partner's injury allowance following death of employee after sustaining an injury or contracting a disease as a result of anything required to do in carrying out duties of job	37(3), 37(6) and 38	Employer	**Less Common**	Any injury allowance granted will not exceed 85% of the employee's final pensionable remuneration, offset against any other benefits, payments or awards received in relation to the injury or disease. This allowance will cease at the date when the employee would have reached their state pension age or may be reviewed if the beneficiary remarries, enters into a new civil partnership or cohabits.
52c		Reinstate spouse's or civil partner's injury allowance following earlier cessation due to cohabitation, remarriage or registration of a new civil partnership	37(4)	Employer	**Less Common**	If NYCC determined to suspend such payment, it will reinstate after the end of the remarriage, new civil partnership or cohabitation.
52d		Amount of gratuity payable to surviving dependant, spouse or civil partner where amount of annuity payments fall short of their capital value at date of award	41(4)	Employer	**Less Common**	NYCC will not award a further gratuity.
52e		Amount of gratuity payable to surviving dependant, spouse or civil partner where amount of redundancy annuity payments fall short of their capital value at date of award.	42(4)	Employer	**Less Common**	NYCC will not award a further gratuity.

No.	**Area**	**Discretion**	**Regulation**	**Exercised by**	**Key**	**Policy**
52f	**Injury allowances (cont.)**	Amount of gratuity payable to any other surviving dependant, spouse or civil partner where amount of annuity payments paid under 42(4) fall short of their capital value at date of award.	42(7)	Employer	Less Common	NYCC will not award a further gratuity.

Appendix 1

North Yorkshire County Council

Injury Allowance Payment Scheme

Guidance Notes

1. Introduction

1.1 Any employee who sustains an injury or contracts a disease whilst at work which results in permanent incapacity may apply to the Council for an injury allowance. In the event that an employee dies in the course of their duties, their dependents may be awarded an allowance.

1.2 The scheme applies the provisions of the NYCC LGPS Employer Discretion Policy and should be read in conjunction with that policy.

1.3 Allowances are decided and paid by the Council and any payment awarded is administered by North Yorkshire Pension Fund. The award of an allowance is not an admission of any liability.

2. Scope and Eligibility

2.1 Any employee of North Yorkshire County Council, who is eligible to be a member of the Local Government Pension Scheme, may apply for an allowance under this scheme. Membership of the scheme is not necessary.

2.2 The scheme applies where an employee sustains an injury or contracts a disease as a result of anything he or she was required to do in carrying out his or her work and, as a result, suffers permanent incapacity. Such incapacity results in the employee being unable to work again or only able to work in a reduced capacity, that is, his or her remuneration or potential remuneration is permanently reduced, or in his or her death.

2.3 The Council will, therefore, consider a payment of an injury allowance in the following situations:

- Where permanent incapacity results in loss of employment
- Where permanent incapacity results in the employee only being able to work in a reduced capacity such that their remuneration or potential remuneration is permanently reduced
- On the death of an employee

2.4 To be eligible for consideration, the injury must have occurred or the disease contracted 'during the course of employment'. If the accident/injury occurred during the journey to or from work or on his/her way to a lunch break, this would not be construed as 'during the course of their employment' unless the employee was travelling in a vehicle with the Council's express permission and the vehicle was at the time being operated on behalf of the Council (other than as a public service vehicle).

3. Conditions

3.1 The Council may choose to review appropriate cases from time-to-time or in the event that the employee's circumstances change, for example, in relation to the employee's working or earning capacity or other payments received. The employee (or widow/widower) may also request a review on receipt of new evidence.

3.2 Conditions for the termination or review of payments is detailed for each type of injury allowance in sections 4 to 6 below.

3.3 Any award assessed will be reduced by the full amount of any other benefits or payments or awards received in relation to the injury or disease, including ill health or other pension payments (whether LGPS or otherwise), statutory benefits, compensation and damages/insurance payments. The employee must furnish the Council with documentary evidence of all of the above on request and any other income/capital that may be relevant.

3.4 The Council may choose to pay a lump sum or annual allowance. Any lump sum payments or awards may be taken at 1/12th of their amount to produce a comparative 'annual' income.

3.5 Any change in circumstances must be notified immediately to the relevant Service Director, e.g. relating to the employee's working or earning capacity or withdrawal of benefits relating to the injury or disease. If the employee fails to notify the Council of any relevant change, the Council may later seek to recover all or part of any allowance made since the change of circumstances.

3.6 If the Council decides there should be a regular review of the allowance, the employee will be advised of its decision and any allowance may be suspended or terminated if the employee does not comply with reasonable requests on review.

4. Loss of employment through permanent incapacity

4.1 Where an employee ceases employment due to permanent incapacity as a direct result of injury or disease contracted in the course of carrying out their employment, the Council will consider paying the employee an allowance not exceeding 85 per cent of the employee's annual rate of pensionable remuneration at the point the employment ceased. The allowance will be offset against other payments detailed in paragraph 3.3 above.

4.2 Where the employee was receiving no pay or reduced pay at the time the employment ended because of absence, the Council will assess the remuneration on the basis of the pay the employee would have received but for being absent.

4.3 The Council may suspend or discontinue the allowance if the former employee secures gainful employment (paid employment for not less than 30 hours in each week for a period of not less than 12 months).

4.4 Payment of the allowance will cease when the employee reaches their state pension age or is granted Tier 1 ill-health retirement.

5. Reduction in remuneration

5.1 Whilst an employee is receiving reduced pay as a direct result of an injury or disease contracted in the course of carrying out their employment, the Council may consider paying the employee an allowance while the reduction in pay continues.

5.2 The value of the allowance, when added to the reduced pay being received by the employee, will not be of a value that means the employee receives total pay in excess of the pay that they would normally expect to have received but for their injury or disease. The allowance will be offset against other payments detailed in paragraph 3.3 above.

5.3 Should the employee's remuneration change as a result of a move to another role within NYCC or due to a change in the employee's capacity, either improvement or deterioration, then their allowance will be reviewed.

5.4 The award will be payable from the date remuneration was reduced and may be increased in line with cost of living rises where appropriate. The allowance will cease when the employee leaves NYCC.

6. Death award

6.1 Where an employee dies as a direct result of injury or disease contracted in the course of carrying out their employment, the Council will consider paying an annual allowance or a lump sum to a surviving spouse, civil partner, nominated co-habiting partner, or dependant (as defined by the Regulations).

6.2 The Council may make an award of up to 85% of his or her final pensionable pay. Where the employee was receiving no pay or reduced pay at the date of death because of absence related to the injury or disease, the Council will assess the remuneration on the basis of the pay the employee would have received but for being absent. The allowance will be offset against other payments detailed in paragraph 3.3 above.

6.3 An allowance to a dependant ("an eligible child") shall continue for such period as the Council will determine and will be considered on a case-by-case basis.

6.4 Any allowance to widow or widower, surviving civil partner or nominated cohabiting partner will be reviewed on remarriage, civil partnership or cohabitation. An allowance will not be payable if the individual's marriage to, or civil partnership or cohabitation with, the employee took place after the event causing the injury or illness.

6.5 The allowance will cease at the date when the employee who have reached their state pension age.

7. Process

7.1 Applications under the Scheme must be made without unreasonable delay (which will depend on the specific circumstances of the case).

7.2 The employee is required to claim the injury allowance in writing and provide all supporting information or evidence he or she wishes to submit in support of the claim. In the event of a claim after death, this should be submitted by the Executor or Administrator of the estate. The claim should be sent to the employee's line manager/former line manager.

7.3 Claims may be authorised by the relevant Service Director in conjunction with the Assistant Chief Executive (Business Support). Advice will be sought from HR and Finance (Insurance) and any other Council personnel at the discretion of the Service Director or Assistant Chief Executive (Business Support).

7.4 On receipt of any injury allowance claim the employee should be referred to Occupational Health. OH will refer the employee for consideration by an Independent Registered Medical Practitioner (IRMP) who will be asked to advise on:-

- Whether the injury or disease was received or contracted wholly in the execution of the employee's duties
- The degree of disability if employment is terminated as a result of the injury or disease
- Whether the injury or disease is likely to be temporary or permanent
- If temporary, the possible length of the effect of the injury or disease
- Whether the award should be subject to regular review
- Any other matters either the Director, Occupational Health Service or the IRMP thinks appropriate
- And to certify to the same by completing and signing the Certificate to be provided by Occupational Health Service

7.5 In the case of deaths, written evidence will be submitted to Occupational Health.

7.6 In all cases, a copy of the relevant accident reports should be supplied with the Occupational Health referral to be forwarded to the IRMP. The accident report will be an important document in determining whether an employee has an entitlement under this scheme and managers should ensure that the appropriate form or forms are completed at the time of the incident.

7.7 Any other correspondence or documentation relating to the event (including any insurance claims) should be provided to the relevant Service Director who may share these with OH and the IRMP if relevant to the employee's claim. If the employee was working at a site not operated or managed by the Council, the Service Director may contact a representative of the site operator, manager or owner for information.

7.8 Occupational Health, on the advice of the IRMP, may decide that the employee should be referred for specialist and/or up to date advice. In that case, the employee will be required to give his authority for disclosure of medical details and information and to attend for examination as reasonably requested. Should the employee refuse to give this authority the Service Director will make their decision based on the information they have available to them at the time.

7.9 The Service Director will notify the employee of their decision in writing. If the application is unsuccessful, the employee with be provided with reasons for this decision.

8. Appeals

8.1 Appeals against whether an award was made should be directed to the Chief Executive and should be submitted within 10 working days of receipt of the decision letter.

8.2 An appeal against the Chief Executive's decision can be made, in the first instant, through the Internal Disputes Resolution Procedure – see www.nypf.org.uk for application forms. There is no right of appeal against the amount of benefit awarded.

Appendix K - Cumulative equalities impact assessment

Cumulative equalities impact assessment – Budget 2022/23

All proposals will be subject to individual equality impact assessments.

Protected characteristic / additional characteristic monitored by NYCC	Local context and related factors	Potential adverse impacts of budget savings proposals and steps taken to minimise impact
Age	North Yorkshire has a lower proportion of young people than the national average – 24.8% under 25 compared to 29.7% nationally.[1] In 2020 1% of 16 – 17 year olds in North Yorkshire were identified as NEET (Not in Employment, Education or Training). The percentage across the UK who were NEET in July to September 2021 was 2.8%[2]. Nationally the unemployment rate for 16-24 year olds is high. The unemployment rate for people aged 16 and over for the UK was 4.2%, for the period August to October 2021. [3] In 2020 24.9% of the county's adult population was over the age of 65. This is considerably higher than the national percentage of 18.5%.[1] Every year the population of older people	**Older people** Proposals to require people who are assessed as having sufficient personal finances to pay a fair charge for the total cost of care support and/or transport relating to social care, are also more likely to impact on older people due to the greater likelihood that they will have care needs. As people age they are more likely to develop a long term condition or disability which requires care and support. Work to prevent or delay reliance on social care by supporting people to live more independently and fostering community provision may provide positive impacts for older people. Our Stronger Communities team has been set up specifically to support communities to take on a greater role in the provision of services, and has as one of its priorities support for older and more vulnerable people to remain involved and active within their community. In addition, our Living Well Co-ordinators work with individuals (and their carers) who are on the cusp of becoming regular users of health and social care services by helping them access activities in their local community, reducing loneliness and isolation, and supporting them to find their own solutions to their health and wellbeing goals.

[1] Office for National Statistics Population Estimates mid-2020
[2] GOV.uk NEET and participation: local authority figures 2021
[3] ONS UK labour market statistics 2021

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Protected characteristic / additional characteristic monitored by NYCC	Local context and related factors	Potential adverse impacts of budget savings proposals and steps taken to minimise impact
	increases, and with it the demand for the care and support which the council provides. By 2035, 32.60% of North Yorkshire's total population will be aged 65+ and 5.97% will be aged 85+. Nationally 23.26% will be 65+ and 4.05% will be 85+ by 2035.	Similarly, continuing to replace Elderly Persons Homes with Extra Care Housing where people can live independently whilst being in a supportive community could produce positive impacts for older people. **Younger people** Proposals which may have specific impacts for younger people include: • Ongoing implementation of reviewing the way that we meet the needs of children and young people with SEND and those at risk of exclusion. • Reviewing the provision of home to school transport for solo travellers. The changes to home to school transport review of solo travellers are identified as having potentially adverse impacts in respect of age, given the nature of those children/young people using the service. However, as this is a review of statutory services, it will focus upon how the Council is fulfilling those statutory services in a sustainable manner. Due to the ongoing pandemic, the authority may have an increase in solo travellers as a result of government covid guidance and an increased demand on SEN for specialist places which are resulting in new school settings been sourced with no other passengers available. The anticipated negative impacts for the transition period to the new model for provision for excluded pupils have not been found. Furthermore, for those young people with an Education, Health and Care Plan we have a statutory duty to make the provision as contained in the plan, and for those young people who are permanently excluded there is a further statutory duty for the Council to provide education. Further mitigation throughout the process will include clear communication and ongoing review. The new model was implemented September 2020, which gave more time for robust transitional arrangements. Due to the extraordinary circumstances the pandemic has created, this makes it difficult to ascertain the precise impact of the new model. When support has been required

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Protected characteristic / additional characteristic monitored by NYCC	Local context and related factors	Potential adverse impacts of budget savings proposals and steps taken to minimise impact
		schools have engaged with the new panel processes and appropriate support offered to avoid the need for permanent exclusion. **Working age people** The proposed rise in the council tax may have a larger adverse impact upon these residents due to the effect of inflation in relation to wage growth as this category of residents is not protected from inflation in the same way that older people are, due to uprating of state pensions. The current economic situation caused by Covid may also have impacted people's ability to pay. Any potential impacts on staff as a result of staff restructuring to facilitate service changes will be carefully monitored. We will ensure that all relevant human resources policies and procedures are adhered to and that our duty under the Equality Act 2010 is met.
Disability	North Yorkshire has a lower proportion (19.3%) of people with a disability or long-term limiting illness whose day-to-day activities are limited a lot - against the national average of 23.69%.[4] However, this will rise to 20.89% of the 65+ population in North Yorkshire, against a national average of 24.86%.	Work to prevent or delay reliance on social care by supporting people to live more independently and fostering community provision may provide positive impacts for people with disabilities. Our Stronger Communities team has been set up specifically to support communities to take on a greater role in the provision of services, and has as one of its priorities support for more vulnerable people to remain involved and active within their community. In addition, our Living Well Co-ordinators work with individuals (and their carers) who are on the cusp of becoming regular users of health and social care services by helping them access activities in their local community, reducing loneliness and isolation, and supporting them to find their own solutions to their health and wellbeing goals. The ongoing changes to home to school transport were identified as having potentially adverse impacts on those with a disability, due to the proposal to adopt

[4] Poppi 2019

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Protected characteristic / additional characteristic monitored by NYCC	Local context and related factors	Potential adverse impacts of budget savings proposals and steps taken to minimise impact
		a single charge for all discretionary transport. This proposal is, however, currently suspended until further notice. Managed transition and flexible responsive services such as independent travel training will be also implemented. Transport assessments will be carried out consistently and all needs will be identified and addressed regardless of the new transport model. The reviews of solo travellers will mitigate the initial impact of change, there is no proposal to remove any transport, there will be changes made to those arrangements where appropriate. Due to the ongoing pandemic, the authority may have an increase in solo travellers as a result of government covid guidance and an increased demand on SEND for specialist places which are resulting in new school settings been sourced with no other passengers available The anticipated negative impacts for the transition period to the new model for provision for excluded pupils have not been found. In addition, the change to the timescale for the proposal post-consultation will mean that there is more time to embed some of the wider developments in provision to support children with SEND, including embedding the new model for enhanced mainstream schools, building capacity in the specialist sector and the delivery of the Opportunities Area project in the East. The proposed increase in council tax could have a disproportionate adverse impact upon those with a disability due to the fact that disability benefits have reduced over time as thresholds for support has increased. Any potential impacts on staff as a result of staff restructuring to facilitate service changes will be carefully monitored. We will ensure that all relevant human resources policies and procedures are adhered to and that our duty under the Equality Act 2010 is met.
Sex	At county level the proportion of females is slightly higher (50.7%) than that of males	The proposed increase to council tax could have a disproportionate adverse impact upon females as women are likely to have lower incomes than men in later life due

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Protected characteristic / additional characteristic monitored by NYCC	Local context and related factors	Potential adverse impacts of budget savings proposals and steps taken to minimise impact
	(49.3%)[5]. This pattern is reflected across all districts, with the exception of Richmondshire where the large number of predominantly male military personnel have the effect of reversing the proportions. There were 13,648 lone parent households in North Yorkshire in 2011[6], of which 11,958 had a female lone parent (87.6%).	to working patterns when they were younger, and may therefore be more likely to be impacted by increased costs. They are also disproportionately more likely to be lone parents. Any potential impacts on staff as a result of staff restructuring to facilitate service changes will be carefully monitored. We will ensure that all relevant human resources policies and procedures are adhered to and that our duty under the Equality Act 2010 is met.
Race	North Yorkshire has a much lower proportion (2.65%) of Black or Minority Ethnic (BME) citizens than the national average (14.57%)[7] according to the 2011 census.	There are no anticipated adverse impacts on people with this protected characteristic. Any potential impacts on staff as a result of staff restructuring to facilitate service changes will be carefully monitored. We will ensure that all relevant human resources policies and procedures are adhered to and that our duty under the Equality Act 2010 is met.
Religion or belief	North Yorkshire has higher levels of Christians (69%) than the national average (59%), and lower levels of all other religions than the national average. Percentages of those with no religion or not stating their religion are broadly similar to the national average. (2011 census)	There are no anticipated adverse impacts on people with this protected characteristic. Any potential impacts on staff as a result of staff restructuring to facilitate service changes will be carefully monitored. We will ensure that all relevant human resources policies and procedures are adhered to and that our duty under the Equality Act 2010 is met.
Sexual orientation	The government estimates that 5 – 7% of the population are gay, lesbian or bisexual. We have no evidence to suggest that this is not the case in North Yorkshire.	Any potential impacts on staff as a result of staff restructuring to facilitate service changes will be carefully monitored. We will ensure that all relevant human resources policies and procedures are adhered to and that our duty under the Equality Act 2010 is met.

