

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

26 January 2021

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

EXECUTIVE SUMMARY

Item 5 a. - MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2023/24 & REVENUE BUDGET FOR 2021/22

Context

1. This report makes recommendations to the County Council regarding
 - Medium Term Financial Strategy (MTFS) for 2021/22 to 2023/24
 - The Revenue Budget 2021/22 and
 - Council Tax for 2021/22.

Medium Term Financial Strategy

2. The Council faces major uncertainties as a direct result of Covid; limited visibility of the government's spending plans; and the potential reorganisation of local government in North Yorkshire. Given these uncertainties, it is critical that the Council maintains as much flexibility as possible in order to protect vital services whilst being able to respond to further potential shocks (**Section 2.0**).
3. The MTFS illustrates that there will be a call on Reserves totalling £43.2m over the period to 2023/24 unless alternative plans are brought forward and that there remains a recurring shortfall of £18.5m by 2023/24 (after use of market shaping funds of £5.1m per annum to support the Budget). The MTFS therefore needs to be seen as a projection to aid thinking and activity rather than a target position to aim for. Further plans will need to be formulated that balance the position without undue reliance upon one-off reserves (**paragraph 2.7**).

4. The level of risks faced by the County Council are unprecedented and more detail is set out in **Section 10**. The Budget / MTFS report sets out a plan to address such risk that includes:
 - a. delivering savings that do not impact on frontline services and / or risk detriming services essential for the pandemic and recovery (**Section 4.7**);
 - b. providing a Contingency to address the demand and growth pressures that are likely but cannot be predicted with any certainty (**paragraph 3.1.2**);
 - c. use of one-off Reserves to ensure plans are better sighted on longer term priorities and conditions (**Section 4.5**);
 - d. carry-forward of 1.5% adult social care precept should it be required in next year's Budget (**paragraph 4.3.2**).
5. The MTFS for the period 2021/22 to 2023/24 set out in **Section 3** and **Appendix G** is recommended for approval (**paragraph 14.1 i**)).

Reserves & Balances

6. 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 and the value set at £28m for all years of the MTFS (**paragraph 14.1 o**)).

Savings

7. Savings totalling £10.9m between 2021/22 and 2024/25 are proposed. £2.3m of these savings are new proposals that largely build upon new ways of working during Covid. The remainder are broadly in line with the existing 2020 North Yorkshire Programme that was approved in last year's Budget / MTFS but there has been significant re-profiling and a reduction in the quantum of £6.7m given Covid and related considerations (**Section 4.7** and **Appendices B1** and **B2**).
8. Given the levels of risk, it may be necessary to consider a second Budget at full Council later in 2021 recognising that any necessary corrective actions will take time to progress. Any new savings proposals will need to be fully considered and are likely to require lead-in time before savings can be realised. It is also likely that any new proposals will be harder to deliver and yield less savings given savings total more than £200m since 2011/12 in response to austerity (**paragraphs 4.7.3** to **4.7.9**).

Investments

9. New Investments are proposed as part of the 2021/22 Revenue Budget:

- a) £720k in 2021/22 and a further sum of £720k is provided in 2022/23 for Member Locality Budgets as set out in **paragraph 4.8.2**.
- b) £1m in 2021/22 to provide pump priming for Carbon Reduction & Environmental schemes as set out in **paragraph 4.8.3**.

Revenue Budget 2021/22

- 10. The Budget set out in this report relies upon £3.1m of Reserves in 2021/22 in order to address the immediate financial challenges (after deploying £5.1m of Adult Social Care market shaping funds that were previously established to make positive interventions in the care market). It will be necessary to constantly monitor this position given the level of uncertainty on demand for services and the Covid legacy (**paragraph 2.7** and **paragraphs 3.1.1 to 3.1.4**).
- 11. A net revenue budget of **£400,247k**, after use of Reserves, is proposed for 2021/22 (**Section 5.0**) and **Appendix G**) and the allocation of the net revenue budget be allocated to directorates, net of planned savings in line with **Appendix C (paragraph 12.1 d)**).

Council Tax

- 12. It is recommended that a general council tax increase of 1.99% is agreed and is supplemented with a 1.5% social care precept (total increase of 3.49%), resulting in a Band D council tax level of £1,411.05 for the Council in 2021/22 (**Section 4.3**).
- 13. The Council is permitted to carry forward any “unused” social care precept into the Budget process for 2022/23. Based upon the Recommendations in this report that amounts to a further 1.5% but this has not been factored into the MTFS which assumes a 1.99% increase in general council tax for the years 2022/23 to 2023/24 (**paragraph 4.3.2**).

Section 25 Statement

- 14. The Corporate Director, Strategic Resources is obliged to offer a view of the robustness of estimates used in the Revenue Budget 2021/22 and the associated level of balances/reserves. The Corporate Director, Strategic Resources is satisfied that the report meets such a requirement but notes an unprecedented level of risk and uncertainty in the current climate including:
 - a. the lack of visibility of funding beyond 31 March 2021;
 - b. likely increased demand for services;
 - c. the potential for rising costs;
 - d. the need for potential further savings given a heavy requirement for reserves otherwise and;

- e. that local government reorganisation is likely to impact directly on any savings opportunities (**paragraph 9.12**).

Other

- 15. The draft pay policy statement for 2021/22 is set out for consideration and recommendation to County Council (**Section 7, paragraph 14.1 p) and Appendix I**).
- 16. An assessment of the key financial risks to the County Council has been carried out in **Section 10**.
- 17. A range of initiatives have taken place to engage with the wider public in order to consult on their views on the Budget (**Section 6.0**).
- 18. The Environmental Implications of the report are set out in **Section 11.0** including the approach to apply the £1m pump priming fund for Carbon Reduction & Environmental schemes.
- 19. 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 J**).

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

26 January 2021

REVENUE BUDGET FOR 2021/22 & MEDIUM TERM FINANCIAL STRATEGY TO 2023/24

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 2021/22;
- b) the Council Tax for 2021/22; and
- c) the Medium Term Financial Strategy (MTFS) for 2022/23 to 2023/24.

2.0 INTRODUCTION AND CONTEXT

2.1 2020/21 will undoubtedly be remembered as the year of Covid. It has fundamentally impacted the priorities of, and the way in which the Council conducts its business. The financial pressures on the public sector generally, and the Council more specifically, have been immense in the past year and it is worth noting that this comes on the back of a whole decade of austerity.

2.2 The Spending Review announced in November 2020 was for a single year (2021/22) as the prevalence, and then the legacy of the virus, as well as the impact upon the economy are so hard to predict. We therefore face a further Budget / MTFS with only a single year of funding parameters. Whilst this is unhelpful for organisational and financial planning, it is unsurprising and understandable. It is also harder than ever before to predict internal cost and demand pressures, as there are so many moving parts so longer term projections must be considered with greater caution than ever before.

2.3 In addition, the Council is in the midst of possible structural reform for local government in North Yorkshire. The outcome of the government's process is unknown at this stage but any move to unitary government across North Yorkshire will have significant impact and, should the government signal intent to proceed then the opportunities and resource requirements will far outweigh any internal County Council savings programme. This therefore presents a significant opportunity to enhance the financial sustainability of council services across North Yorkshire but it does also mean that any savings plans run the risk of being sub-optimal or even contradictory to the direction any new successor council(s) would take.