[5] Office of National Statistics Mid-2020 population estimates
[6] Census 2011
[7] 2011 census

Protected characteristic / additional characteristic monitored by NYCC	Local context and related factors	Potential adverse impacts of budget savings proposals and steps taken to minimise impact
Gender reassignment	The Gender Identity Research and Education Society (GIRES) suggests that across the UK: 1% of employees and service users may be experiencing some degree of gender variance. At some point, about 0.2% may undergo transition (i.e. gender reassignment). Around 0.025% have so far sought medical help and about 0.015% have probably undergone transition. In any year 0.003% may start transition.	Any potential impacts on staff as a result of staff restructuring to facilitate service changes will be carefully monitored. We will ensure that all relevant human resources policies and procedures are adhered to and that our duty under the Equality Act 2010 is met.
Pregnancy or maternity	In 2019 there were 5049 live births in North Yorkshire. In 2018 the conception rate per 1000 for under 18 year olds was 12.8. This is below the rate for England (16.7). In 2019 4,457 live births (88%) were to mothers born in the UK. 592 live births (12%) were to mothers born outside the UK.	There are no anticipated adverse impacts on people with this protected characteristic. Any potential impacts on staff as a result of staff restructuring to facilitate service changes will be carefully monitored. We will ensure that all relevant human resources policies and procedures are adhered to and that our duty under the Equality Act 2010 is met.
Marriage or civil partnerships	A higher percentage of North Yorkshire's population is married or in a civil partnership (53.7%) than the national average (46.8%).[8] (2011 census)	There are no anticipated adverse impacts on people with this protected characteristic. Any potential impacts on staff as a result of staff restructuring to facilitate service changes will be carefully monitored. We will ensure that all relevant human resources policies and procedures are adhered to and that our duty under the Equality Act 2010 is met.

[8] 2011 census

Protected characteristic / additional characteristic monitored by NYCC	Local context and related factors	Potential adverse impacts of budget savings proposals and steps taken to minimise impact
Rural areas	The population in North Yorkshire is generally sparser than the national average (0.77 people per hectare as opposed to 3.94 nationally). In some parts of the county this is lower still (Ryedale 0.37, Richmondshire 0.41)[6]. Distance travelled to access services is further than the national average. The Lower Super Output Area (LSOA), which covers the Dales ward in Ryedale, is in the 10% most deprived in England for Geographical Barriers to Services.[9] Rurality can also mean higher costs for such things as fuel for heating.	Any restructure of services which aims to physically consolidate service provision in locations of greater population density may impact disproportionately on people living in rural areas. However, our Living Well Co-ordinators work on an individual basis with people (and their carers) who are on the cusp of becoming regular users of health and social care services, including those who live in rural areas, to help them access activities and support them to find their own solutions to their health and wellbeing goals. Ongoing changes to provision for excluded pupils may negatively impact on those in rural areas due to the transport costs which can sometimes be limiting in terms of access. Schools are responsible for paying for transport which may become problematic as schools' budgets are under pressure. This will be mitigated by ensuring options are fully explored as new models are being shaped in localities. The Council have offered schools funding to minimise any adverse impact here, this will assist schools in utilising the provision as needed and reduce the financial burden on school budgets. Dependent on the nature of a particular service, access may be online following our digital by default approach, and this can also be challenging in some rural areas where broadband provision can be variable. However, the Superfast North Yorkshire project, which has in Phases 1, 2 and 3 already brought high-quality broadband to more than 180,000 homes and businesses throughout the county, is aiming, through its next phase, to deliver Next Generation Access (NGA) to thousands of additional premises across North Yorkshire where NGA technology is not yet available. The changes to home to school transport covering collection from pick-up points rather than door-to-door mean that families are expected to bring their child to the safe pick up point, which could be more challenging in rural areas. However,

[9] Index of Multiple Deprivation, Indices of Deprivation 2019

OFFICIAL - SENSITIVE

Protected characteristic / additional characteristic monitored by NYCC	Local context and related factors	Potential adverse impacts of budget savings proposals and steps taken to minimise impact
		consideration of the safety of the route to the collection point will be made in determining the offer, and door-to-door service will still be available where medical, mobility or special educational needs require it. There may be some adverse impact on County Council staff living in rural areas where restructures and consequent changes to work locations take place, in that travel to work time may increase and there is disruption to childcare arrangements, for example. Due consideration will be given to the degree of disruption likely to be caused by a proposed change in location and additional expense and travelling time incurred in circumstances where an alternative offer of employment is made, as per the County Council's redeployment Policy.
People with low income	At local authority level North Yorkshire is among the least deprived in England. Figures for long-term unemployment in North Yorkshire (0.1%) are lower than the national average (0.4%)[10]. However, North Yorkshire has a number of lower super output areas within the 20% most deprived in England (23 in 2019, rising from 18 in 2010) and three LSOAs in Scarborough town are within the most deprived 1% in England.[11] The percentage of the population who claim out of work benefits in North Yorkshire is 2,5%, compared to a Great Britain percentage of 4.6% (Nomis – ONS November 2021)	People with low incomes will potentially be adversely impacted by a number of the changes to services. They are often also least able to compensate by using other providers or options, in the private sector for example, due to issues of cost. The impact of proposals to require people who are assessed as having sufficient personal finances to pay a fair charge for the total cost of care support and/or transport relating to social care would be dependent on threshold limits set. Proposals will be developed further and will be subject to individual equality impact assessment. The changes to home to school transport relating to increased charges for discretionary transport and introducing a fee for replacement school bus passes were identified as having potential adverse effects on low income families. However, these proposals are currently suspended until further notice.

[10] November 2017, ONS
[11] Index of multiple deprivation 2019

OFFICIAL - SENSITIVE

Protected characteristic / additional characteristic monitored by NYCC	Local context and related factors	Potential adverse impacts of budget savings proposals and steps taken to minimise impact
		The proposed increase to council tax may have a disproportionate adverse impact upon those residents receiving low incomes.
Carers	Carers' allowance claimants make up 0.9% of North Yorkshire's population.[12] This is lower than the average for England (1.3%) but there are variations across the county with the highest percentage being in Scarborough (1.4%). It is likely, however, that these figures do not reflect the true number of people carrying out caring roles in the county as many do not claim allowances.	Carers are likely to be impacted in similar ways to older and younger people and disabled people i.e. the people for whom they are caring, although the impacts may be more indirect. Carers may also have lower incomes as in many cases they will be unable to work due to their caring responsibilities. Some carers will, of course, have protected characteristics themselves, such as young carers. Staffing restructures which involve a change of locality base may impact adversely on home / work balance. Flexible working is in place to provide mitigation where this is feasible.

[12] May 2017, ONS

OFFICIAL - SENSITIVE

APPENDIX L

BUDGET RISK ASSESSMENT

There are always a number of significant risk factors, which it is necessary to consider in determining the Budget / MTFS. This Appendix seeks to give some indication of the potential financial consequences of some of the key risks assessed in formulating the 2022/23 Budget / MTFS:-

Risk	Quantification	Likelihood (H/M/L)	Impact (H/M/L)	£m	Recurring?	Rationale
Demand pressures - Including Adult Social Care and Children's Services	Corporate risk contingency as identified in the MTFS report.	H	H	10.0	Yes	Pent up demand built through (or driven by) lockdown and the pandemic.
Erosion of government funding position through future reforms (noting this will impact the new council)	5% additional cut on all government funding through Business Rates and grants	H	H	Circa £10m	Yes	Government has indicated future funding reform.
Successful delivery of the LGR transition	Business case indicated costs of £38m to deliver	M	H	Circa £31m	No	LGR Business case
Non-delivery of full value of savings or significant delays to delivery as services continue to be impacted by the pandemic.	Non-delivery of 50% of the overall savings programme planned for over the next three years.	M	M	3.0	Depends	Resources tied up responding to pandemic and LGR and savings become more difficult to deliver.
Failure to deliver savings ideas to bridge the gap	As per MTFS recurring shortfall	H	H	18.0		Resource pressure.
Acceleration of inflation above assumptions on supplies and	2% increase in inflation (in a single year)	H	H	5.3	Yes	Economic position

services within the MTFS						
Acceleration of inflation above assumptions on pay award	1% increase	H	H	1.6	Yes	Economic position
Potential shortfall on Council Tax yield based upon MTFS assumptions	1% Council Tax variation	M	M	3.4	Yes	More people able to claim LCTS – impact of pandemic on jobs.
Commercial Investments	10% reduction in treasury management and commercial investment returns	H	L	0.5	No	Economic position.
Reduced collection of Business Rates	5% less Business Rates generated	H	L	1.0	Yes	Budgeting at baseline
Insufficient capacity to deal with the competing demands of the organisation and inability to progress strategically important initiatives. Therefore having to go to market for agency staff and consultants.	1% staff workforce * price premium	H	H	5.0	No	LGR, continued response to pandemic etc.
Insufficient funding to meet new responsibilities for adult social care and funding arrangements.	Desktop assessment of shortfall due to fee equalisation with self-funders.	H	H	Up to £39m	Yes	Based on early indications of government policy.
Erosion of DSG to underpin council services to schools	Complete loss of DSG to council	M	H	3.0	Yes	Trend for reducing central/direct funding
Risk of adverse weather conditions	Extreme spend on adverse weather in excess of budget	M	L	4.0	No	Based on previous experience.

	and / or emergencies					
Potential changes to capital financing arrangements	Internal lending to NYCC companies	H	L	1.0	Yes	Revised rules around the minimum revenue funding for loans to local authority companies

All of the above risks relate to the County Council as a going concern.

In addition, risks to the new council will include:

- Savings gaps bequeathed from all eight constituent councils
- Uncertainty around funding arrangements for the new council (pre and post funding reform)
- Concerns around capacity to adequately deliver the range of services for which it is responsible
- Likely savings requirements including ‘legacy’ savings targets
- Sufficient level of reserves for the new authority transferred from the constituent councils

Corporate Risk Register

Appendix M

Risk Register: **month 0 (November 2021) – summary**
Next Review due: **May 2022**
Report Date: **10th November 2021 (pw)**

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 -	**20/194 - Major Failure due to Quality and/or Economic Issues in the Care Market and Workforce Pressures**	Major failure of provider/key providers results in the Directorate being unable to meet the needs of people who use services. This could be caused by economic performance or resource capacity including recruitment and retention. The impact could include loss of trust in the Care Market, increased budgetary implications and issues of service user safety.	Chief Exec	CD HAS	H	M	H	M	H	**1**	13	31/12/2021	H	M	H	M	H	**1**	Y	CD HAS
◀▶	**20/187 - Information Governance and Security**	Ineffective information governance arrangements lead to unacceptable levels of unauthorised disclosure of personal and sensitive data, poor quality or delayed responses to FoI requests, and inability to locate key data upon which the Council relies resulting in loss of reputation, poor decision making, fine, etc (including Brierley Group companies) Failure to put in place the appropriate cyber security arrangements could potentially lead to data breach, loss of data, loss of systems, loss of reputation	Chief Exec	CD SR	H	M	M	M	H	**1**	12	31/12/2021	H	L	M	L	M	**2**	Y	CD SR
◀▶	**20/1 - Funding Challenges**	Inadequate funding available to the County Council to discharge its statutory responsibilities and to meet public expectation for the medium term resulting in legal challenge, unbalanced budget and public dissatisfaction	Chief Exec	CD SR	H	H	H	H	H	**1**	12	31/07/2022	M	H	H	M	M	**2**	Y	All Mgt Board
◀▶	**20/245 - Recovery from Coronavirus**	Failure to lead an effective recovery from the outbreak of Coronavirus in North Yorkshire resulting in adverse impact on the health and wellbeing of residents and staff, long term damage to the local economy and financial position of the council, and inadequate arrangements for the education of children and young people	Chief Exec	CSD AD PPC	H	M	H	M	H	**1**	9	31/08/2022	M	M	H	M	H	**2**	Y	Chief Exec

Corporate Risk Register

Risk Register: **month 0 (November 2021) – summary**
Next Review due: **May 2022**
Report Date: **10th November 2021 (pw)**

Identity			Person		Classification														Fallback Plan	
					Pre						RR		Post							
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat	FBPlan	Action Manager
◀▶	**20/236 - Opportunities for Devolution and Growth in North Yorkshire**	Failure to take advantage of Devolution opportunities and to deliver the ambition of Sustainable Economic Growth, through for example the delivery of the right housing and transport whilst protecting the outstanding environment and heritage, resulting in reduced investment and impact on the growth and jobs, inability to recover from the impact of the Virus, attract, retain and grow businesses and raise living standards across North Yorkshire	Chief Exec	CD BES	H	M	H	H	H	**1**	12	31/03/2022	M	M	M	M	M	**4**	Y	CD BES Chief Exec
◀▶	**20/47 - Partnership and Integration with the NHS**	Failure to achieve the best outcomes from working jointly with NHS across the NYCC footprint, a negative impact on the customer experience and the possibility of fragmented care and poor outcomes	Chief Exec	CD HAS	M	M	H	M	M	**2**	10	31/03/2022	M	M	H	M	M	**2**	Y	CD HAS
▲	**20/189 - Safeguarding Arrangements**	Failure to have a robust Safeguarding service in place results in risk to vulnerable children, adults and families and not protecting them from harm.	Chief Exec	CD HAS CD CYPS	M	H	M	M	H	**2**	17	31/12/2021	M	H	M	M	H	**2**	Y	CD CYPS CD HAS
◀▶	**20/244 - Significant Incidents**	Failure to plan, respond to and recover effectively from significant incidents in the community resulting in risk to life and limb, impact on statutory responsibilities, impact on financial stability and reputation	Chief Exec	Chief Exec	M	L	H	L	H	**2**	8	31/03/2022	L	L	H	L	M	**3**	Y	Chief Exec
- new -	**20/247 - Local Government Reorganisation**	Failure to transition effectively to the new North Yorkshire Council by 1 April 2023 and to successfully set out a road map for further transformation over the subsequent years resulting in risk of failing services on Day 1, reputational impacts, member dissatisfaction, reduced performance.	Chief Exec	Chief Exec	M	H	H	H	H	**2**	7	31/12/2021	L	H	H	H	H	**3**	Y	Chief Exec

Corporate Risk Register

Risk Register: **month 0 (November 2021) – summary**
Next Review due: **May 2022**
Report Date: **10th November 2021 (pw)**

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

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

25 January 2022

CAPITAL FIVE YEAR SPENDING PLAN

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF REPORT

1.1 To approve an updated (Quarter 3 2021/22 to 31 December 2021) Capital Plan and recommend its adoption to County Council on 16 February 2022.

2.0 INTRODUCTION AND CONTEXT

2.1 The Capital Plan sets out the County Council's longer term capital investment plans. These plans support the Council's strategic and service objectives by maximising the assets and infrastructure necessary to support service delivery whilst minimising the impact on the revenue budget. The Council's Capital Strategy provides a high level overview of how capital expenditure, capital financing and treasury management contribute to this end.

2.2 2022/23 is the final year for setting the Capital Plan for the County Council given that the new unitary council for North Yorkshire will come into effect from 1 April 2023. The production of an emerging "shadow" plan for the new unitary council an aggregation of the future projections of all 8 councils, will become the start position for the new unitary North Yorkshire Council in order that projects already in progress can be completed and current planned and new investment priorities may be considered.

2.3 The Capital Plan must be approved by County Council before the start of the financial year. The County Council's Financial Procedure rules empower the Executive to modify the Capital Plan during the year by means of the Capital section of the quarterly performance monitoring reports or, if urgent changes are needed, ad hoc reports at other points in the reporting calendar. As we transition to the new unitary council, changes impacting on future years will be subject to the requirements of any agreed financial and other relevant protocols or provisions within the Structural Change Order.

2.4 In order to obtain a County Council approved Capital Plan for 2022/23 before the start of the financial year, an updated Capital Plan is submitted to the Executive alongside the other 2022/23 budget-related reports. This updated Capital Plan (Quarter 3 2021/22 to 31 December 2021) is recommended for:

a) approval by Executive at this meeting

followed by

b) approval and adoption by the County Council on 16 February 2022.

2.5 This latest Capital Plan impacts on the Revenue Budget 2022/23 and MTFS outcome as well as Treasury Management related activities in terms of the:

a) Financing costs (interest and principal) required to finance the Capital Plan being reflected in the 2022/23 Revenue Budget and MTFS within Corporate Miscellaneous;
b) Prudential Indicators; and
c) Treasury Management arrangements.

As a result of these close links, reports on the above are also included on this agenda and need to be reported to the County Council as part of the “Budget Set”.

3.0 REFRESHING THE CAPITAL PLAN

3.1 In December 2021, the Q2 2021/22 Capital Plan was approved by both Executive and County Council.

3.2 The schemes and programmes within the Capital Plan are reviewed regularly to track whether or not they are being delivered to both schedule and budget. Refreshed on a quarterly basis, this report details the Capital Plan for Quarter 3 2021/22, 1 October to 31 December, and reflects the additions and adjustments, including the reprofiling of budgets, since the last version was approved.

3.3 The Council is currently planning to invest £142.7m on capital schemes across the County in 2021/22 and £321.4m, in total, over the capital plan period.

3.4 The latest Capital Plan is set out, by directorate, at Appendices A-D with the gross expenditure, by directorate, summarised in the following table:

	Quarter 3 1 October to 31 December 2021					
	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k	Later Years £k	Total £k
Business & Environmental Services	81,539.2	45,798.4	20,794.0	20,594.0	1,218.4	**169,944.0**
Children & Young People's Service	30,665.8	28,445.7	10,943.7	4,600.0	21,039.8	**95,695.0**
Central Services	26,682.8	8,565.6	1,300.0	1,160.8	3,886.4	**41,595.6**
Health & Social Care	3,853.3	434.4	999.8	0.0	8,921.3	**14,208.8**
	142,741.1	**83,244.1**	**34,037.5**	**26,354.8**	**35,065.9**	**321,443.4**

Additions to and Removals from the Capital Plan this Quarter

3.5 Only individual additions to / removals from the Capital Plan that are of a value in excess of +/- £250k are detailed in this report.

3.6 The following table highlights both new schemes that have been added to the Capital Plan this quarter as well as significant increases or decreases in the funding of existing schemes and programmes:

Directorate	Scheme Heading	Scheme Detail	Budget £k
BES	Local Transport Plan Funding	Following the latest Government Spending Review, the DfT has indicated that the maintenance element of the annual grant funding will be fixed at the 2021/22 value for the next 3 years. Information relating to future years' funding levels for Integrated Transport and Potholes is yet to be announced.	20,567.0 per annum (2022/23 to 2024/25)
CS	Purchase of Vehicles	At Q2, it was reported that a further provision funded via Invest to Save in 2021/22 would be added this quarter in relation to the cost of additional fleet vehicles by HAS.	956.8
Additions - All Directorates Total			**62,657.8**
	Material Damage Provision (schools)	In 2021/22 all schools were able to join the risk protection arrangement (RPA), an alternative to commercial insurance arranged by the DfE originally just for academy trusts. The cost of doing so is lower than the commercial arrangement offered by the Council's Insurance and Risk Management Service. As such, it was expected that the call on the Material Damage Provision would reduce. The current forecast is such that the outturn will be no more than £100k in 2021/22.	-400.0
Removals - All Directorates Total			**-400.0**

3.7 As outlined in paragraph 2.2, this does not preclude further subsequent refinements.

Reprofiling of Approved Schemes within the Capital Plan

3.8 The following table sets out the reprofiling and accelerated spend since the last Plan was presented to Executive (reduction (-) or increase () in the annual profiled spend) with details of significant changes:

	REPROFILED EXPENDITURE AS AT Q3 2021/22					
	Quarter 3 1 October to 31 December 2021					
	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k	Later Years £k	Total £k
Business & Environmental Services						
Structural Maintenance of Roads & Bridges	-4,558.2	4,558.2	0.0	0.0	0.0	**0.0**
Major Highways Schemes	-1,462.2	1,462.2	0.0	0.0	0.0	**0.0**
	-6,020.4	**6,020.4**	**0.0**	**0.0**	**0.0**	**0.0**
Children & Young People's Service						
Schools						
Basic Need programme	-1,778.4	685.1	835.4	0.0	257.9	**0.0**
School Condition Programme	-5,695.0	5,695.0	0.0	0.0	0.0	**0.0**
	-7,473.4	**6,380.1**	**835.4**	**0.0**	**257.9**	**0.0**
Central Services						
Loans to Limited Companies	510.0	0.0	0.0	0.0	-510.0	**0.0**
	510.0	**0.0**	**0.0**	**0.0**	**-510.0**	**0.0**
Health & Social Care						
Maintaining Fabric / Facilities of Properties	-434.4	-65.6	500.0	0.0	0.0	**0.0**
Extra Care Facilities	4.0	-500.0	499.8	0.0	-3.8	**0.0**
	-430.4	**-565.6**	**999.8**	**0.0**	**-3.8**	**0.0**
Total Capital Expenditure	**-13,414.2**	**11,834.9**	**1,835.2**	**0.0**	**-255.9**	**0.0**

3.9 **Structural Maintenance of Roads and Bridges:**

3.9.1 Active Travel Fund works remain unprogrammed at this stage whilst scheme development continues. As a result, £514.4k of grant funding has been reprofiled to 2022/23.