- 2.4 The consequence of paragraphs 2.2 and 2.3 above is that the 2021/22 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 should it be required;
 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 any successor council(s) is well placed to capitalise upon the foundations, both financially and operationally, set within this Budget.
- 2.5 The Council has performed well in responding to austerity and has taken earlier decisions in order to ensure that it is ahead of the curve and not pushed into short term decisions. A good level of reserves has been maintained and this will now be a crucial component of the Budget strategy. Given the essential emphasis on responding to Covid; recovering from Covid; preparing for local government reorganisation; and diminishing returns on savings programmes after a decade of austerity there is much less scope for new and significant savings proposals. Reserves are therefore key to ensuring that a medium term approach to planning can take place.
- 2.6 This report also sets out a Medium Term Financial Strategy (MTFS) for the period 2022/23 to 2023/24. The objectives of the MTFS are set out at **Appendix A** and whilst these are well established, the emphasis is very much on managing risk and uncertainty. The MTFS is based upon the County Council as a going concern but there is likely to be a known outcome on reorganisation by summer of 2021 and a new council(s) is likely to be in existence for at least one of the two years in this MTFS period. The recurring annual savings from unitary government are estimated to range from £31.9m to £68.5m so the financial dividend is way beyond what can be delivered by a county council in a two-tier area. Any future change programme will be dominated by the transition to the new structure and, in the event of maintenance of the status quo then there will need to be a return to the Beyond 2020 Change Programme including the urgent identification of additional significant cashable savings that can start to be actioned from April 2022 onwards.
- 2.7 The level of risks faced by the County Council are unprecedented and more detail is set out in **Section 10**. Nevertheless, this Budget / MTFS report sets out a plan to address such risk that includes:
- delivering savings that do not impact on frontline services and / or risk detrimenting services essential for the pandemic and recovery;
 - providing 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);

- carry-forward of 1.5% adult social care precept should it be required in next year's Budget.

	21-22	22-23	23-24	Total
Pre-Covid Position	£000	£000	£000	£000
In-year shortfall	21,547	7,198	5,629	34,373
Cumulative shortfall	21,547	20,585	21,586	63,718
Savings from Feb 2020	-8,159	-4,628	-2,584	-15,371
New Pressures				
Council Tax Shortfall	8,687	1,386	-4,644	5,429
Business Rates Shortfall	1,133	-567	-567	0
Net Service Pressures	12,052	-3,275	-1,000	7,777
New Savings	-1,791	-461	-20	-2,272
	20,081	-2,917	-6,230	10,934
Additional Funding				
Income Guarantee Fund	-2,735	2,735	0	0
Local Council Tax Support Grant	-4,709	4,709	0	0
Additional Social Care Grant	-1,180	0	0	-1,180
Covid Grant	-10,860	10,860	0	0
Adult Social Care Precept	-4,783	0	0	-4,783
Additional Rural Services Grant	-409	0	0	-409
New Homes Bonus Additional Year	-574	574	0	0
	-25,250	18,878	0	-6,372
Revised Position				
In year position	8,219	18,531	-3,186	23,564
Cumulative Shortfall	8,219	26,750	23,564	58,534
Funding of shortfall:-				
ASC Market Shaping	-5,100	-5,100	-5,100	-15,300
Reserves	-3,119	-21,650	-18,464	-43,234
	-8,219	-26,750	-23,564	-58,534

2.8 The Table above outlines a total shortfall of £58.5m for the period to 2023/24 with a recurring shortfall thereafter of £23.6m. 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.

2.9 During 2020/21 there have been numerous reports of councils issuing s114 notices or being on the brink of doing so. The County Council has delivered a coherent savings plan on a timely basis and maintained reserves at a level that means it can tolerate a degree of turbulence and uncertainty. The MTFs set out in this report

should, however, 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.

2.10 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.

3.0 THE MEDIUM TERM FINANCIAL STRATEGY

3.1 SERVICE PRESSURES

3.1.1 The last two year's Budget / MTFS reports have been characterised by significant increases in service budgets as a result of additional demand. The Quarterly Revenue Budget Monitoring Reports in 2019/20 and 2020/21 have consistently identified overspends on service budgets. In the past, it has always been possible to estimate the financial consequences of this demand with an assessment of trends and costs etc. In the midst and aftermath of Covid, however, we are much less clear about the nature of demand and the financial consequences. What seems likely is that:

- the care market will suffer some 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 outcome of the Brexit trade deal becomes clearer (All areas).

3.1.2 If additional budget was to be provided for each of these areas then it is possible that the scale of the challenges would, in total, be over-estimated. To fail to provide at all, however, would be unwise so a recurring Corporate Risk Contingency of £10m is included within the Budget. This Contingency will then be used (through budget virements set out in Quarterly Budget Monitoring Reports) 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.

3.1.3 The Corporate Risk Contingency is also to be used to provide for any further savings planned that cannot be delivered. A Contingency of £7m is already in place so this Contingency has been re-purposed and is incorporated within the new £10m Corporate Risk Contingency as identified above.

3.1.4 Further detailed information on demand led pressures within service areas are provided in the remainder of this section.

Net Service Pressures	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Savings Non-delivery	2,797	1,938	2,000	6,735
Covid related demand	7,141	-376	50	6,815
Other Growth	5,834	-2,336	-2,308	1,190
Re-profiled Savings	2,989	-1,310	-1,473	206
Inflation adjustments etc.	-1,629	-1,191	-1,269	-4,089
Reduced High Needs requirement	-5,080	0	2,000	-3,080
	12,052	-3,275	-1,000	7,777

Health and Social Care Funding

3.1.5 Adult social care is now a nationally recognised issue and repeated attempts to address funding for social care have faltered. We await a longer term solution but, in the interim, various sources of funding (usually announced as one-off but often then repeated in later years) have been announced to allow councils to meet the service demands and to work in a functional manner with the health system. This approach of cumulative and different funding sources brings with it many unwelcome complexities and does not provide for longer term sustainable planning.

3.1.6 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 £47m of on-going funding from government. The government has indicated that all of the current sources of funding will continue into 2021/22 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

	2020/21 £ m	2021/22 £ m	Ongoing £m
Better Care Fund (BCF)	15.5	15.8	15.8
Improved Better Care Fund (iBCF)	11.0	11.0	11.0
iBCF (£1.9bn)	3.4	3.4	3.4
Winter Funding	2.4	2.4	2.4
Existing Social Care Grant	13.0	13.0	13.0
New Social Care Grant (£300m)	0	1.2	1.2
	45.3	46.8	46.8

3.1.7 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

3.1.8 2021/22 will be the sixth year in which the government have allowed those councils who provide social care the opportunity to generate an additional “social care precept”. For 2021/22, that amount has been set at a maximum of 3%. 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).

3.1.9 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.

3.1.10 It is expected that there will be further national initiatives to identify how care is provided in a society which is growing older and with more complex needs. Any review will need to consider how such a system is funded whether through taxation or personal financial contributions. At this stage it is far from clear what outcomes there will be from any such review so no assumptions have been made beyond a continuation of the current arrangements and funding streams as identified above in **para 3.1.6**.

Schools Funding

3.1.11 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.

3.1.12 The amount currently allocated for 2021/22 shows an increase in the baseline figure of £35.7m to £481.4m. This is due to the following factors:

- Additional funding allocated due to the new school funding settlement and the ongoing National Funding Formula (NFF) transitional arrangements;
- The mainstreaming of funding to support recent increases in teachers’ pay and employer’s pension contributions which has previously been received through separate grant funding;
- Additional funding allocated nationally to support the significant and ongoing cost pressures associated with High Needs. The High Needs block funding from North Yorkshire has increased by £5.3m, after accounting for additional funding associated with the mainstreaming of teacher’s pay and pension grants;
- An increase in the Local Authority early years funding rate of 6p per hour for 3 & 4 year olds and 8p per hour for vulnerable 2 years olds.

3.1.13 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
2020-21 base	445,680
New funding settlement – NFF	17,033
Mainstreaming of Teacher’s Pay and Pensions Grant	18,531
Primary and Secondary schools – population	179
Universal 3 & 4 yr. old numbers	384
Working parents (3 & 4 yr. olds) numbers	437
Entitlement for 2 year olds	-508
Other	-46
Central School Services Historic Commitments Reduction	-286
Sub-total	481,404
High Needs deduction	-4,308
Total DSG Allocation (after High Needs deduction)	477,096

3.1.14 After the deductions for High Needs, the DSG figure is revised to £477,096k. The final allocation is dependent on final early years’ numbers and academy recoupment and therefore the total DSG will change throughout the financial year.