3.9.2 Of the large and complex Safer Roads package of schemes, a further £3.1m of work on improvements to the A684, A167 and A682 has now been programmed for delivery in 2022/23 resulting in a total estimated expenditure of £6.8m next financial year.

3.9.3 The final NPIF funded scheme in relation to the Otley Road cycleway is now expected to complete in 2022/23 and, as such, funding to meet this has been reprofiled accordingly (£980.6k).

3.10 **Kex Gill Realignment (Major Highways Schemes):** The scheme was approved at Planning Committee on 12th January 2021 and the tender assessment process is ongoing. A further £1.5m has been reprofiled from

2021/22 to 2022/23. Risks in relation to the delivery of this scheme are addressed more fully in paragraph 4.4 of the Risks section of this report.

3.11 **Basic Need Schemes:** Unallocated Basic Need Contingency of £1,778.4k has been reprofiled from 2021/22 to future years and will form the basis of the contingency in those years pending an update report on the Basic Need Programme to Executive later in the year.

3.12 **School Condition Programme:** Unallocated funding has been reprofiled from 2021/22 to 2022/23 and will form the basis of contingency pots for topping up 2021/22 schemes post design/tender as well as supporting the new 2022/23 programme (PCU replacements £520.6k, Special Provision Targeted Capital Programme £3,053.8k, Special Provision Capital Fund £570.8k, feasibility studies £35.0k and General Contingency £879.3k). In addition, a PCU replacement and three Special Provision Targeted Capital Programme schemes were allocated top-up funding prior to being reprofiled (£635.5k).

3.13 **Loans to Limited Companies:** £510k has been reprofiled from Later Years to 2021/22 to address the current loan drawdown position for NYHighways.

3.14 **Maintaining Fabric / Facilities of Properties and Extra Care Facilities (HAS):**

3.14.1 Managing Covid-19 over the last two years has resulted in a review of priorities, need and delivery across the HAS estate with Property Services. Scheme proposals are in the early stage of development with a view to being progressed in 2023/24.

3.14.2 In light of this, the committed match funding investment at the Ashfield and Silver Birches residential care homes by both service areas is not expected to be realised now until 2023/24. As such, uncommitted funding has been reprofiled from 2021/22 and 2022/23 to 2023/24 (£500k / £500k).

3.15 The changes to the Capital Plan outlined above are summarised in the following table:

SUMMARY OF CHANGES SINCE THE LAST CAPITAL PLAN UPDATE	2021/22	2022/23	2023/24	2024/25	Later Years	Total
	Capital Plan as at Q3 2021/22					
	£k	£k	£k	£k	£k	£k
	155,400.1	90,909.2	11,635.3	5,787.8	34,745.5	298,477.9
Changes this Quarter:						
Total reprofiling between years	-13,414.2	11,834.9	1,835.2	0.0	-255.9	-0.0
Total variations in the funding of schemes	755.2	-19,500.0	20,567.0	20,567.0	576.3	22,965.5
Updated Gross Capital Spend	142,741.1	83,244.1	34,037.5	26,354.8	35,070.0	321,443.4

Other Capital Updates

3.16 **Highways Annual Programme 2022/23**

3.16.1 The final 2022/23 annual programme is expected to be presented to the BES Executive Member and Corporate Director meeting in February 2022 for approval.

3.16.2 The current over-programmed projection is between £2.5m and £3.0m. However, experience has shown that a proportion of the schemes included will either be reprogrammed into future years or fall out of the programme altogether with new unforeseen additions being included throughout the year.

3.16.3 To enable a more flexible approach to managing the annual programme, a bank of designed schemes intended for 2023/24 is available to be brought forward into 2022/23, if required, to reduce the risk of an underspend of LTP grant funding allocation within year. At the same time, Area Offices will be progressing the design of schemes for 2024/25 in order to maintain the bank of schemes that can be delivered at short notice in the future.

3.16.4 Improvements to the planning and delivery of the programme will see some £1.6m worth of Highways capital schemes commencing in April 2022.

3.16.5 Whilst the estimated 2022/23 grant funding is already included in the Capital Plan, officers await the final funding settlement from DfT.

3.17 **Schools Programme**

3.17.1 **Annual Capital Planned Maintenance:** The original budget allocation for 2021/22 was kept to reasonable anticipated spend levels due to a number of projects and associated funding being deferred from 2020/21 as a result of Covid 19 and concerns as to resource and contractor capacity to deliver. The budget has been uplifted by £720.7k as a result of priority works being added in-year dueto additional works being identified within the maintenance programme. This uplift is based on "worst case" projections and regular budget monitoring continues.

3.17.2 Schools Access Initiative: the programme funding has been uplifted by £258k from within the Condition Programme contingency to address the higher than originally anticipated requirement for adaptations to schools to enable access.

3.18 **Property Rationalisation**

3.18.1 A provision of £1.5m was made available in 2019/20 for a period of three years to address a programme of rationalisation across the Council's property estate. This approval is due to expire at March 31 2022. Current forecasts are such that £683k of that provision would remain uncommitted and unspent at that date.

3.18.2 A recent review of proposed rationalisation works beyond 2021/22 would require a provision of £500k over a further two financial years.

3.18.3 It is therefore proposed that £500k of the underspend at the end of 2021/22, after accruals for current commitments have been accounted for, be carried forward for a further two years. If approved, the adjustment will be made to the Capital Plan at Q1 2022/23.

3.19 **Getting Building Fund / Digital Infrastructure Programme:** Further to earlier reports, the Local Enterprise Partnership has confirmed the release of the remaining £300k of the £600k additional allocation from savings. The total Digital Infrastructure Programme funding is confirmed at £3.6m.

3.20 **Selby Free School:** In the 2021/22 MTFS report (January 2021), Executive approved the provision of up to £1m towards the cost of associated s278 and ground abnormal works. Whilst officers await further information from the DfE to be able to confirm the level and profile of financial commitment required by the Council, CYPS is starting to incur costs in relation to the Highways aspect of the scheme. As such, £111.1k of the approved provision has been added to the 2021/22 Capital Plan this quarter. .

3.21 **Proposed approach to the sale of County Council owned property/land to Brierley Homes Limited (BHL)**

3.21.1 Officers within the Property Service and BHL have agreed that it would be beneficial to both organisations to propose a formal, consistent approach to the handling of possible and actual sales of Council owned property/land to the company in line with existing sale arrangements with external buyers. The benefits include a set process, standard timescales, standard terms, clarity on the commercial relationship between the two organisations and the avoidance of issues around subsidy control (the replacement for state aid).

3.21.2 Three stages are proposed to this new approach:

Stage 1	Site identification, assessment & allocation – involving both organisations (covered by an agreed process)
Stage 2	Site promotion through the town planning system by BHL (covered by a formal legal Option Agreement)
Stage 3	Site sale by the County Council to BHL (covered by a formal legal Option Agreement)

3.21.3 It is envisaged that the Option Agreement would be for a term of 10 years but with the ability for either party to terminate it upon three months' notice.

3.21.4 As with the past sales, the value of a site would be set by an independent valuer in order to ensure that the County Council receives the equivalent value it could expect to achieve on the open market in line with the then current conditions. This ensures both transparency and that BHL pay the market rate.

4.0 RISKS

4.1 Every effort is made to identify, assess and minimise the level of risk associated with a scheme or programme within the Capital Plan. Larger schemes and programmes are subject to assessment and monitoring under the Council's Risk Management Strategy.

Current Identified Risks

4.2 The following table sets out the types of risk that have been identified against current schemes and programmes within the Capital Plan, most of which have been highlighted in previous reports to Executive.

	Under- & Over-Programming	Costs	Funding	Time	Receipts	Delivery
Business & Environmental Services						
Structural Maintenance of Roads & Bridges	x	x				
Junction 47 Improvements		x	x			
Kex Gill Realignment		x	x	x		
Children & Young People's Service						
School Capital Programme		x	x	x	x	x

Updates on existing risks are provided below.

4.3 Structural Maintenance of Roads Update:

4.3.1 As previously reported, in order to maximise spend against plan each year, Business and Environmental Services set a rolling two-year capital works programme for Highways which includes additional schemes that, on paper, would result in an over-programming of works against available funding. In reality, this is unlikely to result in a budget overspend as approved schemes will either (i) be programmed together as a single scheme thereby reducing costs, (ii) be reprofiled into the following year or (iii) be removed from the programme altogether.

4.3.2 2021/22 has been another challenging year for Highways: delays to delivery as a result of external influences and the transfer of Highways contractor from Ringway to NYHighways being the main issues. Whilst a number of outstanding issues remain to be resolved before the end of the financial year, the current forecast is an overspend on the annual grant of approximately £1.5m. Whilst a provision has been made available to cashflow any overspend up to a value of £2m in the short term over the year end until receipt of the first grant instalment of the new year, it is to be noted that this figure is likely to change.

4.4 **Kex Gill Realignment Update:**

4.4.1 The period for representations of support/objection to the A59 Kex Gill Compulsory Purchase Order (CPO) & Side Roads Order (SRO) is now closed. Two objections were received: one has since been withdrawn and the other is close to a resolution.

4.4.2 Discussions continue with the Department for Transport (DfT) on the completion of the CPO & SRO, in conjunction with the Common Land application. Tenders have been returned and the tender assessment process is ongoing.

4.4.3 It is currently envisaged that works could commence on site in late Autumn 2022.

4.5 **Junction 47 Improvements Update:**

4.5.1 The scheme has been delayed primarily due to significant extra groundworks required on the southbound entry slip road due to unforeseen groundwater issues. This specific element of work is now complete and the scheme is scheduled for completion in Spring 2022.

4.5.2 There are some further extra costs associated with this work along with extra work to remove buried concrete edge beams, relocation of Great Crested Newts, additional service diversion works and additional work associated with the vehicle restraint system and temporary barriers required whilst that work is being carried out.

4.5.3 Whilst every effort is being made to keep these additional costs to a minimum through the compensation events process, current projections are such that extra funding of approximately £1,575.0k will be required. Officers are currently in discussion with National Highways in relation to this.

5.0 **CAPITAL FORWARD PLAN**

5.1 Acknowledging the requirements for the transition to the new unitary council but ensuring continuity of services, the intention of the Capital Forward Plan is to ensure that there is a methodical approach to developing proposals for new capital schemes to be added to the Capital Plan and, in particular, the process for securing funding.

5.2 A summary of the Capital Forward Plan is tabled below:

Directorate	Scheme	Detail
BES	Active Travel Fund (Tranche 3)	Bid to DfT for £1,645.0k for pedestrian and cycle improvements at sites countywide.
BES	Levelling Up Fund	Proposed bid for £25.7m to support a package of works at Scarborough, Seamer and Thirsk railway stations. There is a minimum match funding requirement of 10%, of which Scarborough Borough Council could contribute £5.99m of Towns Fund monies. A further commitment of £3.5m may also be required from the Corporate Capital Funding Pot. **As a result, delegated authority is requested for the Corporate Director, Business & Environmental Services in consultation with the Corporate Director, Strategic Resources; the Executive Member for Open to Business; and the Executive Member for Finance to allocate the £3.5m of funding should it be required as a local contribution towards schemes for submission into the Levelling Up Fund.**
Central	Public Sector Decarbonisation Scheme (Phase 3)	Bid for £318.0k to replace gas fired boilers with air source heat pumps in corporate properties (3). Match funding of £150.0k committed from the Property Service revenue budget.
Central	Libraries Improvement Fund	Bid to DCMS / Arts Council England for £200.0k to refurbish Scarborough Library.
Central	Digital Connectivity Infrastructure Accelerator Programme	Proposed bid for £427.6k to support the development of a database of surveyed Local Authority assets to speed up the delivery of wireless communications in North Yorkshire. The bid involves collaborative working arrangements with NYnet and the seven borough and district councils. The outcome of the bid will be announced in January 2022.

6.0 **Capital Financing**

6.1 The financing of the Capital Plan is realised, primarily, through the receipt of Government grants. In addition, the Council can utilise revenue contributions, reserves, capital receipts from the sale of assets such as surplus land and buildings, and, as a last resort, it can borrow from either the Public Works Loan Board or money markets.

6.2 The main grants received and included in the Capital Plan relate to Highways and Schools and, as such, the Council's Capital Plan can be heavily influenced by Government department priorities. Grants, in total, fund 65% of the total 2021/22 Capital programme (a decrease of 3 percentage points on the last quarter reflecting the reprofiling of both Highways and Schools grants from 2021/22 to 2022/23). Where confirmed, grants have been added to the Capital Plan in the years to which they are due to be received.

6.3 Revenue contributions, whilst reflected in capital budgets, are also addressed in the associated revenue budgets.

Financing the Refreshed Capital Plan

6.4 The following table indicates that there is potentially £21.1m of unallocated capital funding that might become available over the Capital Plan period (depending upon the realisation of forecast capital receipts).

Source	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k	Later Yrs £k
Forecast Sources of Finance					
Borrowing	22,325	9,103	-3,742	-11,997	-1,334
Grants and Contributions	101,141	67,105	29,053	22,427	22,401
Schemes financed from Revenue	12,526	6,077	3,606	2,857	315
Capital Receipts	15,517	3,326	6,001	13,068	22,747
= Total Forecast Capital Funding	**151,509**	**85,611**	**34,918**	**26,355**	**44,129**
- Updated Capital Plan	-142,741	-83,244	-34,038	-26,355	-35,066
= Potential Unallocated Capital Resources	8,768	2,367	880	0	9,063
Total potentially unallocated available over full capital reserves resources Capital Plan period	21,078				

6.5 The 'Corporate Capital pot' is a combination of previously unspent funding approvals and future forecast surplus capital funding, including Capital Receipts. The Capital Receipts included in the table above are not expected to be realised for some time yet. As a result, the availability of this unallocated funding is speculative in terms of both timing and amount. Against this background, any material spending of the 'pot' combined with significant reductions in the expected value of potential capital receipts in the pipeline could result in its being 'overdrawn'. Such a scenario would result in the requirement for additional Prudential Borrowing to finance the existing Capital Plan. Again any impacts beyond 2022/23 will be subject to the transitional arrangements for the new unitary council.

6.6 Assuming that the forecasts remain accurate, the options for this unallocated resource are:

a) To retain, resulting in the earning of short term interest within Corporate Miscellaneous; or

b) To make available for either new capital investment or for reducing Prudential Borrowing which would, in turn, result in financing cost savings in the Revenue Budget.

6.7 The current position, as previously agreed by Members, remains to retain any surplus capital funding for the time being.

6.8 RECOMMENDATIONS

The Executive is recommended to:

a) Approve the refreshed Capital Plan summarised at **paragraph 3.4**;

b) Approve the proposal to carry forward £500k of the Property Rationalisation underspend at 31 March 2022 for a further two financial years (2022/23 to 2023/24) as set out at **paragraph 3.18**;

c) That authority is delegated to the Corporate Director, Business & Environmental Services in consultation with the Corporate Director, Strategic Resources; the Executive Member for Open to Business; and the Executive Member for Finance to allocate the £3.5m of funding should it be required as a local contribution towards schemes for submission into the Levelling Up Fund as set out in the Table in **paragraph 5.2**;

d) Agree that no action be taken at this stage to allocate any additional capital resources (**paragraph 6.7**)