3.1.15 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 Corporate Director – Children and Young People’s Service, in consultation with the Corporate Director, Strategic Resources and Executive Members for CYPs and Finance, is 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

3.1.16 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. £3.0m in 2020/21. In 2021/22, the financial pressure is expected to continue despite the confirmation of an additional £5.3m in High Needs funding (excluding additional DSG High Needs funding associated with the mainstreaming of teacher’s pay and pension grants in 2021/22).

- 3.1.17 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 94% increase in the number of EHCPs and this trend is expected to continue in 2021/22 and beyond.
- 3.1.18 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.
- 3.1.19 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

- 3.1.20 In 2021/22 there is an increase of six school days compared to 2020/21. The additional cost of these days is anticipated to be £875k, making it the largest driver for the increase in budget requirement.
- 3.1.21 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 where applicable whilst still making sure that there is no detrimental impact to children with accessibility issues.
- 3.1.22 The additional increase in budget requirement is a projected growth in pupil numbers. Although SEND transport is expected to see a growth in numbers, this has been partly offset by a move to more parents opting to use the Special Parental Allowance.
- 3.1.23 The proposed Directorate budgets for 2021/22 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 2021/22 Provisional Local Government Finance Settlement was announced by the Ministry of Housing, Communities and Local Government (MHCLG) on 17th December 2020. 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 2021/22;
- The ability to levy an adult social care (ASC) precept has been further extended. Authorities can apply a precept of up to 3% with the option to defer some or all of its use to 2022/23 (this would raise an estimated £750m nationally and circa £10m per annum for NYCC should it be applied in full);
- one off funding of £1.55bn has been released to meet Covid related costs in 2021/22. £10.9m of this has been allocated to NYCC;
- specific short term funding has also been provided to partially offset the impact of the Covid pandemic on Council Tax and business rates revenues. This includes £670m nationally for the impact of increased Council Tax support schemes on the tax base and £790m to fund 75% of eligible irrecoverable losses incurred on the Local Tax Collection Fund Accounts in 2020/21;
- An additional £300m has been allocated for social care. However, £240m of this will be used to equalise the variation in yield of the ASC precept between authorities. North Yorkshire will therefore receive funding of £1.2m. The government has also confirmed that the social care grant amounts from earlier years will be rolled over for at least a further year;
- New Homes Bonus payments continue for a further year with the Council expected to receive £1.5m. These payments are reducing ahead of a planned review of this programme. Typically, in these situations the released funding from lower payments would be recirculated directly back through the core local government funding system. However, this time it has been used to part fund the social care grant and also to create a new Lower Tier Services grant, which in the case of two tier areas like North Yorkshire will only be paid to district councils;

- a national increase of £4m in the Rural Services Delivery Grant which will result in an estimated additional £409k for the Council;
- The Baseline Funding Level will remain the same in 2021/22 because the business rates multiplier will be frozen. However, a specific grant to compensate for this under-indexation will be provided. Together with a modest increase in Revenue Support grant this gives a national increase of £163m or 1% in core funding;
- The Government states: “At the national level our proposals result in an increase in Core Spending Power for local authorities in England of £2.2 billion”. It should be noted, however, that most of this is based on an assumption that councils will take the maximum council tax/adult social care precept increases without triggering a referendum.

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 covering Business Rates Retention and Fairer Funding.

Business Rates Retention

4.2.3 The government has proposed that core 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 but will now be further delayed until *at least* 2022/23 and there remain a number of uncertainties as to how this proposal would operate particularly given the possibility of a more fundamental review of the business rates system

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 then is “equalised” by reduced levels of government funding. The government has proposed new formula approaches to funding councils. These were originally intended to operate from 2020/21 but this timetable has slipped and any changes are, again, unlikely to impact before 2022/23 at the earliest. The Council, along with its representative organisations, will continue to lobby for a fairer and more transparent process. Members will 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 2021/22 will be announced although it is expected to be no later than early February 2021.
- 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, given that there have been a number of late announcements from government about how Covid support will be provided, and that extra information is required from district councils to calculate some of that support, there are heightened risks of late adjustments to the Budget projections. 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 £10m in 2021/22.**
- 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 2021/22 are itemised at **Appendix C** - the total for NYCC is **235,662.19**. This represents a provisional decrease in tax base from the current year of 0.13% and is 1.13% lower than forecast for 2021/22 when compared with the MTFs report presented in February 2020. In light of the on-going pandemic and the effect this is having on the number of claimants eligible for local council tax support the future tax base growth rate assumptions have been revised down to 0.5% in 2022/23 and 1% in 2023/24.

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, the Budget / MTFs report is now predicated on a 3.49% increase in council tax for 2021/22 (i.e. 1.99% general Council Tax and 1.5% 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 2023/24. However, councils do have the option to carry forward up to 3% increase on adult social care precept to the following financial year. For NYCC this would allow the option of an additional 1.5% adult social care precept for 2022/23 after

opting to use 1.5% in 2021/22. 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 3.49% increase in 2021/22 would cost the average Band D household an additional £47.58 per annum (£3.96 per month or 91 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 £1,411.05 in 2021/22.

4.3.4 Based on the Tax Base assumptions at **paragraph 4.3.1** and applying a 3.49% increase in the Band D charge in 2021/22, Council Tax income is forecast to rise from £321.7m in 2020/21 to £332.5m in 2021/22 (including an additional £4.8m for Adult Social Care).

Alternatives

4.3.5 The alternatives to the recommended 3.49% aggregate increase in Council Tax (i.e. 1.99% for general council tax plus 1.5% for adult social care precept) in 2021/22 would be to:

- i) set the aggregate Council Tax increase at somewhere between 0% and 4.99% - each additional or lesser 0.1% equates to + / - £320k. Any unused element of the 3% social care precept would then be available to be applied in the Budget for 2022/23;
- ii) increase the aggregate Council Tax increase at more than the 4.99% 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 2021/22

4.3.6 In accordance with the proposed MTFs and 2021/22 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 2021/22	
Council Tax Requirement	£ 332,531,133
District Council Tax Base (equivalent number of Band D properties)	235,662.19
Basic Amount of Council Tax per Band D property	£ 1,411.05
Increase over 2020/21 (£ 1,363.47)	
£ increase	£ 47.58
% increase	3.49%
Of which:	
Adult Social Care Precept (1.50%)	£ 20.45
Council Tax Precept	£ 27.13

From the total council tax requirement in 2021/22, £33.1m relates to the Adult Social Care Precept and £299.5m relates to the basic amount of council tax.

4.4 KEY SPENDING ASSUMPTIONS

Inflation

- 4.4.1 Inflation has been applied consistently across most budget heads and a general rate of 0.3% has been used based on the increase in the Consumer Prices Index (CPI) in the year to December 2020. This national index does not necessarily reflect the local price pressures faced by local government but it is regarded as a reasonable general indicator.
- 4.4.2 Inflation provision has been reviewed and applied according to need on other more specific budget heads. This includes Highways (1.68%), Electricity (8%), Insurances (10%) and Children and Adult Social Care (0.3% - 3.5%).

Fees and Charges

- 4.4.3 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

- 4.4.4 Pay award assumptions are included within the MTFs at 2.4% for 2021-22 and 2.0% for subsequent years. Consideration has been made to the public sector pay freeze announced as part of the latest Spending Review as this is likely to have some bearing on the National Joint Councils negotiations. It is worth noting the assumption of 2.4% for 21-22 is an average for the workforce and is driven by the assumption that those on a lower wage will see a higher increase.
- 4.4.5 The government have also confirmed the National Living Wage (NLW) will rise from £8.72 to £8.91 per hour from 1st April 2021, 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 and would need to increase by 13.5% over 4 years to remain compliant with this NLW target, which is likely to be above the annual pay award levels.

4.4.6 The NLW will also put further pressure in certain markets such as the care sector and is therefore likely to materialise in additional prices within the Council's supply chain.