APPENDICES TO THE CAPITAL PLAN

A BUSINESS & ENVIRONMENTAL SERVICES

B CHILDREN & YOUNG PEOPLE'S SERVICE

C CENTRAL SERVICES

D HEALTH & ADULT SERVICES

E FINANCING OF THE CAPITAL PLAN

APPENDIX A

2021/22 CAPITAL BUDGET MONITORING - POSITION TO 31 DECEMBER 2021

BUSINESS AND ENVIRONMENTAL SERVICES

ITEM	Total £000	Expenditure to 31.3.21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Later Years £000
GROSS EXPENDITURE							
HIGHWAYS & TRANSPORTATION ANNUAL PROGRAMME							
Structural Maintenance	180,482	51,920	60,017	27,410	20,567	20,567	-
Integrated Transport	8,055	4	6,553	1,499	-	-	-
New and Replacement Road Lighting Columns	9,211	8,083	1,128	-	-	-	-
Regional Funding Allocation	450	-	30	-	-	-	420
Overprogrammed Works	1,476 CR	-	1,473 CR	4 CR	-	-	-
Flood Risk Management	3,134	967	1,320	648	200	-	-
HIGHWAYS & TRANSPORTATION MAJOR PROJECTS							
Kex Gill Realignment	4,622	2,840	320	1,462	-	-	-
Junction 47 Improvements	10,370	4,801	5,509	12	12	12	24
Harrogate- York Rail Scheme	9,602	9,600	2	-	-	-	-
Bedale-Aiskew-Leeming Bar Major Scheme	25,538	25,052	145	61	-	-	280
A174 Sandsend Slope Stabilisation	7,032	7,032	-	-	-	-	-
Transforming Cities	18,916	1,838	2,541	14,536	-	-	-
WASTE & COUNTRYSIDE SERVICES							
Waste Management Service	636	4	92	15	15	15	495
Waste Procurement Project	5,547	5,534	13	-	-	-	-
Countryside Services	60	-	60	-	-	-	-
ECONOMIC PARTNERSHIP UNIT							
Rural Connected Communities (5G)	810	271	539	-	-	-	-
Heritage Services	162	-	3	159	-	-	-
GROWTH, PLANNING & TRADED SERVICES							
Local Growth Deal	62,512	62,512	-	-	-	-	-
Getting Building Fund	4,739	-	4,739	-	-	-	-
TOTAL GROSS SPEND	**350,400**	**180,456**	**81,539**	**45,798**	**20,794**	**20,594**	**1,218**
Last Update	329,058	180,456	87,851	59,278	227	27	1,218
CAPITAL GRANTS & CONTRIBUTIONS							
Capital Grants							
- Local Transport Plan Grant	97,718 CR	3,931 CR	32,086 CR	20,567 CR	20,567 CR	20,567 CR	-
- National Productivity Investment Fund	3,245 CR	1,160 CR	1,104 CR	981 CR	-	-	-
- Safer Roads Fund	11,552 CR	2,286 CR	2,423 CR	6,843 CR	-	-	-
- Highways England Grant	3,126 CR	563 CR	2,563 CR	-	-	-	-
- Section 31 DfT Grants	23,953 CR	23,144 CR	295 CR	514 CR	-	-	-
- Transforming Cities Fund Grant	18,559 CR	1,782 CR	2,541 CR	14,236 CR	-	-	-
- EA Grant	5,578 CR	5,093 CR	93 CR	392 CR	-	-	-
- Waste Capital Grants	411 CR	-	-	-	-	-	411 CR
- DfT Grant	16,454 CR	-	16,454 CR	-	-	-	-
- Local Growth Deal	101,417 CR	99,018 CR	2,399 CR	-	-	-	-
- Getting Building Fund	10,751 CR	4,262 CR	6,489 CR	-	-	-	-
- DCMS Grant	810 CR	271 CR	539 CR	-	-	-	-
Other Capital Grants	100 CR	-	-	100 CR	-	-	-
Capital Contributions	4,121 CR	2,635 CR	1,287 CR	-	200 CR	-	-
S106 Contributions	629 CR	-	50 CR	159 CR	-	-	420 CR
Teckal Loan Repayments	10,000 CR	25 CR	9,976 CR	-	-	-	-
Revenue Contributions							
- Road Lighting Columns	8,211 CR	8,083 CR	128 CR	-	-	-	-
- Structural Maintenance of Roads	15,000 CR	15,000 CR	-	-	-	-	-
- Kex Gill	4,622 CR	2,840 CR	320 CR	1,462 CR	-	-	-
- Flood Risk Management	1,583 CR	137 CR	1,290 CR	156 CR	-	-	-
- Junction 47	1,187 CR	-	1,127 CR	12 CR	12 CR	12 CR	24 CR
- Transforming Cities	300 CR	-	-	300 CR	-	-	-
- BALB (PIP)	2,288 CR	1,802 CR	145 CR	61 CR	-	-	280 CR
- Other Revenue Contributions	678 CR	492 CR	142 CR	15 CR	15 CR	15 CR	-
TOTAL GRANTS AND CONTRIBUTIONS	**342,292 CR**	**172,522 CR**	**81,449 CR**	**45,798 CR**	**20,794 CR**	**20,594 CR**	**1,135 CR**
Last Update	320,950 CR	172,522 CR	87,761 CR	59,278 CR	227 CR	27 CR	1,135 CR
TOTAL NET EXPENDITURE	**8,108**	**7,934**	**90**	**-**	**-**	**-**	**84**
Last Update	8,108	7,934	90	-	-	-	84

APPENDIX B

2021/22 CAPITAL BUDGET MONITORING - POSITION TO 31 DECEMBER 2021

CHILDREN AND YOUNG PEOPLE'S SERVICE

ITEM	Total £000	Expenditure to 31.3.21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Later Years £000
GROSS EXPENDITURE							
NYCC MANAGED SCHOOL SCHEMES							
Basic Need Schemes	49,874	-	9,149	13,914	6,263	-	20,548
School Condition Schemes	20,854	-	10,789	9,602	81	-	382
Capital Maintenance Programme	5,330	-	5,330	-	-	-	-
General Compliance & Health and Safety	350	-	350	-	-	-	-
Strategic Management of Capital	348	-	348	-	-	-	-
SCHOOL MANAGED SCHEMES							
Self Help Schemes	12,070	-	3,070	3,000	3,000	3,000	-
Devolved Formula Capital Grant Funding	5,289	-	1,209	1,360	1,360	1,360	-
STRATEGIC PRIORITIES (OTHER)	111	-	111	-	-	-	-
NYCC NON-SCHOOL MANAGED SCHEMES							
Catering Equipment	960	-	240	240	240	240	-
Prevention & Commissioning	109	-	-	-	-	-	109
Children & Families	-	-	-	-	-	-	-
Outdoor Learning Service	400	-	70	330	-	-	-
Social Care Maintaining Fabric - No Wrong Door	-	-	-	-	-	-	-
Aiming High for Disabled Children - Short Breaks	-	-	-	-	-	-	-
TOTAL GROSS SPEND	**95,695**	**-**	**30,666**	**28,446**	**10,944**	**4,600**	**21,040**
Last Update	94,989	-	38,010	22,066	10,108	4,600	20,206
CAPITAL GRANTS & CONTRIBUTIONS							
NYCC MANAGED SCHOOL SCHEMES							
Capital Grants							
- Basic Need Grant	18,350 CR	-	2,292 CR	5,767 CR	4,478 CR	-	5,814 CR
- Devolved Capital Grant	236 CR	-	236 CR	-	-	-	-
- School Condition Grant	24,397 CR	-	15,607 CR	8,709 CR	81 CR	-	-
- Special Provision Capital Fund Grant	906 CR	-	97 CR	809 CR	-	-	-
- Other Capital Grants	12 CR	-	12 CR	-	-	-	-
Capital Contributions							
- Section 106 Income	28,520 CR	-	6,031 CR	5,732 CR	1,785 CR	-	14,971 CR
- Other Capital Contributions	830 CR	-	830 CR	-	-	-	-
Revenue Contributions							
- Other Revenue Contributions	862 CR	-	862 CR	-	-	-	-
SCHOOL MANAGED SCHEMES							
Capital Grants							
- Devolved Capital Grant	5,289 CR	-	1,209 CR	1,360 CR	1,360 CR	1,360 CR	-
- Sport Organisation Grants	70 CR	-	70 CR	-	-	-	-
Capital Contributions							
- Self Help Capital Contributions	2,000 CR	-	500 CR	500 CR	500 CR	500 CR	-
- School Budgets Revenue Contributions	10,000 CR	-	2,500 CR	2,500 CR	2,500 CR	2,500 CR	-
NYCC NON-SCHOOL MANAGED SCHEMES							
Capital Grants							
- Other Capital Grants	109 CR	-	-	-	-	-	109 CR
Revenue Contributions							
- Catering Equipment	960 CR	-	240 CR	240 CR	240 CR	240 CR	-
- Other Revenue Contributions	400 CR	-	70 CR	330 CR	-	-	-
TOTAL GRANTS AND CONTRIBUTIONS	**92,941 CR**	**-**	**30,555 CR**	**25,948 CR**	**10,944 CR**	**4,600 CR**	**20,894 CR**
Last Update	92,346 CR	-	38,010 CR	19,568 CR	10,108 CR	4,600 CR	20,060 CR
TOTAL NET EXPENDITURE	**2,754**	**-**	**111**	**2,498**	**-**	**-**	**146**
Last Update	2,643	-	-	2,498	-	-	146

APPENDIX C

ITEM	Total £000	Expenditure to 31.3.21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Later Years £000
	2021/22 CAPITAL BUDGET MONITORING - POSITION TO 31 DECEMBER 2021						
	CENTRAL SERVICES						
GROSS EXPENDITURE							
County Hall Redevelopment	6,444	5,468	675	301	-	-	-
Property Rationalisation	1,500	317	1,183	-	-	-	-
Library Service Property Schemes	290	-	40	250	-	-	-
County Farm Properties	200	-	200	-	-	-	-
Public Sector Decarbonisation Scheme 2021/22	1,931		1,931	-	-	-	-
Travellers Sites	-	-	-	-	-	-	-
T&C Projects	350	-	350	-	-	-	-
T&C Roadmap 2020/2025	3,221	71	1,189	700	700	561	-
GBF Digital Infrastructure Programme	3,600	-	3,600	-	-	-	-
Super Fast Broadband Scheme	840	154	-	-	-	-	686
Library Schemes	731	731	-	-	-	-	-
Purchase of Vehicles, Plant & Equipment	1,696	-	1,396	100	100	100	-
Material Damage Provision	1,600	-	100	500	500	500	-
Capital Loan Provisions	1,955	1,955	-	-	-	-	-
Loans to Limited Companies	41,737	15,803	16,019	6,715	-	-	3,200
Investments in Limited Companies	1,000	1,000	-	-	-	-	-
TOTAL GROSS SPEND	**67,095**	**25,499**	**26,683**	**8,566**	**1,300**	**1,161**	**3,886**
Last Update	66,238	25,499	25,316	8,566	1,300	1,161	4,396
CAPITAL GRANTS & CONTRIBUTIONS							
Capital Grants							
- Getting Building Fund	3,600 CR	-	3,600 CR	-	-	-	-
- Performance Reward Grant	3,081 CR	124 CR	2,281 CR	-	-	-	676 CR
Loan Repayments	43,691 CR	1,183 CR	999 CR	503 CR	5,551 CR	13,068 CR	22,387 CR
Revenue Contributions							
- Revenue Contributions - Property	6,194 CR	5,468 CR	675 CR	51 CR	-	-	-
- Revenue Contribution - Technology & Change	2,790 CR	100 CR	1,189 CR	700 CR	700 CR	90 CR	11 CR
- Revenue Contribution - Other	290 CR	-	40 CR	250 CR	-	-	-
- Revenue Contribution - Library Kiosks	703 CR	703 CR	-	-	-	-	-
- Revenue Contributions - Limited Companies	1,000 CR	1,000 CR	-	-	-	-	-
TOTAL GRANTS AND CONTRIBUTIONS	**61,349 CR**	**8,579 CR**	**8,784 CR**	**1,504 CR**	**6,251 CR**	**13,158 CR**	**23,073 CR**
Last Update	61,049 CR	8,579 CR	8,484 CR	1,504 CR	6,251 CR	13,158 CR	23,073 CR
TOTAL NET EXPENDITURE	**5,746**	**16,920**	**17,899**	**7,062**	**4,951 CR**	**11,997 CR**	**19,187 CR**
Last Update	5,189	16,920	16,832	7,062	4,951 CR	11,997	18,677

APPENDIX D

2021/22 CAPITAL BUDGET MONITORING - POSITION TO 31 DECEMBER 2021

HEALTH AND ADULT SERVICES

ITEM	Total £000	Expenditure to 31.3.21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Later Years £000
GROSS EXPENDITURE							
Maintaining Fabric / Facilities of Properties	989	-	55	434	500	-	-
HAS Covid Measures	60	-	60	-	-	-	-
Extra Care Scheme (Invest to Save)	13,159	-	3,738	-	500	-	8,921
TOTAL GROSS SPEND	**14,209**	**-**	**3,853**	**434**	**1,000**	**-**	**8,921**
Last Update	14,149	-	4,224	1,000	-	-	8,925
CAPITAL GRANTS & CONTRIBUTIONS							
Capital Grants							
- PSS Capital Grant	572 CR	-	55 CR	434 CR	82 CR	-	-
Revenue Contributions							
- Revenue Contributions - IPC	60 CR	-	60 CR	-	-	-	-
- Revenue Contributions - PIP Funding	3,877 CR	-	3,738 CR	-	139 CR	-	-
TOTAL GRANTS AND CONTRIBUTIONS	**4,509 CR**	**-**	**3,853 CR**	**434 CR**	**221 CR**	**-**	**-**
Last Update	4,449 CR	-	4,106 CR	343 CR	-	-	-
TOTAL NET EXPENDITURE	**9,700**	**-**	**-**	**-**	**779**	**-**	**8,921**
Last Update	9,700	-	118	657	-	-	8,925

FINANCING OF CAPITAL PLAN

Q3 2021/22

A FORECAST FUNDING AVAILABLE	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	Later Yrs £000s
1 Borrowing					
Prudential (Unsupported) Borrowing	3,851	486	482	600	-46,979
Rephased borrowing (capital expenditure & receipts slippage)	18,474	8,617	-4,224	-12,597	45,645
	22,325	9,103	-3,742	-11,997	-1,334
2 Capital Grants and Contributions					
Health & Adult Services	55	434	82	0	0
Business & Environmental Services	68,322	43,793	20,767	20,567	831
Children & Young People's Service	26,883	22,878	8,204	1,860	20,894
Central Services	5,881	0	0	0	676
	101,141	67,105	29,053	22,427	22,401
3 Schemes financed from Revenue					
Health & Adult Services	3,798	0	139	0	0
Business & Environmental Services	3,152	2,006	27	27	304
Children & Young People's Service	3,672	3,070	2,740	2,740	0
Central Services	1,904	1,001	700	90	11
	12,526	6,077	3,606	2,857	315
4 Capital Receipts available to finance Capital Spending					
Other capital receipts from sale of properties	4,543	2,823	450	0	360
LEP Growing Places Loan Repayment (classed as capital receipts)	0	0	0	0	0
Highways Teckal Advance Purchase Provision	9,976	0	0	0	0
Company & Other Loan Repayments (treated as capital receipts)	999	503	5,551	13,068	22,387
	15,517	3,326	6,001	13,068	22,747
= Total Forecast Funding Available	**151,509**	**85,611**	**34,918**	**26,355**	**44,129**
B CAPITAL PLAN Updated gross spend	**-142,741**	**-83,244**	**-34,038**	**-26,355**	**-35,066**
C FUNDING REMAINING	**8,768**	**2,367**	**881**	**0**	**9,063**
D TOTAL FUNDING REMAINING					**21,079**

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

25 January 2022

TREASURY MANAGEMENT

Report of the Corporate Director – Strategic Resources

1.0 **PURPOSE OF THE REPORT**

1.1 To recommend to the County Council an updated Annual Treasury Management Strategy for the financial year 2022/23 which incorporates:

a) Capital and Treasury Prudential Indicators, including a Minimum Revenue Provision Policy;

b) a Borrowing Strategy;

c) an Annual Investment Strategy; and

d) Capital Strategy

2.0 INTRODUCTION AND CONTEXT

2.1 2022/23 is the final year for establishing a Treasury Management Strategy for the County Council given that the new unitary council for North Yorkshire will come into effect from 1 April 2023. The production of an emerging "shadow" strategy for the new unitary council, an aggregation of the future projections of all 8 councils, will become the start position for the new unitary North Yorkshire Council.

2.2 Treasury management is defined as 'the management of the local authority's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks'.

2.3 The County Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, with the main aims of providing sufficient liquidity and security, with the achievement of the best possible investment returns ranking as less important.

2.4 The second main function of the treasury management service is to arrange the funding of the County Council's capital programme, which will support the provision of County Council

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services. The capital programme provides a guide to the borrowing need of the County Council, and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and, occasionally, debt restructuring to meet County Council risk or cost objectives.

2.5 The County Council adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the County Council's capital expenditure plans and its Prudential Indicators.

2.6 This report provides a summary of the following for 2022/23:

2.6.1 **Treasury Management Strategy (See Annex 1)**

The Treasury Management Strategy sets out the requirements for the overall Treasury, Borrowing, Investment and Capital Policies. The strategic approach is set out in the following appendices: -

2.6.2 **Appendix A – Capital Prudential Indicators**

The Capital Prudential Indicators set out the capital expenditure plan and associated indicators, capital financing requirement (£458.8m in 2022/23) and the monitoring of core funds and investment balances. The Minimum Revenue Provision (MRP) Policy Statement is also included in **Appendix A**.

2.6.3 **Appendix B - Borrowing Strategy and Treasury Prudential Indicators**

The Treasury Management function ensures that the County Council's cash is managed to safeguard the delivery of the Capital Expenditures plans set out in **Appendix A**. The Borrowing Strategy covers the current and projected position as well as the Treasury Prudential Indicators. The key Treasury Management Indicators the County Council are required to approve are:

- The Authorised Limit for External Debt (the legal limit beyond which external debt is prohibited), £566.3m in 2022/23; and

- The Operational Boundary for External Debt (the limit beyond which external debt is not normally expected to exceed), £546.3m in 2022/23.

2.6.4 **Appendix C - Annual Investment Strategy**

The Annual Investment Strategy details the County Council's Investment Policy and approach to the investment of funds. There have been no changes to the County Council's investment and risk management approach for 2022/23.

2.6.5 **Appendix D - Capital Strategy**

The Capital Strategy sets out the context of which Capital Expenditure and Investment decisions are made, and gives due consideration to both risk and reward and the impact on the achievement of policy outcomes. The Capital Strategy also includes the current position on the County Council's non-treasury alternative investments.

The Capital Strategy for 2022/23 has been updated following the introduction of revised lending terms for borrowing from the PWLB in November 2020, which prevent Local Authorities from having access to the PWLB where Capital Programmes include plans to buy commercial assets, primarily for yield. The Capital Strategy confirms that the County Council's 2021/22 Capital Plan does not include any plans to purchase commercial assets primarily for yield.

2.7 **Schedules**

1. Treasury Management Policy Statement
2. Prudential Indicators Update
3. Economic background
4. Specified and Non Specified Investments
5. Approved Lending List
6. Approved countries for investments

2.8 This covers the requirements of the various laws, codes and guidance that cover the Treasury Management activity, including the Local Government Act 2003, the CIPFA Prudential Code, Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and Communities and Local Government Investment Guidance.

2.9 CIPFA published the updated Treasury Management and Prudential Codes on 20 December 2021. CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their Treasury Management Strategy Statement or Annual Investment Strategy reports for 2022/23: full implementation would be required for 2023/24.

2.10 The Department for Levelling Up, Housing and Communities (DLUHC) is proposing to tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield. However, this does not mean that local authorities may not currently have the legal powers to undertake such capital expenditure despite such guidance and regulation.

2.11 The DLUHC has also commenced a consultation on amending MRP rules, with proposed changes to be in place for the financial year beginning 1 April 2023. It is not the government's intention that changes to MRP rules are applied retrospectively and any changes will therefore be reflected in the 2023/24 Treasury Management Strategy for the new unitary council.

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3.0 RECOMMENDATIONS

That Members recommend to the County Council: -

3.1 The Treasury Management Strategy **Annex 1**, including:

3.2 Capital Prudential Indicators (**Appendix A**), Borrowing Strategy and Treasury Prudential Indicators (**Appendix B**) and Annual Investment Strategy 2022/23 (**Appendix C**), and in particular;

i. an authorised limit for external debt of £566.3m in 2022/23;

ii. an operational boundary for external debt of £546.3m in 2022/23;

iii. the Prudential and Treasury Indicators based on the County Council's current and indicative spending plans for 2022/23 to 2024/25 (noting the indicators for 2023/24 and 2024/25 will be subject to revision as part of the implementation of the new unitary council):

iv. a limit of £40m of the total cash sums available for investment (both in house and externally managed) to be invested in Non-Specified Investments over 365 days;

v. a 10% cap on capital financing costs as a proportion of the annual Net Revenue Budget;

vi. a Minimum Revenue Provision (MRP) policy for debt repayment to be charged to Revenue in 2022/23;

vii. the Corporate Director – Strategic Resources to report to the County Council if and when necessary during the year on any changes to this Strategy arising from the use of operational leasing, PFI or other innovative methods of funding not previously approved by the County Council;

3.3 The Capital Strategy as attached as **Appendix D**;

3.4 The Treasury Management Policy Statement as attached as **Schedule 1;** and

3.5 That the Audit Committee be invited to review **Annex 1** including **Appendices A to D and Schedules 1 to 6** and submit any proposals to the Executive for consideration at the earliest opportunity.