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”. Whilst the savings challenge is more intense over the next two years, the progress made to date puts the County Council in a strong position and therefore this level of balance is considered appropriate at this time. This will of course be kept under review but, at this stage, it is proposed that this policy remains unchanged.

Operational (Directorate) Reserves

4.5.6 Taking into account planned movements in 2020/21; the estimated total of Operational (Directorate) Reserves is £72m by March 2021. 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 £26.7m at 31 March 2021. The largest projects within this Reserve are £18.5m for Superfast Broadband, £3.1m for Brexit, £2.1m for Kex Gill and £1.9m for South Cliff Scarborough / Whitby Piers. All are committed.

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 2021 is estimated at £44.9m. This reserve is essential in supporting the Budget strategy but it provides a relatively short-term solution - with an estimated shortfall of £43.2m over the life of this MTFs the reserve would be almost fully depleted leaving an estimated balance of £1.5m by the end of 2023/24.

	21/22 £k	22/23 £k	23/24 £k	Total £k
Net Revenue Budget	400,247	408,558	418,815	
Budget Shortfall (Savings Requirement)	-3,119	-18,531	3,186	-18,464
Cumulative Use of reserves for Budget Shortfall	-3,119	-21,650	-18,464	-43,233

Local Taxation Equalisation

4.5.11 As core grant funding reduces over time so the importance of Council Tax and Business Rates will grow. 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 2021. 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 - £8m for this MTFS.

Total Level of Uncommitted Reserves

4.5.13 It is worth reflecting that the projected level of uncommitted Reserves at 31 March 2021 (circa £73m 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 £73m 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 2023/24

4.6.1 The MTFS included in this report includes up to 2023/24 in full. It should be noted, however, that only 2021/22 is based upon government funding and related policy announcements. The financial years 2022/23 and beyond therefore need to be regarded as best estimates at this stage.

4.6.2 It is hoped that the Covid virus will have been eradicated during 2021/22 but it is clear that the legacy will continue to be felt for the remainder of the MTFS period and possibly beyond. At this stage we are, however, unclear on the precise nature and the scale of the impact.

4.6.3 GDP has fallen by the greatest amount in 300 years and we are unclear on the pace of any economic recovery and the impact of Brexit. Given record levels of government spending and borrowing in response to the pandemic, coupled with significant reductions in tax revenue, some form of further austerity feels likely at some point. A further Spending Review is required during 2021 and it remains to be seen whether that will go beyond a single year again. The future direction on the following areas also remain unclear at this stage and will need a position from government at some point post Covid:

- Fairer Funding and review of the funding of local government;

- Business Rates – both the tax itself and its use to fund local government services;
- Sustainability of Adult Social Care – a review of the future of the care system and its associated funding has been delayed a number of times but the government has confirmed its commitment to such a review;
- SEND – the shortfall in DSG to fund the level of demand and the DfE’s policy of ringfencing overspends;
- Capital – a shortfall on capital funding particularly for schools and a lack of availability of special schools provision given rising demand.

4.6.4 Local government reorganisation (LGR) is also in progress and a government decision on the future structure of local government in North Yorkshire is expected in the summer of 2021. Savings opportunities arising from unitary government in North Yorkshire are estimated at between £31.9m – £68.5m per annum based upon the County Council’s proposal and at c£33m - £ 56m per annum based upon the 6 District Councils’ proposal. The magnitude of these savings is beyond comparison with other options open to the County Council and these savings also preclude cuts in frontline services and outcomes. It is not yet possible to build in such estimates to the Budget / MTFS but, in the event of LGR taking place, more work will be undertaken and can be factored into the future Budget / MTFS. Should LGR not happen then it will be necessary to look at urgent means of increasing net income (e.g. taking up the extra 1.5% of the Adult Social Care Precept as described in **para 4.3.2**) and/or reducing expenditure.

4.6.5 This year’s 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 LGR and the next government Spending Review 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 £43.2m 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 £18.5m to be addressed.

4.7 SAVINGS

Existing Savings Programme

4.7.1 The 2020 North Yorkshire Programme has now been in place for eight years and its next iteration is set out below in **para 4.7.3** onwards. 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 2021/22 to 2023/24 and is underpinned by a set of principles to ensure that there is coherency.

Directorate Savings	21/22 £m	22/23 £m	23/24 £m	24/25 £m	Ongoing £m
CYPS	1.5	0.8	0.8	0.0	3.2
BES	0.6	1.1	0.2	0.0	1.9
CS	2.0	0.4	0.6	0.2	3.2
HAS	0.4	1.9	0.4	0.0	2.6
Shortfall	3.1	18.5	-3.2	0.0	18.5
Total	7.5	22.7	-1.1	0.2	29.4

4.7.2 As is inevitable in any change programme, but particularly during such a volatile period as we have encountered during the whole of 2020/21, 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. In addition it should be noted that some savings due to have been delivered in 2020/21 have been delayed due to Covid and will therefore need further action in future years; in the meantime this has contributed towards some of the overspends in revenue budgets in 2020/21.

Filling the Residual Savings Gap – The Beyond 2020 Programme

4.7.3 As set out in last year’s Budget / MTFS report, the Beyond 2020 Programme is the Council’s response to the on-going need for savings and to meet the changing circumstances it faces.

4.7.4 Delivery of the Programme can be broadly split into 3 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”).

4.7.5 Given the Covid pandemic struck in March 2020 elements of the Programme have only made minimal progress. The majority of Council resource has been directed to Covid related priorities and the bandwidth within the organisation has been such that much of the Beyond 2020 Programme has been put on hold. The thrust of the Programme remains valid but it will need to be reviewed in a post-Covid environment and with due regard to the outcome of local government reorganisation.

4.7.6 One area that has been able to progress relates to Service Planning 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 range 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 Covid.

- 4.7.7 In last year's MTFs a provisional savings target was set at £5m for the Beyond 2020 Programme (£1m in 2021/22; a further £2m in 2022/23; and a further £2m in 2023/24). This has now been removed from the Budget / MTFs on the basis that further work will need to be carried out before any provision can be set with an acceptable level of confidence.
- 4.7.8 As soon as possible and practicable the Beyond 2020 Programme will be re-energised and the scale of savings opportunities identified will be fed into any subsequent MTFs. This work may need to be accelerated later in 2021 given the lack of certainty on funding and cost pressures. Any firm savings proposals are likely to take time to implement so other proposals will also need to be considered in extremis. This could include reductions in service that remain consistent with statutory responsibilities. It is hoped that such savings will not be required but it is not possible to rule them out. Any policy changes will need full Council approval where the financial dilemma will clearly also need to be explicitly set out.
- 4.7.9 The Budget and the MTFs will both need to be monitored and reviewed as better information becomes available. 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;
 - 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;
 - iv) Revisions to the MTFs on an on-going basis as part of strategic financial planning; and
 - v) The possibility of an Intermediate Budget Report later in 2021 should it be required.

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. A number of further areas of investment are proposed:
- 4.8.2 **Locality Budgets** – provision was previously made for the life of the current County Council so that the future of Locality Budgets could then be taken by the new Council following elections in May 2021. Given LGR considerations the elections may be delayed and there may be a new council(s) across North Yorkshire by April 2023. **It is therefore proposed that provision for Locality Budgets is made of £10k per Member per annum for the two years of 2021/22 and 2022/23** and for the scheme to operate in line with arrangements during 2020/21. This investment will cost £720k in 2021/22 and a further £720k in 2022/23. No provision is made in

2023/24 at this stage on the basis that new structures may be in place and the scheme can be considered in any structural changes.

4.8.3 **Carbon / Environmental Initiatives** – in 2019 the Council set its aspiration to reach carbon neutrality by 2030. In order to assist in determining plans for that aspiration it is proposed that a one-off sum of £1m be provided to pump-prime such plans. It is recognised that this sum alone will be insufficient to fund delivery of all actions but it can be used to progress plans to detailed business cases which will assess the carbon reduction impacts and the costs (including tonnes of carbon saved per £ invested). **It is further proposed that a scheme for accessing the provision is delegated to the Chief Executive in consultation with the Lead Executive Member for Carbon Reduction and the Executive Member for Finance.**

4.8.4 The limited visibility and certainty of the County Council's financial position means that any further investments should be very carefully considered as they will erode Reserves and therefore reduce the ability to respond to further financial shocks. Further investments may therefore be considered but may have to await further clarity on the future financial prognosis for the Council – that is most likely to arrive with a multi-year Spending Review.

5.0 REVENUE BUDGET POSITION IN 2021/22

5.1 A summary of the 2021/22 proposed revenue budget is set out below with further detail (including initial forecast MTFs assumptions through to 2023/24 in **Appendix G**).

REVENUE BUDGET AT DIRECTORATE LEVEL			
	2020/21		2021/22
BUDGET REQUIREMENT	Budget/ MTFS £ '000	Changes	Budget/ MTFS £ '000
Directorate Net Budgets			
Business and Environmental Services	73,051	1,238	74,289
Children and Young People Services	84,601	-1,520	83,082
Health and Adult Services	167,789	13,003	180,792
Central Services	66,265	3,525	69,791
Corporate Miscellaneous	1,703	-6,292	-4,588
Net Expenditure	393,410	9,955	403,365
Budget Shortfall	-3,921	803	-3,119
Net Budget Requirement	389,489	10,758	400,247
External Corp Funding			
Business rates			
From Districts	-19,323		-19,673
Top up from DCLG	-48,441		-48,043
External Corp Funding Total	-67,764		-67,716
Council Tax Requirement	321,725		332,531
Tax Base	235,961		235,662
Band D Council Tax	£ 1,363.47		£ 1,411.05
Year-on-Year Increase			
£	£ 52.31		£ 47.58
%	3.99%		3.49%

5.2 The table below pulls together various strands including:

- i) Increased spending requirements;
- ii) Savings and cost reductions;
- iii) Adjustments to funding;
- iv) Core Funding available.

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 2020/21		389,489
Add back net budget funded from reserve		3,922
Add Investments in 2021/22		1,370
Add Inflation in 2021/22		10,751
Add Increased Spend in 2021/22		15,197
Council Tax Collection Fund Surplus/Deficit to reserve		6,159
Savings and Cost Reductions		
2020 Budget Savings As Approved in February 2020 MTFS	-8,159	
Subsequent changes to the above	5,524	
New Savings Proposals	-1,791	-4,426
Adjustments to funding in 2021/22*		-19,096
Total Forecast Spend in 2021/22		403,366
Core Funding Available		
Council Tax at 3.49%	332,531	
Business Rates from District Councils	19,673	
Business Rates Top-up From DCLG	48,043	400,247
Total Core Funding Available (= Budget Requirement)		400,247
Funding Shortfall proposed to be met from Reserves		3,119
One-off Investments	1,370	
Underlying Shortfall to be met from Reserve	1,749	3,119

5.4 The 2021/22 Revenue Budget is balanced with a contribution to reserves of £3.1m. It should be noted that this is after application of the £5.1m HAS market shaping budget.

5.5 An analysis of the 2021/22 Revenue Budget at Directorate level is attached at **Appendix C**.

6.0 CONSULTATION

General Public

6.1 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.

6.2 The consultation ran between 30 November 2020 and 11 January 2021 using an online survey, which was publicised via social media, the council website, press releases, North Yorkshire Now and the Johnson Press pages.

6.3 At the time of writing the Council had received 383 responses to the consultation, which was well down on the previous year when 1,507 responses had been received on a budget survey. This is perhaps unsurprising given the climate within which the consultation was carried out.

6.4 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 these council plan ambitions: -

- Innovative and forward thinking Council
- North Yorkshire is a place with a strong economy and a commitment to sustainable growth
- Every Child and Every child and young person has the best possible start in life
- Every adult has a longer, healthier and independent life
- Leading for North Yorkshire

There was strong support for each of these areas and greater detail is set out in **Appendix H**.

6.5 Respondents were asked to prioritise up to three council services for council spending. The top priorities amongst respondents were adult social care (43%), highways maintenance (33%) and economic development (29%).

6.6 Respondents were asked if they supported the plan to increase council tax by 1.99% in 2021/22 and 69% of respondents agreed; 24% disagreed; and 3% were undecided. They were then asked what they would support in terms of additional council tax increases through the adult social care precept and the key findings were as follows:

- 32% support a 3% increase;
- 14% support a 2% increase;
- 25% support a 1% increase;
- 21% disagreed with any increase; and
- 4% were undecided.

6.7 From the above, 75% supported some element of increase in council tax for social care. It is interesting to note that this is higher than support for a general council tax increase and this is because some respondents disagreed with the proposed general increase of 1.99% but were supportive of some use of the social care precept (mostly at 1%).

6.8 Further analysis and detail of some of the comments from the survey are attached as **Appendix H**.

Members Involvement

6.9 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:-

10 February 2021	Briefing on 2021/22 Budget & MTFS Report
6 January 2021	Update on Budget / MTFS including Provisional Local Government Finance Settlement followed by sessions to discuss directorate financial issues
Jan 2021	Updates at Area Constituency Committees with discussion on possible local financial impacts
16 Dec 2020	Update on Budget/ MTFS including Spending Review 2021
10 Nov 2020	Update On LGR Proposal including financial implications

Overview and Scrutiny and the Budget / MTFS

- 6.10 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.
- 6.11 At the start of the first national lockdown on 23 March 2020, all formal public meetings of the Council's committees were suspended. Government regulations then came into effect on 4 April 2020 enabling remote meetings to take place and to make formal decisions at those meetings. Over the period May to August 2020, a number of the Council's formal, public committee meetings were held as live broadcast meetings but not all. Live broadcast meetings of the Council's overview and scrutiny committees recommenced in September 2020.
- 6.12 During the 5 months that the Council's overview and scrutiny committees did not formally meet in public, informal meetings and briefings were held with either the full committee or with the Chairman, Vice Chairman and Group Spokespersons. This enabled an ongoing dialogue about the Council's response to the pandemic and also for non-pandemic related issues on policy and service development to be addressed.
- 6.13 Formal scrutiny of the budgets for Children and Young People's Services and Health and Adult Services was undertaken throughout 2020 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

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

- The Council's approach to budget setting, key pressures, and options for the forthcoming year
- Partnership Arrangements and Traded Services, including the work of the Brierley Group
- The Council's Investment Strategy and investments made.

Care and Independence Overview and Scrutiny Committee

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

- Care settings and outbreak management
- The provision of nursing and residential care and extra care placements in the county and the role of the Council in market intervention to help ensure that supply meets demand
- The state of the care market and the Council's role in shaping it
- Financial pressures and the departmental budget position.

Young Peoples Overview and Scrutiny Committee

6.16 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
- SEND strategy update
- The action being taken by the service in response to the pandemic and the Covid-19 Winter Grant Scheme
- The Coastal Opportunities Area.

Transport, Economy and Environment Overview and Scrutiny Committee

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

- The Local Enterprise Partnership and plans for economic growth and development in the county
- Winter Highways Maintenance Programme
- The County Council's activities on apprenticeships in the context of the government's national reforms to apprenticeships
- Refresh of North Yorkshire County Council's Plan for Economic Growth
- The annual report of the highways improvement contractor and the actions put in place to improve performance and communications
- The committee's task group report on its review of the County Council's 20 mph speed limit policy

- The committee's task group report on reducing single-use plastics in the County Council and amongst local businesses and residents.

Scrutiny of Health Committee

6.18 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 the pandemic, in particular the increased use of remote access to appointments and for assessments
- Proposed changes to the Integrated Care Systems and Partnerships nationally and the development of the local health and social care systems that cover North Yorkshire
- Proposed changes to the Healthy Child Programme and associated budget savings
- Changes to mental health services in the county and the increased use of enhanced community services.