ANNEX 1

TREASURY MANAGEMENT STRATEGY 2022/23

1.0 Introduction and Context

1.1 2022/23 is the final year for establishing a Treasury Management Strategy for the County Council given the new unitary council for North Yorkshire will come into effect from 1 April 2023. The production of an emerging “shadow” strategy for the new unitary council, an aggregation of the future projections of all 8 councils, will become the start position for the new unitary North Yorkshire Council.

1.2 The County Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the County Council’s low risk appetite, providing adequate liquidity initially before considering investment return.

1.3 The second main function of the treasury management service is the funding of the County Council’s capital plans. These capital plans provide a guide to the borrowing need of the County Council, essentially the longer-term cash flow planning, to ensure that the County Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet County Council risk or cost objectives.

1.4 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.6 CIPFA defines treasury management as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

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2.0 Reporting requirements

Reporting arrangements in place relating to Treasury Management activities are highlighted below:

2.1 Capital Strategy

2.1.1 The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

2.1.2 Whilst acknowledging 2022/23 will be the final year for North Yorkshire County Council, the aim of this capital strategy is to ensure that all elected members on the County Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. Any subsequent changes in policy objectives etc following elections to the new council in May 2022 will be factored into the new council's first capital strategy, effective from April 2023.

2.1.3 This Capital Strategy [**Appendix D**] is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

2.1.4 Where the County Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the DLUHC Investment Guidance and CIPFA Prudential Code have not been adhered to.

2.1.5 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

2.1.6 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

2.2 Treasury Management reporting

2.2.1 The County Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a) **Treasury Management Strategy** (this report) – again acknowledging the implementation of a new unitary council in North Yorkshire from 1 April 2023 and aggregation of all 8 councils' spending plans, the first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators);

- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);

- the treasury management strategy, (how the investments borrowings are to be organised), including treasury indicators; and

- an investment strategy, (the parameters on how investments are to be managed).

b) **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, the County Council will receive quarterly update reports.

c) **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3.0 Scrutiny

3.1 Treasury Management reports are required to be adequately scrutinised before being recommended to the County Council. The scrutiny role is undertaken by the Audit Committee.

4.0 Treasury Management Strategy 2022/23

4.1 The Treasury Management strategy for 2022/23 covers two main areas:

a. Capital issues

- the capital expenditure plans and the associated prudential indicators; and
- the minimum revenue provision (MRP) policy.

b. Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the County Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

4.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

5.0 Training

5.1 The CIPFA Code requires the Section 151 Officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Member training has been provided by Treasury Management Consultants, Link Group (Link) and further training will be provided as required.

6.0 Treasury management consultants

6.1 The County Council uses Link Group, as its external treasury management advisors.

6.2 The County Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

6.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The County Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

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CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25

Acknowledging the requirements for the transition to the new unitary council but ensuring continuity of services, the following indicators and MRP Policy are based upon the County Council's capital plan for 2022/23 and the current planned expenditure for 2023/24 and 2024/25. Beyond 2022/23, spending plans and the associated Prudential Indicators will be subject to review but in order to assist in the planning for the new council indicators for 2023/24 and beyond provide a useful 'benchmark'.

1.0 Capital Expenditure

1.1 The County Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

1.2 This prudential indicator is a summary of the County Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital Expenditure:					
Health & Adult Services	0.1	3.9	0.4	1.0	0.0
Business & Environmental Services	89.9	81.5	45.8	20.8	20.6
Children & Young People's Services	20.2	30.7	28.4	10.9	4.6
Central Services	9.4	26.7	8.6	1.3	1.2
Total	**119.6**	**142.8**	**83.2**	**34.0**	**26.4**
Financed by:					
Capital Grants & Contributions	-104.7	-101.1	-67.1	-29.1	-22.4
Direct Revenue Funding	-7.1	-12.5	-6.1	-3.6	-2.9
Capital Receipts	-5.7	-15.6	-3.3	-6.0	-13.1
Capital Borrowing Requirement	**2.1**	**13.6**	**6.7**	**-4.7**	**-12.0**

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1.3 The net financing need for commercial activities / non-financial investments included in the above table against expenditure is shown below:

Commercial activities / non-financial investments	**2020/21 Actual £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Capital Expenditure	0.0	0.0	0.0	0.0	0.0
Financing costs	0.0	0.0	0.0	0.0	0.0
Net financing need for the year	0.0	0.0	0.0	0.0	0.0
Percentage of total net financing need %	0.0	0.0	0.0	0.0	0.0

As the above table shows, the County Council's Capital Plan does not include any plans to purchase commercial assets primarily for yield.

2.0 The Borrowing Need (the Capital Financing Requirement)

2.1 The second prudential indicator is the County Council's Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

2.2 The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

2.3 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the County Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the County Council is not required to separately borrow for these schemes.

£m	**2020/21 Actual**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Capital Financing Requirement					
Capital Borrowing	303.7	276.6	282.0	279.4	265.5
Loans to Limited Companies	-15.0	15.0	6.2	-5.6	-13.1
Investment Properties	0.0	0.0	0.0	0.0	0.0
Other Long Term Liabilities (PFI / Leases)	151.6	176.2	170.6	165.4	159.9
Commercial activities / non-financial investments	0.0	0.0	0.0	0.0	0.0
Total CFR	**440.3**	**467.8**	**458.8**	**439.2**	**412.3**
Movement in CFR		**27.5**	**-9.0**	**-19.6**	**-26.9**

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Movement in CFR represented by					
Net financing need for the year (above)		13.6	6.7	-4.6	-12.0
Less Long Term Liabilities Movements		24.5	-5.6	-5.3	-5.5
Less MRP/VRP and other financing movements		-10.6	-10.1	-9.7	-9.4
Movement in CFR		**27.5**	**-9.0**	**-19.6**	**-26.9**

2.4 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 1.2 and the details above demonstrate the scope of this activity and, by approving these figures; consider the scale proportionate to the County Council's remaining activity.

3.0 Core funds and expected investment balances

3.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Forecasted Year end Cash Position £m	**2020/21 Actual £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Reserves and Balances					
General Working Balance	27.9	28.0	28.0	28.0	28.0
Strategic Capacity Reserve	68.5	73.4	51.6	33.2	33.2
Schools Reserve	14.4	-4.2	-4.2	-4.2	-4.2
Other Earmarked Reserves	160.5	134.6	131.2	128.8	128.3
Total Reserves and Balances	**271.3**	**231.8**	**206.6**	**185.8**	**185.3**
Provisions	16.1	16.0	16.0	16.0	16.0
Cashflow (Inc Debtors, Creditors)	48.3	49.7	54.7	54.7	54.7
Personal Estates	10.5	11.0	11.5	12.0	12.0
Sub Total	**74.9**	**76.7**	**82.2**	**82.7**	**82.7**
- Commercial Property	-11.9	-11.9	-11.9	-11.9	-11.9
- Loans to Limited Companies	-8.3	-8.5	-14.8	-9.4	3.5
- Remaining Capital Borrowing Requirement	-32.3	-50.6	-54.0	-44.1	-35.6
Total Internal Capital Financing	**-52.5**	**-71.0**	**-80.7**	**-65.4**	**-44.0**
Total Cash Available to Invest	**293.7**	**237.5**	**208.1**	**203.1**	**224.0**

*Working capital balances shown are estimated year-end; these may be higher mid-year

4.0 Minimum Revenue Provision (MRP) policy statement

4.1 The County Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP).

4.2 DLUHC regulations have been issued which require the County Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The County Council is recommended to approve the following MRP Statement.

a) for all capital expenditure incurred before 1 April 2008, MRP will be based on 4% of the Capital Financing Requirement (CFR) at that date;

b) for capital expenditure incurred after 1 April 2008 which is supported by Government Borrowing approvals, MRP to be based on 4% of such sums as reflected in subsequent CFR updates;

c) for locally agreed Prudential Borrowing on capital expenditure incurred after 1 April 2008, MRP will be calculated using the asset life method based on equal annual instalments over the estimated useful life of the asset for which the borrowing is undertaken:

d) In the case of long term debtors from loans, the amounts paid out are classed as capital expenditure for capital financing purposes. The expenditure is therefore included in the calculation of the County Council's Capital Financing Requirement. When the County Council receives the repayment of an amount loaned, the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the eventual receipt is expected to fall short of the amount expended).

Where expenditure is incurred to acquire and/or develop properties for resale, the Capital Financing Requirement will increase by the amount expended. Where the County Council will subsequently recoup the amount expended via the sale of an asset, the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the fair value of the properties falls below the amount expended).

Where expenditure is incurred to acquire properties meeting the accounting definition of investment properties, the Capital Financing Requirement will increase by the amount expended. Where the County Council will subsequently recoup the amount expended (e.g. via the sale of an asset), the income will be classified as a capital receipt. Where the capital receipts will be applied to reduce the Capital Financing Requirement, there will be no revenue provision made for the repayment of the debt liability (i.e. unless the fair value of the properties falls below the amount expended).

This approach also allows the County Council to defer the introduction of an MRP charge for new capital projects/land purchases until the year after the new asset

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becomes operational rather than in the year borrowing is required to finance the capital spending. This approach is beneficial for projects that take more than one year to complete and is therefore included as part of the MRP policy.

e) for "on balance sheet" PFI schemes, MRP will be equivalent to the "capital repayment element" of the annual service charge payable to the PFI Operator and for finance leases, MRP will be equivalent to the annual rental payable under the lease agreement.

4.3 Therefore the County Council's total MRP provision will be the sum of (a) + (b) + (c) + (d) (as defined above) which is considered to satisfy the prudent provision requirement. Based on this policy, total MRP in 2022/23 will be about £10.1m (including PFI and finance leases).

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APPENDIX B

1.0 BORROWING STRATEGY

1.1 The capital expenditure plans set out in **Appendix A** provide details of the service activity of the County Council. The treasury management function ensures that the County Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the County Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

2.0 Current portfolio position

2.1 The overall treasury management portfolio as at 31 March 2021 and for the position as at 31 December 2021 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	Actual - 31/03/21		Current - 31/12/21	
	£m	%	£m	%
Treasury Investments				
Banks	282.4	59	273.2	80
Building Societies	0.0	0	0.0	0
Local Authorities	191.0	40	62.0	18
Money Market Funds	0.0	0	0.0	0
Certificates of Deposit	0.0	0	0.0	0
Total managed in house	**473.4**	**99**	**335.2**	**98**
Property Funds	5.9	1	5.9	2
Total Managed Externally	**5.9**	**1**	**5.9**	**100**
Total Treasury Pool Investments	**479.3**	**100**	**341.1**	**100**
Less Other Bodies Investments	197.3		115.0	
Total NYCC Investments	**282.0**		**226.1**	
Treasury External Borrowing				
PWLB	216.0	92	207.6	91
LOBO's	20.0	8	20.0	9
Total NYCC External Borrowing	**236.0**		**227.6**	
Net Treasury Investments / (Borrowing)	**46.0**		**(1.5)**	

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2.2 The County Council's current forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt					
Debt at 1 April	263.1	236.0	221.8	208.5	208.5
Less Expected change in Debt	-27.1	-14.2	-13.3	0.0	0.0
Debt at 31 March	**236.0**	**221.8**	**208.5**	**208.5**	**208.5**
Other long-term liabilities (OLTL)	151.6	176.2	170.6	165.4	159.9
Total Long Term Liability	**387.6**	**398.0**	**379.1**	**373.9**	**368.4**
Less Capital Financing Requirement	**440.3**	**467.8**	**458.8**	**439.2**	**412.3**
Under / (over) borrowing	**52.7**	**69.8**	**79.7**	**65.3**	**43.9**

2.3 Within the range of prudential indicators there are a number of key indicators to ensure that the County Council operates its activities within well-defined limits. One of these is that the County Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

2.4 The Corporate Director – Strategic Resources reports that the County Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.0 Treasury Indicators: limits to borrowing activity

3.1 **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

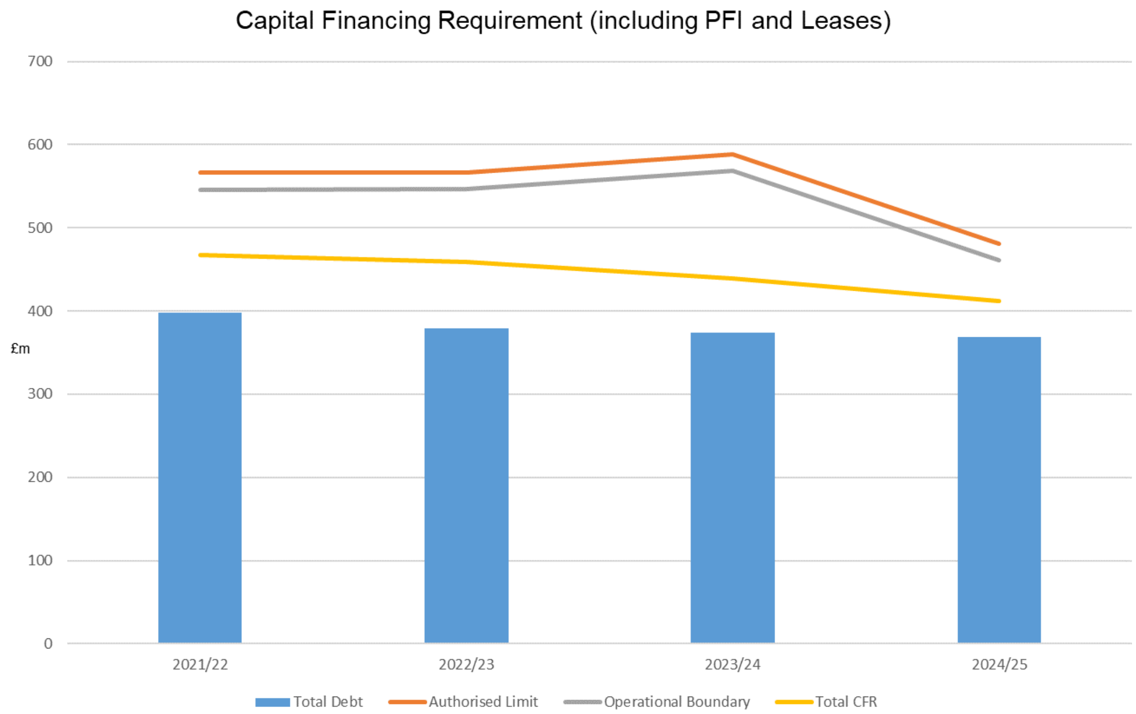
Operational boundary £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	370.0	375.7	403.4	300.7
Other long term liabilities	176.2	170.6	165.4	159.9
Commercial activities/ non-financial investments	0.0	0.0	0.0	0.0
Total	546.2	546.3	568.8	460.6

3.2 **The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the [full Council]. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

3.3 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

3.4 The County Council is asked to approve the following authorised limit:

Authorised limit £m	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Debt	390.0	395.7	423.4	320.7
Other long term liabilities	176.2	170.6	165.4	159.9
Commercial activities/ non-financial investments	0.0	0.0	0.0	0.0
Total	566.2	566.3	588.8	480.6



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4.0 Prospects for interest rates

4.1 The County Council has appointed Link Group as its treasury advisor and part of their service is to assist the County Council to formulate a view on interest rates. The following table shows their view on future interest rates.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

4.2 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

4.3 As shown in the forecast table above, the forecast for Bank Rate now includes five increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

4.4 It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes five increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, these forecasts may need to be revised due to uncertainties around economic recovery, rising utility prices, and the risk from new Covid variants.

4.5 It should also be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could remove that final emergency cut from 0.25% to 0.10% on no other grounds than it being no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

4.6 **Bond yields / PWLB rates**.
Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates, and this is likely to continue.

4.7 As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

5.0 Investment and borrowing rates

5.1 **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

5.2 **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels.

5.3 On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme.

6.0 Borrowing strategy

6.1 The County Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the County Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

6.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Corporate Director – Strategic Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

6.3 The internal borrowing position will be carefully reviewed and monitored on an ongoing basis in order to consider any changes to borrowing rates as well as current and future cash flow constraints.

6.4 Further long term external borrowing may be undertaken, in excess of the current forecasts, in the event that it is not possible or desirable to sustain the anticipated internal borrowing position.

6.5 The external borrowing requirement will be kept under review, and long term external loans will be secured within the parameters established by the authorised limit and operational boundary for external debt).

6.6 Opportunities to generate savings by refinancing or prematurely repaying existing long term debt will also be kept under review. Potential savings will be considered in the light of the current treasury position and the costs associated with such actions.

6.7 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

7.0 Policy on borrowing in advance of need

7.1 The County Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Borrowing in advance will be made within the constraints that:

- there is a clear business case for doing so for the current Capital Plan;
- it will be used finance future debt maturity repayments;
- it will offer value for money can be demonstrated; and
- the County Council can ensure the security of such funds which are subsequently invested.

7.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

8.0 Debt rescheduling

8.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

8.2 If rescheduling was done, it will be reported to the Executive and Audit Committee as part of the quarterly Treasury Management Reports.

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APPENDIX C

ANNUAL INVESTMENT STRATEGY

1.0 Investment policy – management of risk

1.1 The DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (**APPENDIX E**).

1.2 The County Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance");
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code"); and
- CIPFA Treasury Management Guidance Notes 2018.

The County Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

1.3 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. The County Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

a) Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

b) Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the County Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

c) Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

d) The County Council has defined the list of types of investment instruments that the treasury management team are authorised to use.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.

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- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.

e) **Non-specified investments limit.** The County Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio, (£40m).

f) **Lending limits**, (amounts and maturity), for each counterparty will be set.

g) The County Council will set a limit for the amount of its investments which are invested for **longer than 365 days**,

h) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**,

i) The County Council has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the County Council in the context of the expected level of cash balances and need for liquidity throughout the year.

j) All investments will be denominated in **sterling**.

k) As a result of the change in accounting standards for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the DLUHC, formally the Ministry of Housing, Communities and Local Government, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023.

1.4 However, the County Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

2.0 Changes in risk management policy from last year

2.1 The above criteria are unchanged from last year.

3.0 Creditworthiness policy

3.1 The County Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the County Council to determine the suggested duration for investments.

3.2 The Link Group creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

3.3 Typically, the minimum credit ratings criteria the County Council use will be a short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

3.4 All credit ratings will be monitored daily. The County Council is alerted to changes to ratings of all three agencies through its use of the Link Group creditworthiness service.