Scrutiny Board

6.19 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.

6.20 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 submission of unitary proposals to government.

6.21 In addition, all of the six Area Constituency Committees reviewed, or are scheduled to review, the Council's annual budget proposals at their January 2021 round of formal, public committee meetings.

6.22 The impact of the Budget / MTFs and associated Beyond 2020 Programme is such that on-going Member dialogue is essential. This is particularly the case in relation to initiatives to secure community support and activity, recognising the role of Member as community leader. Individual Members will therefore be kept informed of local issues and the wider Membership will continue to be communicated with

through existing channels and further Members Seminars will be held on the Programme and / or further budget related developments.

7.0 PAY POLICY STATEMENT 2021/22

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 2020/21 by full County Council.

Exit payments - Approval of exit packages in excess of £95k

- 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.
- 7.4 Legislation has now been implemented to cap exit payments at £95k. Any payment exceeding £95k will in future require not only Full Council approval but need to meet strict and limited criteria and require in addition approval by 2 government ministers. Historically payments above this level have not been made in NYCC.
- 7.5 In addition, changes to the LGPS regulations will have an impact on the majority of employees over 55 who are made redundant as members are no longer entitled to statutory pension strain and discretionary severance pay in excess of pension strain. This is in addition to the £95k headline cap on benefits and, based on the redundancies considered over the period 2013-2016, 86% of these members would be affected by the proposed exit payment reforms. Very few of those 86% would have received benefits (i.e. redundancy and pension strain costs) in excess of £95k. The LGPS regulations are likely to be introduced in summer 2021 and will then be consistent with the legislation outlined in **para 7.4** above.

Amendments to pay policy

- 7.6 There is no expectation that this policy will need amending during the period it covers (April 2021 to end of March 2022). The policy complies with legislation and so will incorporate any further new legal requirements on exit payments, which need implementing during 21/22. 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 apply as and when agreed for relevant staff groups at a national level.

Transparency

- 7.7 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.

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. The Council also takes into account 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 2021/22, 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 J**. 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 2021/22. 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. It is noted that equality impact assessments can change over time to reflect changing circumstances. In addition, the overall equality impact assessment notes that due to the requirement for resources to be redirected to address the demands upon the Council in dealing with the implications of the Covid pandemic, some proposals from the previous year have been re-profiled and full consideration of the impact upon equalities will be undertaken as they are re-introduced. In addition, in responding to the pandemic, the Council have considered the 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. Until national funding streams are clarified, we know that the long term financial position for the Council remains uncertain and difficult. We will have delivered over £200m of savings by the end of 2023/24, which is approximately 40% of the Council's spending power. This will be extremely challenging to achieve, but the Council will remain focused on maintaining a strong financial grip and on delivering further financial savings or income growth.

8.6.2 The Council, along with almost every eligible authority nationally, has taken up the government's offer to raise an additional social care precept in previous years and the recommendation is that this is repeated in 2021/22. 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 unrelenting and the costs of care packages are increasing.

8.6.3 The Council are aware that raising the council tax by 3.49% may have an adverse impact upon household budgets particularly for those of working age with protected characteristics e.g. disability and sex. 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 J**.

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 the Council is 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 and 3.25 per cent are aged over 85. This is higher than the national percentage of 18.39%. Every year the population of older people increases, and with it the demand for the care and support which the council provides.

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 including (a) Changing the way provision for secondary aged pupils who are permanently excluded or at risk of permanent exclusion is commissioned and funded; and (b) 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
- increasing income and introducing new ways of working.

8.6.9 Among the frontline savings are:

- replacing elderly persons' homes with extra care housing
- Post-implementation savings following previous restructuring of some teams working within the children and young people's service
- savings from implementation of the Early Help strategy
- 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 It should also be noted that growth has been incorporated into some budgets along with a Corporate Risk Contingency of £10m as set out in **Section 3.1** of this report. This will help to accommodate unforeseen additional pressures whether as a result of demand or savings that can not be delivered. The Council regularly reviews its savings proposals and re-instates budget provision where appropriate, recognising that there may often be issues that arise and require further review as proposals are being implemented; this can be seen in **Appendix B2**. Savings proposals are therefore part of a wider financial strategy to meet the Council's objectives.

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

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. During 2020/21, the Stronger Communities programme was primarily focussed on the response to the coronavirus pandemic. Working with 23 Community Support Organisations (CSOs) the programme has been able to provide essential support to over 70,000 residents. 47,000 bags of shopping or hot meals were delivered to residents who were self-isolating and around 41,000 welfare and befriending calls have been made. Volunteers have given over 80,000 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. £135k has been awarded to 211 organisations across the county.
- 8.7.3 Also, as part of the wider prevention service, 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. Team members provide help with practical and emotional issues. Since the service was put in place in October 2015 there have been over 12,000 referrals. The majority of people supported are now under 65 (57%), with a third over 75 (32%) and living alone (50%). 94% of people receiving Living Well support said it was successful, with almost three quarters showing a meaningful improvement in their well-being.
- 8.7.4 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.
- 8.7.5 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.
- 8.7.6 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.

8.7.7 The North Yorkshire Local Assistance Fund has been established to give one-off, practical support for vulnerable people and families under exceptional pressure. Awards are goods in kind, not cash, and do not have to be repaid. A dedicated team within Health and Adult Services also support people to ensure that they maximise their incomes. On 10 June 2020, the Government announced a one-off emergency fund to be distributed to local authorities in England to help those struggling to afford food and other essentials due to Covid-19. The Council are using part of its allocation to temporarily increase award entitlement for emergency provision from the Local Assistance Fund. Eligible applicants are now able to apply for up to three awards of emergency food and/or utility vouchers.

8.7.8 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.

8.7.9 The Council has 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, delayed by the impact of the pandemic but expected in 2021, will provide a refreshed evidence base for making North Yorkshire's case to the Government for increased support for our rural communities.

8.8 Protected characteristics

8.8.1 **Appendix J** 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 (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 (15% of total impacts) or neutral (76% 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 2021/22 and therefore are not included in the information provided in **Appendix J**.

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 <https://www.northyorks.gov.uk/equalities-assessment-and-consultation>

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 2021/22 (**Appendix K**) and the subsequent period up to 2023/24 as far as that is possible, including:

- the realism of the Revenue Budget 2021/22 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
 - the financing costs arising from the Capital Plan. The existing policy decision to establish a cap (proposed to continue in 2021/22 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

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

9.5 Estimates used in the Budget for 2021/22 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. This change is likely to increase the further into the future the estimates relate to. 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. Should the financial position deteriorate significantly, as identified in the quarterly monitoring regime, then a further in-year Intermediate Budget may be required for full Council consideration.

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. 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 2022 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 2021/22 Budget and for the early stages of the MTFS beyond. However, this position will need to be reviewed constantly throughout 2021/22 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

Section 25 opinion of the Corporate Director, Strategic Resources

- 9.12 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 2021/22 are as realistic and robust as possible given the 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 proposed revised policy noting that **there is little visibility beyond 2021/22 and the estimated shortfall over the MTFS would deplete the level of available reserves. An on-going approach is therefore required to develop further savings options to address the estimated residual savings gap. It is noted that should local government reorganisation proceed then that is likely to determine the bulk of any savings plans but, should LGR not proceed, then plans will need to be swiftly made and this may even necessitate a further Intermediate Budget later in 2021 for the County Council to consider.**

- 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 2021/22 and beyond need to be seen in the context of likely increased demand for services; rising costs; 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 L** (although it should be noted that since the approval of the Corporate Risk Register a trade deal was secured with the EU). 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 K** 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) *Price pressures* – the financial strains in large parts of the County Council's supply chain (especially adult social care and transport) lead to increased prices. The impact of the UK's trade deal with the EU may also lead to some other price pressures.
 - ii) *Inability to identify further savings* – the residual and recurring budget gap will need to be filled at some point. Local government restructuring may well present much of the opportunity but this is not known at this stage. It will be necessary to re-visit this area and the Beyond 2020 Programme again to ascertain what further savings opportunities can be progressed.
 - iii) *A further round of austerity reducing funding levels* - whilst the Council now receive zero Revenue Support Grant, the government could still reduce ring-fenced grants or business rates levels as part of a post-pandemic Spending Review.
 - iv) *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).
 - v) *Demand for services especially as a consequence of Covid* – 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.
 - vi) *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.
 - vii) *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.
 - viii) Others including –

- *Schools / DSG* – increasing levels of deficit budgets
- *Unfunded additional responsibilities* – particularly in light of Covid
- *Reduced delivery of savings programme* – Covid recovery impacts upon ability to deliver the savings set out in this Budget / MTFS

10.4 The on-going monitoring of the above and other risks will be essential throughout 2021/22 as there is less headroom to work with.