3.5 If a downgrade results in the counterparty / investment scheme no longer meeting the County Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

3.6 In addition to the use of credit ratings the County Council will be advised of information in movements in Credit Default Swap (CDS) spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Group. Extreme market movements may result in downgrade of an institution or removal from the County Council's lending list.

3.7 Sole reliance will not be placed on the use of this external service. In addition, the County Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

3.8 Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

3.9 Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

4.0 Country limits

4.1 Due care will be taken to consider the exposure of the County Council's total investment portfolio to non-specified investments, countries, groups and sectors.

4.2 **Non-specified investment limit.** The County Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio.

4.3 **Country limit.** The County Council has determined that it will only use approved counterparties from the UK and from non-UK countries with a minimum sovereign credit rating of *AA-* from Fitch. The list of countries that qualify using these credit criteria as at the date of this report is shown in **Schedule 5**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy

5.0 Investment strategy

5.1 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage daily cash flow requirements, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- if it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable; or
- conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

5.2 **Investment returns expectations.** The current interest rate forecast includes a forecast for a first increase in Bank Rate in May 2022.

5.3 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Year	Budget %
2022/23	0.30
2023/24	0.65
2024/25	0.90

5.4 The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

6.0 Investment performance / risk benchmarking

6.1 The County Council will use an investment benchmark to assess the investment performance of its investment portfolio of Bank of England Base Rate.

7.0 End of year investment report

7.1 At the end of the financial year, the County Council will report on its investment activity as part of its Annual Treasury Report.

CAPITAL STRATEGY

1.0 BACKGROUND

1.1 As highlighted with the Treasury Management Strategy, 2022/23 is the final year for establishing a Capital Strategy for the County Council given that the new unitary council for North Yorkshire will come into effect from 1 April 2023. The production of an emerging "shadow" strategy for the new unitary council, an aggregation of the future projections of all 8 councils will become the start position for the new unitary North Yorkshire Council.

1.2 The purpose of the Capital Strategy is to demonstrate that the County Council takes capital expenditure and investment decisions in line with corporate and service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

1.3 The Capital Strategy comprises a number of distinct, but inter-related, elements as follows:

a) **Capital Expenditure (Section 2)**

This section includes an overview of the governance process for approval and monitoring of capital expenditure, including the County Council's policies on capitalisation, and an overview of its capital expenditure and financing plans.

b) **Capital Financing and Borrowing (Section 3)**

This section provides a projection of the County Council's capital financing requirement, how this impacted by capital expenditure decisions and how it will be funded and repaid. It therefore sets out the County Council's borrowing strategy and explains how it will discharge its duty to make prudent revenue provision for the repayment of debt.

c) **Alternative Investments (Section 4)**

This section provides an overview of those of the County Council's current and proposed alternative investment activities that count as capital expenditure, including processes, due diligence and defining the County Council's risk appetite in respect of these.

d) **Chief Financial Officer's (Section 151) statement (Section 5)**

This section contains the Chief Financial Officer's views on the deliverability, affordability and risk associated with the capital strategy

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2.0 CAPITAL EXPENDITURE

Capitalisation Policy

2.1 Expenditure is classified as capital expenditure when it results in the acquisition or construction of an asset (e.g. land, buildings, roads and bridges, vehicles, plant and equipment etc.) that:

- will be held for use in the delivery of services, for rental to others, investment or for administrative purposes; and

- are of continuing benefit to the County Council for a period extending beyond one financial year.

2.2 Subsequent expenditure on existing assets is also classified as capital expenditure if these two criteria are met.

2.3 There may be instances where expenditure does not meet this definition but would be treated as capital expenditure, including:

- where the County Council has no direct future control or benefit from the resulting assets, but would treat the expenditure as capital if it did control or benefit from the resulting assets; and

- where statutory regulations require the Council to capitalise expenditure that would not otherwise have expenditure implications according to accounting rules.

2.4 The County Council operates de-minimis limits for capital expenditure. This means that items below these limits are charged to revenue rather than capital. The limits are currently as follows:

- General Limit: £20,000
- Schools Limit: £ 2,000

Governance

2.5 Capital expenditure is a necessary element in the development of the County Council's services since it generates investment in new and improved assets. Capital expenditure is managed through the Capital Plan – a three year capital budget set annually as part of the budget setting process and reviewed quarterly as part of performance monitoring arrangements.

2.6 The County Council's Financial Procedure Rules and the Asset Management Planning Framework provide a framework for the preparation and appraisal of schemes proposed for inclusion in the Capital Plan, appropriate authorisations for individual schemes to proceed and facilitate the overall management of the Capital Plan within defined resource parameters.

2.7 The Corporate Director –Strategic Resources shall determine the format of the Capital Plan and the timing of reports relating to it. The approved Capital Plan will comprise a number of individual schemes each of which will be quantified in overall project terms or on an

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annualised basis, as appropriate. Each Director shall prepare a draft Capital Plan for their service, in consultation with the Corporate Director – Strategic Resources, for submission to the Executive. The Capital Plan should identify planned expenditure, and funding, at proposed individual scheme or programme level.

2.8 The Corporate Director – Strategic Resources is responsible for preparing an overall Capital Plan for consideration by the Executive, and approval by the County Council, the funding of which shall be compatible at all times with the Treasury Management Policy Statement of the County Council. Individual schemes shall only be included in the Capital Plan following a project appraisal process undertaken in accordance with the guidelines defined in the Asset Management Planning Framework and in accordance with the Property Procedure Rules.

Capital Expenditure and Funding Plans

2.9 The County Council's capital expenditure plans as per the Capital Plan are set out in **Appendix B.**

2.10 When expenditure is classified as capital expenditure for capital financing purposes, this means that the County Council is able to finance that expenditure from any of the following sources:

a) **capital grants and contributions** - amounts awarded to the County Council in return for past or future compliance with certain stipulations;

b) **capital receipts** – amounts generated from the sale of assets and from the repayment of capital loans, grants or other financial assistance;

c) **revenue contributions** – amounts set aside from the revenue budget in the Reserve for Future Capital Funding; and

d) **borrowing** - amounts that the Council does not need to fund immediately from cash resources, but instead charges to the revenue budget over a number of years into the future.

The implications of financing capital expenditure from 'borrowing' are explained in section 3 below.

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3.0 CAPITAL FINANCING REQUIREMENT AND BORROWING

Context

3.1 The County Council is required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (referred to as the 'Prudential Code') when assessing the affordability, prudence and sustainability of its capital investment plans.

3.2 Fundamental to the prudential framework is a requirement to set a series of prudential indicators. These indicators are intended to collectively build a picture that demonstrates the impact over time of the County Council's capital expenditure plans upon the revenue budget and upon borrowing and investment levels, and explain the overall controls that will ensure that the activity remains affordable, prudent and sustainable.

3.3 A summary of the actual prudential indicators for 2020/21, and the estimates for 2021/22 through to 2024/25, are provided in **Appendix B**

Capital Financing Requirement (CFR)

3.4 When capital expenditure is funded from borrowing, this does not result in expenditure being funded immediately from cash resources, but is instead charged to the revenue budget over a number of years. It does this in accordance with its policy for the repayment of debt, which is set out in **Appendix B.**

The forward projections of the CFR reflect:

- additional capital expenditure from borrowing or further credit arrangements resulting in an increase to the CFR and
- revenue budget provision being made for the repayment of debt, which results in a reduction to the CFR).

3.5 The actual CFR for 2020/21 and forward projections for the current and forthcoming years are as follows:

	2020/21 Actual £m	**2021/22 Probable £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Capital Borrowing	303.7	276.6	282.0	279.4	265.5
Loans to Limited Companies	-15.0	15.0	6.2	-5.6	-13.1
Investment Properties	0.0	0.0	0.0	0.0	0.0
Other Long Term Liabilities	151.6	176.2	170.6	165.4	159.9
Total Capital Financing Requirement	**440.3**	**467.8**	**458.8**	**439.2**	**412.3**

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3.6 The forecast reduction in the CFR is a result of the annual provision for the repayment of debt each year being in excess of the amount of capital expenditure that it is intended to finance from borrowing based on the current capital programme up to 2024/25. The CFR may potentially increase dependent on the level of capital investment undertaken.

3.7 The CFR may potentially increase dependent on the level of capital investment undertaken. The investments in commercial property are classed as capital expenditure. As commercial investments are funded from core cash balances, the investments are effectively funded from internal borrowing for capital accounting purposes. As a result, expenditure on commercial property investments are included in the calculation of the Capital Financing Requirement (CFR). When the County Council ultimately disinvests and sells the properties, the income will be classed as a capital receipt and applied to reduce the CFR. The County Council will not borrow to fund commercial investment through loans from PWLB or money markets.

External Borrowing Limits

3.8 The County Council is only permitted to borrow externally (including via credit arrangements) up to the level implied by its Capital Financing Requirement (CFR). To ensure that external borrowing does not exceed the CFR, other than in the short term, limits are established for external debt, as follows:

- **Authorised limit** – this defines the maximum amount of external debt permitted by the Council, and represents the statutory limit determined under section 3 (1) of the Local Government Act 2003.

- **Operational boundary** – this is an estimate of the probable level of the Council's external debt, and provides the means by which external debt is managed to ensure that the 'authorised limit' is not breached.

3.9 The proposed limits make separate provision for external borrowing and other long-term liabilities, and are based upon an estimate of the most likely but not worst case scenarios. They allow sufficient headroom for fluctuations in the level of cash balances and in the level of the CFR.

3.10 Alternative investment activities are likely to be classed as capital expenditure. The Alternative Investments Strategy is still evolving though and, in the event that major initiatives are proposed, in excess of those already in the Capital Programme, it may be necessary to review the current borrowing limits.

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3.11 The agreed **Operational Boundary** and **Authorised Limits** for external debt are as follows:

	2021/22 Probable £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Debt outstanding at start of year	**263.1**	**335.8**	**342.4**	**383.4**
+ **External borrowing requirements**				
Capital borrowing requirement	13.6	6.7	-4.7	-12.0
Replacement borrowing	14.2	13.3	0.0	0.0
MRP charged to Revenue	-10.6	-10.1	-9.7	-9.4
Borrowing b/fwd from 2019/20	0.0	0.0	0.0	-0.0
Internally funded variations	69.7	10.0	55.4	-81.3
Sub-total	**86.9**	**19.9**	**41.0**	**-102.7**
- External debt repayment	**-14.2**	**-13.3**	**0.0**	**0.0**
Forecast Debt Outstanding	**335.8**	**342.4**	**383.4**	**280.7**
+ Other 'IFRS' long term liabilities PFI / Leases	176.2	170.6	165.4	159.9
Total Debt Outstanding	**512.0**	**513.0**	**548.8**	**440.6**
+ Provision for				
Debt rescheduling	15.0	15.0	15.0	15.0
Potential capital receipts slippage	5.0	5.0	5.0	5.0
New borrowing taking place before principal repayments made	14.2	13.3	0.0	0.0
Operational Boundary for year	**546.2**	**546.3**	**568.8**	**460.6**
+ Provision for cash movements	20.0	20.0	20.0	20.0
Authorised Limit for year	**566.2**	**566.3**	**588.8**	**480.6**

Borrowing Strategy

3.12 The County Council's Borrowing Strategy is set out in **Appendix B**.

3.13 The County Council is currently maintaining an under borrowed position. This means the Capital Financing Requirement (CFR) has not been fully funded from long-term external borrowing as cash supporting the authority's reserves and balances has been used as a short term measure.

The use of internal borrowing has been an effective strategy in recent years as:

- it has enabled the County Council to avoid significant external borrowing costs; and
- it has mitigated significantly the risks associated with investing cash in what has often been a volatile and challenging market.

3.14 The internal borrowing position will be carefully reviewed and monitored on an ongoing basis in order to consider any changes to borrowing rates as well as current and future cash flow constraints.

3.15 Further long term external borrowing may be undertaken, in excess of the current forecasts, in the event that it is not possible or desirable to sustain the anticipated internal borrowing position.

3.16 The external borrowing requirement will be kept under review, and long term external loans will be secured within the parameters established by the authorised limit and operational boundary for external debt).

3.17 Opportunities to generate savings by refinancing or prematurely repaying existing long term debt will also be kept under review. Potential savings will be considered in the light of the current treasury position and the costs associated with such actions.

Minimum Revenue Provision

3.18 The County Council sets cash resources aside from the Revenue Budget each year to repay the borrowing. This practice is referred to as the Minimum Revenue Provision (MRP) for the repayment of debt.

3.19 The Capital Financing Requirement (CFR) provides a measure of the amount of capital expenditure which has been financed from borrowing that the County Council yet to fund from cash resources.

3.20 Statutory guidance requires MRP to be provided annually on a prudent basis. In accordance with the requirement to make a prudent 'revenue provision for the repayment of debt', the County Council ensures that debt is repaid over a period that is commensurate with the period over which the capital expenditure provides benefit. The revenue budget provision for MRP charges in 2022/23 has been compiled on a basis consistent with this policy.

3.21 The DLUHC is currently conducting a consultation on amending MRP rules. Proposed changes resulting from the consultation on MRP rules will be reflected in the 2023/24 Capital Strategy.

4.0 ALTERNATIVE INVESTMENTS

Introduction

4.1 The prolonged low interest rate environment has resulted in reduced returns on treasury management investments. Moreover, the introduction of the general power of competence has given local authorities far more flexibility in the types of activity they can engage in. These changes in the economic and regulatory landscape, combined with significant financial challenges, have led many authorities to consider different and more innovative types of investment.

4.2 The CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Management Code) requires authorities to incorporate all of the financial and non-financial assets held for financial return in authorities' annual capital strategies.

4.3 Separately, The Department for Levelling Up, Housing and Communities Statutory Guidance on Local Authority Investments also reinforces the need for Commercial Activities to be included in the Capital Strategy.

4.4 In addition, Her Majesty's Treasury introduced revised lending terms for borrowing from the PWLB on 25 November 2020. Under the revised lending terms, the government has now ended access to the PWLB for Local Authorities that wish to buy commercial assets primarily for yield, as assessed by the statutory Section 151 officer. Local Authorities remain free to buy commercial assets primarily for yield, but are not be able to take out new loans from the PWLB in year where they have any plans to buy commercial assets at any point over the following 3 year period (any loans taken out under the old system are not be affected by this change). As a result, of the revised lending terms the government has now cut PWLB lending rates.

4.5 More recently, CIPFA published updated Treasury Management and Prudential Codes on 20 December 2021 – these updated Codes will need to be reflected in local authority Treasury Management and Capital Strategies from 2023/24. The new CIPFA Codes further tighten regulations around financing capital expenditure on investments in commercial projects for yield.

4.6 The 2022/23 Capital Plan does not include any plans to purchase commercial assets primarily for yield.

4.7 The 2022/23 Capital Plan does include £16.0m relating to expenditure on Alternative Investments, but this specifically relates to Loans to the County Council's Limited Companies. Loans to subsidiary companies provide working capital/financial assistance and are not commercial arrangements primarily for yield.

4.8 The County Council continues to review potential commercial investments, but will now consider any potential investment opportunities alongside the implications for PWLB borrowing going forward.

4.9 The County Council does not borrow to fund commercial investment through loans from the PWLB or money markets.

4.10 All alternative investment activities are subject to approval in accordance with the County Council's governance framework for decision making. Any subsequent changes in governance, policy objectives and approach following elections to the new council in May 2022 will be factored into the new council's first capital strategy, effective from April 2023.

Alternative Investment Objectives

4.11 The primary objectives of alternative investment activities are:

- Security – to protect the capital sums invested from loss; and
- Liquidity – ensuring the funds invested are available for expenditure when needed.

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4.12 The generation of yield is distinct from these prudential objectives. However, once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities.

4.13 Non-core activities and investments are primarily undertaken by the County Council in order to generate income to support the delivery of a balanced budget. Such investments are only entered following a full assessment of the risks and having secured expert external advice (i.e. where it is relevant to do so).

4.14 An overall maximum exposure of £60m for alternative investments was approved by Executive on 15 January 2019.

Commercial Investment Board

4.15 Given the technical nature of potential alternative investments and strong linkages to the Council's Treasury Management function, appropriate governance and decision making arrangements are needed to ensure robust due diligence in order to make recommendations for implementation. As a result, a Commercial Investment Board has been established. All investments will be subject to consideration and where necessary recommendations of the Commercial Investment Board.

4.16 The Board is not be a constituted body and therefore does not have formal decision making powers. However, it is the chief means of identifying, reviewing and recommending schemes for investment decisions. Formal decisions on investments will be taken within the existing delegations namely through delegated authority to the Corporate Director - Strategic Resources and further decisions as made by the Executive.

4.17 The Board has delegated authority to approve individual investments up to a limit of £2.5m per investment and up to a total of £10m in any one financial year (approved by Executive 15 January 2019). Investments in excess of this will be submitted to the Executive for approval.

4.18 The responsibilities of the Board also include:

- to consider appropriate due diligence proportionate to the investment / risk / reward proposed;
- terminate investments should concerns be raised - to consider and recommend cases for early termination of alternative investments;
- to monitor returns against approved performance targets;
- to report performance of alternative investments to the Executive on a quarterly basis; and
- to make recommendations to Executive on any proposed changes to the framework.

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Membership of the Board is as follows:

- Lead Member for Finance (Chair)
- Lead Member for Growth
- Corporate Director Strategic Resources
- Corporate Director Business and Environmental Services
- Assistant Director Strategic Resources
- Assistant Director BES - Growth, Planning and Trading Standards

Investment Properties

4.19 Options are continually reviewed the acquisition of land and buildings for investment purposes, rather than for the supply of goods or services or for administrative purposes. Such assets will be classified as Investment Properties.

4.20 Investment properties are measured at their fair value annually (which will ensure the valuation reflects the market conditions at the end of each reporting period). The fair value measurement will enable the County Council to assess whether the underlying assets provide security for capital investment. Where the fair value of the underlying assets is no longer sufficient to provide security against loss, mitigating actions will be considered, to ensure that appropriate action is taken to protect the capital sum invested.

Loans to Third Parties

4.21 Loans to third parties will be considered, as part of a wider strategy for local economic growth, even though they may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

4.22 Such loans will be considered when all of the following criteria are satisfied:

- the loan is given towards expenditure which would, if incurred by the County Council, be capital expenditure;
- the purpose for which the loan is given is consistent with the County Council's corporate / strategic objectives and priorities;
- due diligence is carried out that confirms the County Council's legal powers to make the loan, and that assesses the risk of loss over the loan term; and
- a formal loan agreement is put in place which stipulates the loan period (*which will not exceed 25 years*), repayment terms and loan rate (which will be set at a level that seeks to mitigate any perceived risks of a loss being charged to the General

Fund, and takes appropriate account of state aid rules) and any other terms that will protect the County Council from loss;

The County Council does not currently have in place any loans with third parties.

Loans to Limited Companies

4.23 The County Council has made a number of loans in recent years for policy reasons and will continue to monitor and review this position.

a) the County Council's general investment powers under this Annual Treasury Management and Investment Strategy come from the Local Government Act 2003 (Section 12). Under this Act a local authority has the power to invest for any purpose relevant to its functions or for the purpose of the prudent management of its financial affairs;

b) in addition to investment, the County Council has the power to provide loans and financial assistance to Limited Companies under the Localisation Act 2011 (and also formally under the general power of wellbeing in the Local Government Act 2000) which introduced a general power of competence for authorities;

c) any such loans to limited companies will not be classed as investments made by the County Council. Instead they will be classed as capital expenditure and will be approved, financed and accounted for accordingly; and

d) at present the County Council has made several loans to companies in which it has an equity investment. In all cases loan limits are set, and reviewed periodically, by the Executive.

The County Council's loans to limited companies are set out in **paragraph 4.25.**

Other Alternative Investments

4.24 Consideration of individual investment opportunities is subject to detailed business cases and subject to review and approval by the Alternative Investment Board and Executive. The Capital Strategy will be updated should further investment opportunities be developed during 2022/23 and/or in the event that the statutory Guidance on Local Authority Investments, when issued, requires further content to be included.

Current Alternative Investment Position

4.25 In order to manage risk appropriately, achieve targets for investment returns, deliver a diverse portfolio and maintain a level of liquidity, the Commercial Investment Board has established an investment framework. The investment framework provides a range of investment options and investment limits for each option.

The current investment framework and current alternative position is as follows:

Type of Investment	Risk	Maximum Exposure £m	Maximum Term Years	Target Rate (above BBR) %	Invested as at 31/12/21 £m	Rate of Return %
Alternative treasury instruments						
Money Market Funds	Low	20.0	1 – 5	>0.10	0.0	0.00
Enhanced Cash Funds		20.0			0.0	0.00
Certificates of Deposit		20.0			0.0	0.00
Property Funds		20.0			5.9	3.38
Total Alternative Treasury Instruments					**5.9**	**3.38**
Other Alternative Investments						
Loans to Council Companies	Low - Medium	25.0	10	4.00	26.9	5.94
Spend to Save	Low	5.0	7	4.00	0.0	0.00
Loans to Housing Associations	Medium	10.0	20	3.00	0.0	0.00
Solar Farms (or similar)	Medium	5.0	20	7.00	0.0	0.00
Commercial Investments	High	20.0	10	5.00	11.9	2.28
Total Other Alternative Investments *					**38.7**	**4.82**

* Total Alternative Investments capped at £60m

Loans to Council Companies are currently in excess of the overall maximum exposure limit. All loans are within individual approval limits. As a result, the overall exposure limit in relation to Alternative Investments will be reviewed by the Commercial Investment Board.

4.26 The County Council has the following loans to subsidiaries in place as at 31 December 2021.

Subsidiary	Total Loan Agreed £m	Loan Advanced £m	Loan Terms Years	Interest Rate %	Loan Balance £m
NYnet	10.00	Overdraft	n/a	3.0+Base	0.0
Yorwaste – Loan 1	3.70	2017/18	10	4.0+Base	3.7
Yorwaste – Loan 2	3.85	2017/18	10	4.0+Base	2.3
Brierley Homes	14.90	2017/18	2	6.0+Base	12.8
First North Law	0.25	2017/18	10	4.0+Base	0.1
NY Highways	11.00	2020/21	10	6.5+base	8.0
Total					**26.9**

4.27 The County Council has the following Commercial Property Investments in place as at 31 December 2021.

Property	Amount £m	Net Yield %
Bank Unit in Stafford Town Centre	0.9	6.05
Harrogate Royal Baths	9.5	1.45
Co-op in Somercotes	1.5	5.32
Total	**11.9**	**2.28**

5.0 CHIEF FINANCIAL OFFICER'S (SECTION 151) STATEMENT

Background

5.1 The Prudential Code for Capital Finance in Local Authorities (the Prudential Code) plays a key role in capital finance in local authorities. Local authorities determine their own programmes for investment that are central to the delivery of quality public services. The Prudential Code was developed by CIPFA as a professional code of practice to support local authorities in taking their decisions. Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.

5.2 In financing capital expenditure, local authorities are governed by legislative frameworks, including the requirement to have regard to CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

5.3 In order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability, the Prudential Code requires authorities to have in place a Capital Strategy that sets out the long term context in which capital expenditure and investment decisions are made, and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

5.4 The Prudential Code requires the Chief Financial Officer to report explicitly on the affordability and risk associated with the Capital Strategy. The following are specific responsibilities of the Section 151 Officer:

- recommending clauses, treasury management policy/practices for approval, reviewing regularly, and monitoring compliance;
- submitting quarterly treasury management reports;
- submitting quarterly capital budget reports;
- reviewing the performance of the treasury management function;

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- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;

- ensuring the adequacy of internal audit, and liaising with external audit;

- recommending the appointment of external service providers.

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management

- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money

- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority

- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing

- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources

- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities

- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees

- ensuring that members are adequately informed and understand the risk exposures taken on by an authority

- ensuring that the authority has adequate expertise, either in house or externally provided

- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed

5.5 The Capital Strategy provides an overview of the governance process for approval and monitoring of capital expenditure. These processes are well established and are highly effective in ensuring delivery of the County Council's capital investment plans. In addition, the Capital Strategy and Prudential Indicators also demonstrates that the capital expenditure, investment and financing plans of the County Council are robust, affordable and sustainable."

SCHEDULES

1. Treasury Management Policy Statement
2. Prudential Indicators Update for 2022/23 to 2024/25
3. Economic background
4. Specified and Non Specified Investments
5 Approved Lending List
6. Approved countries for investments

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SCHEDULE 1

NORTH YORKSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

1.0 INTRODUCTION AND CONTEXT

1.1 2022/23 is the final year for establishing a Treasury Management Policy Statement for the County Council given that the new unitary council for North Yorkshire will come into effect from 1 April 2023. The production of an emerging "shadow" policy for the new unitary council, an aggregation of the future projections of all 8 councils, will become the start position for the new unitary North Yorkshire Council.

1.2 The County Council has adopted the **CIPFA Code of Practice on Treasury Management in the Public Services** as updated in 2017. This Code sets out a framework of operating procedures to reduce treasury risk and improve understanding and accountability regarding the Treasury position of the County Council.

1.3 The CIPFA Code of Practice on Treasury Management requires the County Council to adopt the following four clauses of intent:

a) the County Council will create and maintain as the cornerstone for effective Treasury Management

   i. a strategic **Treasury Management Policy Statement** (TMPS) stating the policies, objectives and approach to risk management of the County Council to its treasury management activities;

   ii. a framework of suitable **Treasury Management Practices** (TMPs) setting out the manner in which the County Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. The Code recommends 12 TMPs;

b) the County Council delegates responsibility for the implementation and regular monitoring of its Treasury Management policies and practices to the Executive and for the execution and administration of Treasury Management decisions to the Corporate Director – Strategic Resources who will act in accordance with the Council's TMPS, TMPs, as well as CIPFA's Standard of Professional Practice on Treasury Management;

c) the County Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategies and Policies; and

d) the County Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategies and Policies.

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1.4 The **CIPFA Prudential Code for Capital Finance in Local Authorities** (updated in 2017) and the terms of the **Local Government Act 2003**, together with 'statutory' Government Guidance, establish further requirements in relation to treasury management matters, namely

a) the approval, on an annual basis, of a set of **Prudential Indicators**; and

b) approval, on an annual basis, of an **Annual Treasury Management Strategy**, an **Annual Investment Strategy**, an annual **Minimum Revenue Provision (MRP)** policy statement and a **Capital Strategy** with an associated requirement that each is monitored on a regular basis with a provision to report as necessary both in-year and at the financial year end.

1.5 This current Treasury Management Policy Statement (TMPS) was approved by County Council on 16 February 2022.

2.0 TREASURY MANAGEMENT POLICY STATEMENT (TMPS)

2.1 Based on the requirements detailed above a TMPS stating the policies and objectives of the treasury management activities of the County Council is set out below.

2.2 The County Council defines the policies and objectives of the treasury management activities of the County Council as follows: -

a) the management of the County Council's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks;

b) the identification, monitoring and control of risk will be the prime criteria by which the effectiveness of the treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the County Council and any financial instrument entered into to manage these risks; and

c) effective treasury management will provide support towards the achievement of the business and service objectives of the County Council as expressed in the Council Plan. The County Council is committed to the principles of achieving value for many in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

2.3 As emphasised in the Treasury Management Code of Practice, responsibility for risk management and control of Treasury Management activities lies wholly with the County Council and all officers involved in Treasury Management activities are explicitly required to follow Treasury Management policies and procedures.

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3.0 TREASURY MANAGEMENT PRACTICES (TMPs)

3.1 The CIPFA Code of Practice on Treasury Management requires a framework of Treasury Management Practices (TMPs) which:

a) set out the manner in which the County Council will seek to achieve the policies and objectives; and

b) prescribe how the County Council will manage and control those activities;

3.2 The CIPFA Code of Practice recommends 12 TMPs. A list of the 12 TMPs is as follows: -

TMP 1	Risk management
TMP 2	Performance measurement
TMP 3	Decision-making and analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP 6	Reporting requirements and management information arrangements
TMP 7	Budgeting, accounting and audit arrangements
TMP 8	Cash and cash flow management
TMP 9	Money Laundering
TMP 10	Training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate governance

4.0 PRUDENTIAL INDICATORS

4.1 The Local Government Act 2003 underpins the Capital Finance system introduced on 1 April 2004 and requires the County Council to "have regard to" the **CIPFA Prudential Code for Capital Finance in Local Authorities**. This Code which was last updated in December 2017, requires the County Council to set a range of Prudential Indicators for the next three years

a) as part of the annual Budget process, and;

b) before the start of the financial year;

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to ensure that capital spending plans are affordable, prudent and sustainable.

4.2 The Prudential Code also requires appropriate arrangements to be in place for the monitoring, reporting and revision of Prudential Indicators previously set.

The required Prudential Indicators are as follows:-

- Capital Expenditure - Actual and Forecasts
- estimated ratio of capital financing costs to the Net Revenue Budget
- Capital Financing Requirement
- Gross Debt and the Capital Financing Requirement
- authorised Limit for External Debt
- operational Boundary for External Debt
- Actual External Debt
- Maturity Structure of Borrowing
- Total Principal Sums Invested for periods longer than 365 days

4.3 The County Council will approve the Prudential Indicators for a three year period alongside the annual Revenue Budget/Medium Term Financial Strategy at its February meeting each year. The Indicators will be monitored during the year and necessary revisions submitted as necessary via the Quarterly Performance and Budget Monitoring reports.

4.4 In addition to the above formally required Prudential Indicators, the County Council has also set two local ones as follows:

a) to cap Capital Financing costs to 10% of the net annual revenue budget; and

b) a 30% limit on money market borrowing as opposed to borrowing from the Public Works Loan Board.

5.0 ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY

5.1 A further implication of the Local Government Act 2003 is the requirement for the County Council to set out its Treasury Management Strategy for borrowing and to approve an Annual Investment Strategy (which sets out the County Council's policies for managing its investments and for giving priority to the security and liquidity of those investments).

5.2 The Government's guidance on the Annual Investment Strategy, updated in February 2018, states that authorities can combine the Treasury Management Strategy Statement and Annual Investment Strategy into one report. The County Council has adopted this combined approach.

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5.3 Further statutory Government guidance, last updated with effect from February 2018, is in relation to an authority's charge to its Revenue Budget each year for debt repayment. A Minimum Revenue Provision (MRP) policy statement must be prepared each year and submitted to the full Council for approval before the start of the financial year.

5.4 The County Council will approve this combined Annual Strategy alongside the annual Revenue Budget/Medium Term Financial Strategy at its February meeting each year.

6.0 REVIEW OF THIS POLICY STATEMENT

6.1 Under Financial Procedure Rule 14, the Corporate Director – Strategic Resources is required to periodically review this Policy Statement and all associated documentation. A review of this Statement, together with the associated annual strategies, will therefore be undertaken annually as part of the Revenue Budget process, together with a mid year review as part of the Quarterly Treasury Management reporting process and at such other times during the financial year as considered necessary by the Corporate Director – Strategic Resources.

Approved by County Council
16 February 2022

SCHEDULE 2

PRUDENTIAL INDICATORS UPDATE – FOR 2022/23 TO 2024/25

CAPITAL EXPENDITURE & EXTERNAL DEBT INDICATORS

1 Estimated Ratio of capital financing costs to the net Revenue Budget

(a) *Formally required Indicator*

This reflects capital financing costs (principal plus interest) on external debt plus PFI and finance leasing charges less interest earned on the temporary investment of cash balances.

The estimated ratios of financing costs to the net Revenue Budget for the current and future years, and the actual figure for 2020/21 are as follows:

Year	Executive August 2021		Update January 2022	
	Basis	%	Basis	%
2020/21	Actual	10.4	Actual	10.4
2021/22	Estimate	10.7	Estimate	10.5
2022/23	Estimate	10.6	Estimate	9.8
2023/24	Estimate	9.9	Estimate	9.0
2024/25	Estimate	-	Estimate	8.5

(b) Local Indicator

This local Indicator reflects a policy decision to cap Capital Financing costs at 10% of the net annual Revenue Budget. The Indicator is different to the formally required Indicator at (a) above in that it only reflects the cost components of interest on external debt plus lost interest on internally financed capital expenditure, together with a revenue provision for debt repayment. Unlike the formally required PI it does not reflect interest earned on surplus cash balances or PFI / finance leasing charges.

Year	Executive August 2021		Update January 2022	
	Basis	%	Basis	%
2020/21	Actual	5.7	Actual	5.7
2021/22	Estimate	5.5	Estimate	5.2
2022/23	Estimate	5.1	Estimate	4.8
2023/24	Estimate	4.7	Estimate	4.5
2024/25	Estimate	-	Estimate	4.3

Comment

The estimates of financing costs include current Capital Plan commitments based on the latest 2021/22 Q3 Capital Plan.

The updated estimates for 2021/22 to 2024/25 reflect the net effect of a range of factors, principally

(a) savings being achieved through the ongoing policy of financing capital borrowing requirements internally from cash balances

(b) variations in the level of annual borrowing requirements resulting from a range of factors, but principally capital expenditure slippage between years

(c) variations in borrowing costs (interest plus a revenue provision for debt repayment) reflecting latest interest rate forecasts to 2024/25

(d) variations in interest earned on cash balances resulting from continuing current historically low interest rates but offset by continuing higher levels of cash balances (formal Indicator only).

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Prudential Indicator	Comment
2 Capital Expenditure - Actual and Forecasts The actual capital expenditure that was incurred in 2020/21 and the latest estimates of capital expenditure to be incurred for the current and future years are:	This Indicator now reflects the Capital Outturn in 2020/21 and the Capital Plan update for Q3 2021/22. The variations are principally a result of:- (a) additional provisions and variations to existing provisions which are self-funded from Capital Grants and Contributions, revenue contribution and earmarked capital receipts (b) Capital expenditure re-phasing between years including slippage from 2020/21 outturn and Q3 2021/22 to later years (c) various other Capital approvals and refinements reflected in the latest Capital Plan update

Year	Executive August 2021		Update January 2022	
	Basis	£m	Basis	£m
2020/21	Actual	119.6	Actual	119.6
2021/22	Estimate	171.2	Estimate	142.8
2022/23	Estimate	38.3	Estimate	83.2
2023/24	Estimate	6.2	Estimate	34.0
2024/25	Estimate	-	Estimate	26.4

The above figures reflect the updated Capital Plan (Q3 2021/22) together with:-

(i) expenditure on fixed assets funded directly from the Revenue Budget and not included in the Capital Plan.

(ii) an estimated allowance for future expenditure re-phasing between years.

Prudential Indicator	Comment
3 Capital Financing Requirement (CFR)	
Actuals and estimates of the Capital Financing Requirement (CFR) at the defined year ends are as follows:	The January 2021 figures were based on a Capital Plan approved as at 31 December 2021.

Date	Executive August 2021				Update January 2022			
	Basis	Borrowing £m	Other Long Term Liabilities (PFi etc) £m	Total £m	Basis £m	Borrowing £m	Other Long Term Liabilities (PFi etc) £m	Total £m
31 Mar 2021	Actual	288.7	151.6	440.3	Actual	288.7	151.6	440.3
31 Mar 2022	Estimate	293.1	176.2	469.2	Estimate	291.6	176.2	467.8
31 Mar 2023	Estimate	269.9	170.6	440.5	Estimate	288.2	170.6	458.8
31 Mar 2024	Estimate	256.3	165.4	421.6	Estimate	273.8	165.4	439.2
31 Mar 2025	Estimate	-	-	-	Estimate	252.4	159.9	412.3

The CFR measures the underlying need for the County Council to borrow for capital purposes. In accordance with best professional practice, the County Council does not earmark borrowing to specific items or types of expenditure. The County Council has an integrated treasury management approach and has adopted the CIPFA Code of Practice for Treasury Management. The County Council has, at any point in time, a number of cashflows, both positive and negative, and manages its treasury position in terms of its overall borrowings and investments in accordance with its approved Annual Treasury Management Strategy. In day to day cash management, no distinction is made between revenue and capital cash. External borrowing arises as a consequence of all the financial transactions of the County Council as a whole and not simply those arising from capital spending. In contrast, the CFR Indicator reflects the County Council's underlying need to borrow for capital purposes only.

Comment (continued):

The updated figures reflect the following variations

(a) re-phasing between years of expenditure that is funded from borrowing including slippage between years identified at 2020/21 outturn and Q3 2021/22

(b) capital receipts (including company loans) slippage between years that affect year on year borrowing requirements

(c) variations in the level of the Corporate Capital Pot which is used in lieu of new borrowing until the Pot is required

(d) additions and variations to schemes / provisions approved that are funded from Prudential Borrowing

(e) variations in the annual Minimum Revenue Provision for debt Repayment which arise from the above

(f) Other Long Term Liabilities now include the Allerton Waste Recovery Park PFI Scheme

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Prudential Indicator	Comment
4 Gross Debt and the Capital Financing Requirement The Prudential Code emphasises that in order to ensure that over the medium term debt will only be for a capital purpose, the County Council should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the previous year (2020/21), plus the estimate of any additional capital financing requirement for the current (2021/22) and next two financial years (2022/23 and 2023/24). If, in any of these years, there is a reduction in the capital financing requirement, this reduction should be ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt. This Prudential Indicator is referred to as gross debt and the comparison with the capital financing requirement (**Indicator 3**) and is a key indicator of prudence. The Corporate Director – Strategic Resources reports that the County Council had no difficulty in meeting this requirement up to 2020/21 nor are any difficulties envisaged for the current or future years of the Medium Term Financial Strategy up to 2023/24. For subsequent years, however, there is potential that the County Council may not be able to comply with the new requirement as a result of the potential for the annual Minimum Revenue Provision (MRP) reducing the Capital Financing Requirement below gross debt. This potential situation will be monitored closely. This opinion takes into account spending commitments, existing and proposed Capital Plans and the proposals in the Revenue Budget 2021/22 and Medium Term Financial Strategy report.	This Prudential Indicator was changed in 2013/14 to reflect the comparison of gross debt (external debt plus other long term liabilities) with the Capital Financing Requirement (CFR). The comparator debt figure had previously been net debt which was gross debt less investments. The Prudential Code requires that where there is a significant difference between the gross debt and the gross borrowing requirement, as demonstrated by the CFR, then the risks and benefits associated with this strategy should be clearly stated in the annual Treasury Management Strategy. The County Council's gross debt figure is currently significantly below the CFR figures shown in **Indicator 3** because of annual capital borrowing requirements being funded internally from cash balances (i.e. running down investments) rather than taking out new external debt. This situation, however, could be reversed in future as a result of two key factors: (i) externalising some or all of the internally financed CFR together with (ii) the potential for the annual Minimum Revenue Provision (MRP) for debt repayment reducing the CFR below gross debt because the debt cannot readily be prematurely repaid without incurring significant penalties (premiums). This potential situation will be monitored carefully by the Corporate Director – Strategic Resources.