10.5 It is also worth noting that CIPFA have introduced a Financial Management Code which provides a framework for financial management within councils. The Code has already been considered by the Audit Committee and **Appendix M** sets out the analysis of the Code's requirements and what actions are required to be in place to meet them. It can be seen that the self-assessment indicates a number of areas of further refinement but no areas of significant concern.

11.0 ENVIRONMENTAL IMPLICATIONS

11.1 The County Council has set its ambition to achieve carbon neutrality by 2030. Work has taken place to establish the Council's base carbon position and to identify opportunities to reduce the carbon impact. This work will continue but it is recognised that further resources will be required if this ambition is to be achieved. A fund of £1m has therefore been proposed in this Budget report (**para 4.8.3**) in order to pump prime this area. This will not necessarily implement initiatives but provide the necessary initial investment to determine the merits of the proposal and the required funding for implementation.

11.2 It is important that there is a good discipline in assessing proposals to access the £1m pump priming fund and that proposals that are progressed demonstrate a good return on the investment (i.e. highest carbon reduction per £). The business case approach which is already well embedded in the Council as part of the Beyond 2020 Change Programme will be used to ensure this approach. It is proposed that the Executive Member for Climate Change and the Executive Member for Finance are consulted by the Chief Executive and the Corporate Director, Strategic Resources as part of the final approvals approach.

11.3 It should be recognised that the value required to fund any approved initiatives is, as yet, unknown. Given the challenging financial position it is also not yet clear that the Council will be able to fund all carbon reduction initiatives so further clarity will be required on the longer term financial position for the Council. The MTFS currently only extends to 2024 whilst the ambition for carbon neutrality is some six years later at 2030. The pump priming therefore provides the opportunity to make essential preparation whilst greater clarity hopefully emerges for the longer term financial position.

11.4 The Council has already made significant carbon savings as it has funded LED streetlights; rationalised buildings and undertaken some works to improve the energy efficiency of properties that will remain. The Budget / MTFS report includes

proposals that take this approach further and build upon the more positive working practices experienced during Covid. Staff and Members mileage has dropped sharply but engagement has by and large remained strong; public transport had reduced similarly; and venue hire has dropped too. These areas are included in the suite of savings proposals and there will be further work as part of the Council's 'Modern Council' approach to see how much further this can go. This will include consideration of further reducing the Council's buildings footprint. In such cases there is clear alignment of the savings and the push to 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 The Council faces major uncertainties as a direct result of Covid; limited visibility of the government's spending plans; and the potential reorganisation of local government in North Yorkshire. Given these uncertainties, it is critical that the Council maintains as much flexibility as possible in order to protect vital services whilst being able to respond to further potential shocks.

13.2 The Budget set out in this report relies upon £3.1m of Reserves in 2021/22 in order to address the immediate financial challenges (after deploying £5.1m of Adult Social Care market shaping funds that were established to make positive interventions in the care market). As the year progresses it will be necessary to re-assess the financial projections set-out in this Budget / MTFS particularly in the light of government announcements on reorganisation and Spending Review.

13.3 The MTFS illustrates that there will be a further significant call on Reserves unless alternative plans are brought forward and there is a recurring shortfall of £18.5m by 2023/24 (after application of the HAS market shaping budget of £5.1m). The MTFS therefore needs to be seen as a projection to aid thinking and activity rather than a target position to aim for. Further plans will need to be formulated that balance the position without undue reliance upon one-off reserves.

13.4 It may be necessary to consider a second Budget at full Council later in 2021 recognising that any necessary corrective actions will take time to progress. Any new savings proposals will need to be fully considered and are likely to require lead-in time before savings can be realised. It is also likely that any new proposals will be harder to deliver and yield less savings than has been the case in the past –

inevitably there are diminishing returns following savings totalling more than £200m since 2011/12 in response to austerity.

- 13.5 The report assumes that council tax is increased by 3.49% in 2021/22. This represents an uplift on the council tax base of 1.99% for general council tax and an additional 1.5% as a further adult social care precept. This then allows the Council to carry forward 1.5% of adult social care precept into the Budget process for 2022/23.

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 9.12**) 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 2021/22 of **£332,531,133.30** 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, in accordance with Section 42B of the Local Government Finance Act 1992 (as amended by Section 75 of The Localism Act 2011) a basic amount (Band D equivalent) of Council Tax of £1,411.05 is approved (**paragraph 4.3.6 and Appendix D**).
- d) That a Net Revenue Budget for 2021/22, after use of reserves, of **£400,247k** (**Section 5.0 and Appendix F**) is approved and that the financial allocations to each Directorate, net of planned savings, be as detailed in **Appendix C**.
- e) 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 £10m in 2021/22 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.
- f) That the Corporate Director – Children and Young People’s Service is 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 3.1.15**).

- g) That a sum of £720k is provided in 2021/22 and a further sum of £720k is provided in 2022/23 for Member Locality Budgets as set out in **paragraph 4.8.2**.
- h) That a one-off sum of £1m is provided in 2021/22 to provide pump priming for Carbon Reduction & Environmental schemes as set out in **paragraph 4.8.3**.
- i) That the Medium Term Financial Strategy for 2021/22 to 2023/24, and its caveats, as laid out in **Section 4.0** and **Appendix G** is approved.
- j) That the Corporate Director – Business & Environmental Services is 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 6)**.
- k) That the Corporate Director – Health and Adult Services is 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 7)**.
- l) That the Corporate Director – Children and Young People’s Services is 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 5)**.
- m) 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 9)**.
- n) That any outcomes requiring changes following **Recommendations j), k), l) and m)** 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.
- o) 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**.
- p) That the attached pay policy statement (**Appendix I**) covering the period 1 April 2021 to 31 March 2022 be approved as set out in **Section 7**.

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 J**) in approving the Budget proposals contained in this report.

RICHARD FLINTON
Chief Executive

GARY FIELDING
Corporate Director, Strategic Resources

County Hall
26 January 2021

26 January 2021

**SCHEDULE OF APPENDICES TO MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO
2023/24 & REVENUE BUDGET FOR 2021/22**

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 2023/24	Pink
H	Budget Consultation	Dark Blue
I	Pay Policy Statement	Orange
J	Equalities Impact Assessment	Mint
K	Risk Assessment	Cream
L	Corporate Risk Register	Lilac
M	Financial Management Code	Mid Green

MTFS Objectives

A **Medium Term Financial Strategy** is not a legal requirement, but given the scale of financial challenges and risks/uncertainties, it is important that shorter-term decisions are seen in the context of a longer-term position and that there is clear line of sight on the financial sustainability of the Council. Given the well-publicised difficulties of a number of county 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.

The 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.

Savings proposals for Business and Environmental Services (BES) directorate

Introduction

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 initiative as laid out in the MTFS.