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Prudential Indicator	Comment
5 Authorised Limit for External Debt In respect of its external debt, it is recommended that the County Council approves the following Authorised Limits for its total external debt for the next three financial years. The Prudential Code requires external borrowing and other long term liabilities (PFI and Finance leases) to be identified separately. The authorised limit for 2021/22 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.	The Corporate Director – Strategic Resources confirms that these authorised limits are consistent with the County Council's current commitments, updated Capital Plan and the financing of that Plan, the 2021/22 Revenue Budget and Medium Term Financial Strategy and with its approved Treasury Management Policy Statement. The Corporate Director – Strategic Resources also confirms that the limits are based on the estimate of most likely prudent, but not worst case, scenario with sufficient headroom over and above this to allow for operational issues (e.g. unusual cash movements). To derive these limits a risk analysis has been applied to the Capital Plan, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes. The updated figures reflect a number of refinements which are also common to the Capital Financing Requirement (see **Indicator 3**) and Operational Boundary for external debt (see **Indicator 6**). Explanations for these changes are provided under **Indicators 3 and 6** respectively.

	Executive August 2021			Update January 2022		
Date	**Borrowing £m**	**Other Long Term Liabilities (PFi etc) £m**	**Total £m**	**Borrowing £m**	**Other Long Term Liabilities (PFi etc) £m**	**Total £m**
2021/22	303.3	176.2	479.5	390.3	176.2	566.2
2022/23	340.7	170.6	511.3	395.7	170.6	566.3
2023/24	300.2	165.4	465.5	423.4	165.4	588.8
2024/25	-	-	-	320.7	159.9	480.6

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Prudential Indicator	Comment
6 Operational Boundary for External Debt It is recommended that the County Council approves the following Operational Boundary for external debt for the same period. The proposed operational boundary for external debt is based on the same estimates as the Authorised Limit (ie **Indicator 5** above) but also reflects an estimate of the most likely prudent, but not worst case, scenario without the additional headroom included within the Authorised Limit to allow for eg unusual cash flows.	The Operational Boundary represents a key management tool for the in year monitoring of external debt by the Corporate Director – Strategic Resources. The updated figures reflect refinements which are common to the Capital Financing Requirement (see **Indicator 3** above), together with (a) relative levels of capital expenditure funded internally from cash balances rather than taking external debt (b) loan repayment cover arrangements and the timing of such arrangements These two financing transactions affect external debt levels at any one point of time during the financial year but do not impact on the Capital Financing Requirement.

	Executive August 2021			Update January 2022		
Date	Borrowing £m	Other Long Term Liabilities (PFi etc) £m	Total £m	Borrowing £m	Other Long Term Liabilities (PFi etc) £m	Total £m
2021/22	283.3	176.2	459.5	370.0	176.2	546.2
2022/23	320.7	170.6	491.3	375.5	170.6	546.3
2023/24	280.2	165.4	445.5	403.4	165.4	568.8
2024/25	-	-	-	300.7	159.9	460.6

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Prudential Indicator	Comment
7 **Actual External Debt** The County Council's external debt is set out below and consists of external borrowing from the PWLB and money markets plus other long term liabilities such as PFI and finance leases which are classified as external debt for this purpose.	The updated estimates reflect refinements which are common to the Capital Financing Requirement (see **Indicator 3** above) together with the relative levels of capital expenditure internally funded from cash balances rather than taking external debt.

Date		Executive August 2021			Update January 2022			
		Borrowing £m	Other Long Term Liabilities (PFI etc) £m	Total £m	Basis	Borrowing £m	Other Long Term Liabilities (PFI etc) £m	Total £m
31 Mar 21	Actual	236.0	151.6	387.6	Actual	236.0	151.6	387.6
31 Mar 22	Estimate	221.8	176.2	398.0	Estimate	221.8	176.2	398.0
31 Mar 23	Estimate	208.5	170.6	379.1	Estimate	208.5	170.6	379.1
31 Mar 24	Estimate	208.5	165.4	373.9	Estimate	208.5	165.4	373.9
31 Mar 25	-	-	-	-	Estimate	208.5	159.9	368.4

It should be noted that actual external debt is not directly comparable to the Authorised Limit (**Indicator 5 above**) and Operational Boundary (**Indicator 6 above**) since the actual external debt reflects a position at one point in time.

Prudential Indicator	Comment
8 **Limit of Money Market Loans (Local Indicator)** Borrowing from the money market for capital purposes (as opposed to borrowing from the PWLB) is to be limited to 30% of the County Council's total external debt outstanding at any one point in time. The actual position at 31 March 2021 was 8% (£20m out of a total of £236.0m) against an upper limit of 30%	This limit was introduced as a new Local Prudential Indicator in 2009/10, although the 30% limit has featured as part of the Borrowing Policy section of the County Council's Annual Treasury Management and Investment Strategy for many years.

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Prudential Indicator	Comment
9 Maturity Structure of Borrowing The upper and lower limits for the maturity structure of County Council borrowings are as follows:- The amount of projected borrowing maturing in each period as a percentage of total projected borrowing that is fixed rate:	These limits are reviewed annually and have been updated to reflect the current maturity structure of the County Council's debt portfolio.

Period	Lower Limit %	Upper Limit %	Memo item - actual at 1 April 21 %	1 April 22 %
under 12 months	0	50	6	6
12 months & within 24 months	0	25	6	6
24 months & within 5 years	0	50	4	7
5 years & within 10 years	0	75	3	3
10 years and within 25 years	0	100	7	8
25 years and within 50 years	0	100	74	70
			100	100

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Prudential Indicator	Comment
10 Total Principal Sums Invested for periods longer than 365 days The 2022/23 aggregate limit of £40m for 'non specified' investments longer than 365 days is based on a maximum of 20% of estimated 'core cash funds' up to 2024/25 being made available for such investments. The purpose of this prudential limit for principal sums invested for longer than 365 days is for the County Council to contain its exposure to the possibility of loss that might arise as a result of it having to seek early repayment or redemption of principal sums invested.	**No change to this limit is proposed.** The County Council currently has no such investments that fall into this category. Prior to 1 April 2004, Regulations generally prevented local authorities from investing for longer than 365 days. As a result of the Prudential Regime however, these prescriptive regulations were abolished and replaced with Government Guidance from April 2004. This Guidance gives authorities more freedom in their choice of investments (including investing for periods longer than 365 days) and recognises that a potentially higher return can be achieved by taking a higher (ie longer term) risk. This flexibility requires authorities to produce an Annual Investment Strategy that classifies investments as either **Specified** (liquid, secure, high credit rating & less than 365 days) or **Non Specified** (other investments of a higher risk). Non Specified investments are perfectly allowable but the criteria and risks involved must be vigorously assessed, including professional advice, where appropriate. Therefore investments for 365 days+ are allowable as a Non Specified investment under the Government Guidance. The use of such investments is therefore now incorporated into the County Council's Annual Treasury Management and Investment Strategy.

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SCHEDULE 3

ECONOMIC BACKGROUND

1.0 **The UK.**

1.1 The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

1.2 The MPC had previously not raised Bank Rate, as markets had expected, at its November meeting. As the MPC wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was to wait until statistics were available to show how the economy had fared at this time

1.3 In December, the low 0.1% m/m rise in GDP in October suggested that economic growth had already slowed prior to the discovery of the Omicron variant in late November. In addition, CPI inflation for November increased further from 4.2% to 5.1%, confirming again how inflationary pressures had been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

1.4 Based on the economic data from November, the MPC raised Bank Rate in December. The hawkish tone of comments from the meeting indicated that the MPC is now concerned that inflationary pressures are building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat. The MPC commented that “there has been significant upside news” and that “there were some signs of greater persistence in domestic costs and price pressures”.

1.5 In contrast, the MPC also commented that “the Omicron variant is likely to weigh on near-term activity”. But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now “these conditions had been met”. It also appeared more worried about the possible boost to inflation from Omicron itself. It said that “the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation”. It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning “global price pressures might persist for longer”.

1.6 These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank has retained its guidance that only a “modest tightening” in policy will be required.

1.7 The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows:-

- raising Bank Rate as "the active instrument in most circumstances";
- raising Bank Rate to 0.50% before starting on reducing its holdings;
- once Bank Rate is at 0.50% it would stop reinvesting maturing gilts; and
- once Bank Rate had risen to at least 1%, it would start selling its holdings.

The Global Ecomony

2.0 **USA.**

2.1 Shortages of goods have been fuelling increases in prices and reducing economic growth potential. In November, CPI inflation hit a near 40-year record level of 6.8% but with energy prices then falling sharply, this is possibly the peak.

2.2 Shortages of labour have also been driving up wage rates sharply; this poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.

2.3 Fed officials expect three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts.

3.0 **EUROZONE**

3.1 The slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

3.2 November's inflation figures shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022.

3.3 The ECB will now also need to consider the impact of Omicron on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

4.0 CHINA

4.1 After a concerted effort following the virus outbreak in Q1 2020, economic recovery was strong in the rest of 2020; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

4.2 However, the pace of economic growth has now fallen back in 2021 after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future.

4.3 The People's Bank of China made a start in December 2021 on cutting its key interest rate marginally as an attempt to stimulate economic growth.

4.4 Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

5.0 JAPAN

5.1 Recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.

5.2 The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

6.0 WORLD GROWTH

6.1 World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022.

6.2 **Supply Shortages**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains with further disruption expected. It is expected that these issues will gradually be resolved, but will continue to contribute to a spike upwards in inflation and shortages of materials and goods available to purchase in the short term.

7.0 INTEREST RATE FORECASTS

7.1 The interest rate forecasts provided by Link Group are predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no failures in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

7.2 It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes five increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, these forecasts may need to be revised within a short time frame as a result of:-

- the economic recovery runs out of steam, resulting in stagflation;
- continuation of supply shortages;
- the spend in which consumers spend savings retained over the pandemic;
- new Covid variants resulting in the possibility of further lockdowns; and
- the UK evokes article 16 of the Brexit deal over dislocation in trading arrangements with Northern Ireland.

7.3 In summary, with the high level of uncertainty prevailing on several fronts, interest rate forecasts are expected to be revised again.

8.0 The balance of risks to the UK

The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

8.1 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK** – Labour and supply shortages prove more disruptive and depress economic activity;

- **The Government** acts too quickly to cut expenditure to balance the national budget;

- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate;

- a resurgence of the **Eurozone sovereign debt crisis;**

- **UK / EU trade arrangements** – if there is a major impact on trasde flows and financial sercies due to complications or lack of co-operation;

- weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic;

- **German general election in September 2021 –** Germany faces months of uncertainly while a new coalition government is formed;

- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile;

- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows; and

8.2 Upside risks to current forecasts for UK gilt yields and PWLB rates include:

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

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NORTH YORKSHIRE COUNTY COUNCIL ANNUAL INVESTMENT STRATEGY 2022/2023 – SPECIFIED INVESTMENTS

Investment	Security / Minimum Credit Rating	Circumstances of Use
Term Deposits with the UK Government or with UK Local Authorities (as per Local Government Act 2003) with maturities up to 1 year	High security as backed by UK Government	In-house
Term Deposits with credit rated deposit takers (Banks and Building Societies), including callable deposits with maturities less than 1 year	Organisations assessed as having “high credit quality”within the UK or from Countries with a minimum Sovereign rating of AA- for the country in which the organisation is domiciled	In-house
Certificate of Deposits issued by credit rated deposit takers (Banks and Building Societies) up to 1 year		Fund Manager or In-house “buy and hold” after consultation with Treasury Management Advisor
Forward deals with credit rated Banks and Building Societies less than 1 year (i.e. negotiated deal plus period of deposit)		In-house
Term Deposits with Housing Associations less than 1 year		In-house
Money Market Funds i.e. collective investment scheme as defined in SI2004 No 534 (*These funds have no maturity date*)	Funds must be AAA rated	In-house After consultation with Treasury Management Advisor Limited to £20m
Gilts (with maturities of up to 1 year)	Government Backed	Fund Manager or In-house buy and hold after consultation with Treasury Management Advisor
Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in SI 2004 No 534) with maturities under 12 months (*Custodial arrangements required prior to purchase*)	Government Backed	After consultation with Treasury Management Advisor

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SCHEDULE 4

NORTH YORKSHIRE COUNTY COUNCIL ANNUAL INVESTMENT STRATEGY 2022/23 – NON-SPECIFIED INVESTMENTS

Investment	Security / Minimum Credit Rating	Circumstances of Use	Max % of total investments	Maximum investment with any one counterparty	Max. maturity period
Term Deposit with credit rated deposit takers (Banks & Building Societies), UK Government and other Local Authorities with maturities greater than 1 year	Organisations assessed as having "high credit quality" under the Credit Worthiness Policy	In-house	100% of agreed maximum proportion of Core Cash funds (£40m)	£5m	5 years
Certificate of Deposit with credit rated deposit takers (Banks & Building Societies) with maturities greater than 1 year Custodial arrangements prior to purchase	Organisations assessed as having "high credit quality" under the Credit Worthiness Policy	Fund Manager or In-house "buy & hold" after consultation with Treasury Management Advisor	100% of agreed maximum proportion of Core Cash funds (£40m)	£5m	5 years
Callable Deposits with credit rated deposit takers (Banks & Building Societies) with maturities greater than 1 year	Organisations assessed as having "high credit quality" under the Credit Worthiness Policy	In-house	50% of agreed maximum proportion of Core Cash funds (£20m)	£5m	5 years
Term Deposits with Housing Associations with maturities greater than 1 year	Organisations assessed as having "high credit quality" under the Credit Worthiness Policy	In-house	25% of agreed maximum proportion of Core Cash funds (£10m)	£5m	5 years
Forward Deposits with a credit rated Bank or Building Society > 1 year (i.e. negotiated deal period plus period of deposit)	Organisations assessed as having "high credit quality" under the Credit Worthiness Policy	In-house	25% of agreed maximum proportion of	£5m	5 years

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Investment	Security / Minimum Credit Rating	Circumstances of Use	Max % of total investments	Maximum investment with any one counterparty	Max. maturity period
			Core Cash funds (£10m)		
Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in SI2004 No534) with maturities in excess of 1 year Custodial arrangements required prior to purchase	AA or Government backed	Fund Manager or In-house "buy & hold" after consultation with Treasury Management Advisor	25% of agreed maximum proportion of Core Cash funds (£10m)	n/a	5 years
Bonds issued by Multilateral development banks (as defined in SI2004 No534) with maturities in excess of 1 year Custodial arrangements required prior to purchase	AA or Government backed	Fund Manager or In-house "buy & hold" after consultation with Treasury Management Advisor	25% of agreed maximum proportion of Core Cash funds (£10m)	£5m	5 years
UK Government Gilts with maturities in excess of 1 year Custodial arrangements required prior to purchase	Government backed	Fund Manager	25% of agreed maximum proportion of Core Cash funds (£10m)	n/a	5 years
Collateralised Deposit	UK Sovereign Rating	In-house	25% of agreed maximum proportion of Core Cash funds (£10m)	n/a	5 years
Property Funds	Organisations assessed as having "high credit quality"	In-house after consultation with Treasury Management Advisor	100% of agreed maximum proportion of Core Cash funds (£40m)	£5m	10 years

SCHEDULE 5

APPROVED LENDING LIST 2022/23

Maximum sum invested at any time (The overall total exposure figure covers both Specified and Non-Specified investments)

	Country	Specified Investments (up to 1 year)		Non-Specified Investments (> 1 year £40m limit)	
		Total Exposure £m	Time Limit *	Total Exposure £m	Time Limit *
UK "Nationalised" banks / UK banks with UK Central Government involvement					
Royal Bank of Scotland PLC (RFB)	GBR	75.0	365 days	-	-
National Westminster Bank PLC (RFB)	GBR				
UK "Clearing Banks", other UK based banks and Building Societies					
Santander UK PLC (includes Cater Allen)	GBR	60.0	6 months	-	-
Barclays Bank PLC (NRFB)	GBR	75.0	6 months	-	-
Barclays Bank UK PLC (RFB)	GBR				
Bank of Scotland PLC (RFB)	GBR	60.0	6 months	-	-
Lloyds Bank PLC (RFB)	GBR				
Lloyds Bank Corporate Markets PLC (NRFB)	GBR				
HSBC Bank PLC (NRFB)	GBR	30.0	365 days	-	-
HSBC UK Bank PLC (RFB	GBR				
Goldman Sachs International Bank	GBR	60.0	6 months	-	-
Sumitomo Mitsui	GBR	30.0	6 months	-	-
Standard Chartered Bank	GBR	60.0	6 months	-	-
Handlesbanken	GBR	40.0	365 days	-	-
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	20.0	3 months	-	-
High Quality Foreign Banks					
National Australia Bank	AUS	30.0	365 days	-	-
Commonwealth Bank of Australia	AUS	30.0	365 days	-	-
Australia and New Zealand Banking Group	AUS	30.0	365 days	-	-
Toronto-Dominion Bank	CAN	30.0	365 days	-	-
Credit Industriel et Commercial	FRA	30.0	365 days	-	-
Landesbank Hessen-Thueringen Girozentrale (Helaba)	GER	30.0	6 months	-	-
DBS (Singapore)	SING	30.0	365 days	-	-
Local Authorities					
County / Unitary / Metropolitan / District Councils		20.0	365 days	5.0	5 years
Police / Fire Authorities		20.0	365 days	5.0	5 years
National Park Authorities		20.0	365 days	5.0	5 years
Other Deposit Takers					
Money Market Funds		20.0	365 days	5.0	5 years
Property Funds		5.0	365 days	5.0	10 years
UK Debt Management Account		100.0	365 days	5.0	5 years

Based on data as 31 December 2021

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SCHEDULE 6

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Group credit worthiness service.

Sovereign Rating	Country
AAA	Australia Denmark Germany Luxemburg Netherlands Norway Singapore Sweden Switzerland
AA+	Canada Finland USA
AA	Abu Dhabi (UAE) France
AA-	Belgium Hong Kong Qatar UK

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