Outside of service continuity due to COVID-19, an area of particular focus and priority over the MTFS is the development and successful mobilisation of the Highways 'teckal', NY Highways. The company will be introduced at the conclusion of the Ringway contract in June 2021. The vision is to ensure service levels are maintained for customers during the period of transition, then 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

Highways & Transportation

The H&T savings are made up of a number of initiatives:

- Implement an expedited service for CON 29s (local authority searches) allowing customers to pay a premium for a faster service than the current. The increased savings are as a result of a higher charge for the service.
- Optimised salt spread rates for the winter service.
- Improved street lighting asset management having concluded the accelerated LED replacement project.

NY Highways related initiatives:

- A second 'lean' review of the basic maintenance service budget which seeks to improve the efficiency of the service thereby generating savings without impacting on the quality delivered.
- Complete a 'lean' review of the gully cleansing service without changing policy.
- A further reduction of the winter maintenance fleet whilst not changing policy.
- 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.

Integrated Passenger Transport

As demand for concessionary fares continues to reduce there is opportunity to realign the budget and realise an annual saving; in line with this the service has also reduced its internal capacity through efficient way of working.

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	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Highways & Transportation							
BES 1	Highways	Various Highways & Transportation initiatives including efficiency review of gully cleansing and basic maintenance.		550	150		700
BES 2	Highways	Winter maintenance review, including reduction in salt spread rates and reduction in size of gritter fleet without adversely affecting service.	230	75			305
BES 3	Highways	Investment in resource to increase income in chargeable areas including development works and highways license enforcement		350	50		400
Transport, Waste & Countryside Services							
BES 4	Waste Services	Review of waste transfer station provision		100			100
BES 5	Integrated Passenger Transport	Various initiatives including reduction of staff levels and a review of concessionary fares to re-align budget with ticket demand	325				325
Growth, Planning & Trading Standards							
BES 6	Trading Standards	Various small initiatives, including software review, reduction in staff levels and identifying efficiencies in surveillance	15	41			56
			570	1,116	200	0	1,886

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.

Children with special educational needs

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). Despite an increase in funding in 2020-21 and 2021-22, it is likely that ring-fenced funding will be insufficient to meet the anticipated costs and will place further strain on resources including Alternative Provision, funding for Special Schools and other inclusive education support. The increase in EHCPs also significantly impacts on the cost of providing home to school transport.

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.

PRS/AP	£432k
SEND Multi-disciplinary review	£200k
SEND Transport	£255k
Independent Travel Training	£120k
Other Inclusion	£100k

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 post-implementation reviews of Early Help (following the introduction of the Early Help strategy) and Youth Justice. A review of the accommodation pathway for young people presenting as homeless will be progressed within the medium-term plan.

Young People's Accommodation Pathway	£1,000k
Early Help	£176k
Youth Justice	£75k
Placements	£50k
Virtual School	£40k

School Improvement and the role of the Local Authority in Education

Our School Improvement service was reorganised in January 2020 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. Since the start of the pandemic, the service has provided support to all educational settings to support children, families and staff.

Our aim remains to ensure that every child in North Yorkshire has the chance to be educated in a good or outstanding school.

Although no base budget savings target is attached to our traded services, the pandemic has resulted in the Outdoor Learning Service ceasing to provide a residential offer since the start of the first lockdown in March 2020. The outlook in 2021 will see a continuation of this position with income levels significantly depleted. Proposals will be developed to mitigate this financial pressure during 2021-22 alongside a more strategic review of the long-term service offer.

Mainstream Transport	£300k
Strategic Planning	£75k
Adult Learning and Skills Service	£36k

Project No.	Savings Area	Description	2021/22 £000	2022/23 £000	2023/24 £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.	315	180	180	675
CYPS 2	Children and Families	Post-implementation reviews of Youth Justice Service, Early Help and Virtual School. Reduction in expenditure on bespoke placement costs. Review of Young People's Accommodation Pathway	203	550	588	1,341
CYPS 3	High Needs and SEN	Review of Children's Resources Centre delivery. Implementation of funding changes to PRS and Alternative Provision. Post-implementation review of Inclusion service structure and savings in universal and targeted emotional wellbeing provision.	707	25	0	732
CYPS 4	Other school and LA support services	Review of a range of strategic LA functions including school place planning, pension provision, and a contribution for overheads	131	50	80	261
	Additional Projects					
CYPS 5	Early Years	Reduction in LA spend on Early Years (funded by DSG)	141	0	0	141
			1,497	805	848	3,150

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 proposals set out here relate primarily to the social care element of the Council's budget.

The financial impact of COVID on the Directorate is estimated at the time of writing to be around £14m and this will have a knock-on effect into 2021/22. Although the Quarterly Financial Monitoring Reports have shown a reduction in some "business as usual" activities, this is likely to come back to some level of normality during the next financial year and therefore the pressures on the Council will continue. Therefore it is important to continue to make savings where 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. To this end, a new model of social care has been introduced, focusing 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, with 23 schemes (1,200 apartments) already in place, 5 at build stage and a further 6 planned. 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, to help prevent unnecessary admissions to hospital and to support people back to independence following a hospital stay. We are also piloting new approaches to the use of digital technology to keep people well at home and to reduce social isolation. Moreover, we 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.

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. This action plan includes discussions with partners to agree new arrangements with Harrogate District Foundation Trust and York Teaching Foundation Trust to deliver Health Child Programme and sexual health services, respectively.

Proposals – already agreed in 2020

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
- Strength- Based Assessments in Supported Living
- E-rostering solution for provider services
- Review of Support Services

It is important to note that the targets have not reduced, but the timescale to achieve those has been reprofiled and/or extended

Social Care Practice, prevention and reablement

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 2020 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.

Extra Care Housing and Elderly Person's Homes (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. The overall target has stayed as it was but a new timescale is suggested which takes into account the delays caused largely by the impact of COVID.

Charges for the Cost of Services

There are no further changes in this area for next year, other than the already agreed increase in transport charges. However we continue to ensure that the full cost of health care is funded by the NHS and the Council does not pick this up. A target of £500k was agreed last year for further contribution from the Public Health Grant to support corporate costs including preventative services.

Support Services

A Beyond 2020 Project was initiated which will look at how changes in technology and working practices will deliver some financial efficiencies over the next few years. This includes services for financial assessments and advising people on how to ensure they receive the benefits they are entitled to. This project was put on hold during COVID but work has now restarted in a number of areas

Project No.	Savings Area	Description	2021/22	2022/23	2023/24	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.	120	200	0	320
HAS2	Extra care housing and EPHs	This project continues the Directorate's current work on its Extra Care Housing programme of ensuring that people can continue to live in their own homes within their localities whilst replacing its Elderly Person's Home (EPH) estate with Extra Care Housing to improve accommodation choices for people who need support including those with complex needs.	0	988	385	1,373
HAS3	Provider Services	Scope and deliver e-rostering solution for provider services	75	75	0	150
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	25	0	50
HAS5	Health Funding	CHC Funding for people who are eligible	100	0	0	100
HAS6	Public Health funding	Maximising use of Public Health grant, including covering some health-related spend not funded by NHS	0	500	0	500
HAS7	Support Services	Review of services which support delivery of social care	50	100	0	150
	TOTAL		370	1,888	385	2,643

Savings proposals for Central Services directorate

Introduction

Central Services is split into 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

Proposals

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

Corporate Travel

Understandably through lockdown there has been a reduced need to transport staff across the county with additional emphasis placed on remote, virtual working, instead of physical meetings. Naturally, this is not possible for all services where physical presence is still required; additionally, looking into the medium and longer term, as lockdown measures start to relax, there is an expectation that staff will recommence travelling although not at the levels pre-COVID-19. On this basis, the proposal is to take savings from two areas within the Council’s budgets: corporate travel on public transport and staff mileage expenses.

Business Support

On a similar basis to corporate travel, as more work is completed virtually, demand for physical meeting spaces is reduced; coupled with this a decreased need for physical, printed material. Through lockdown, the Council has experienced in-year savings

across these two budget areas. It is expected that beyond lockdown, 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.

Central Services

Appendix B1

Project No.	Savings Area	Description	2021/22 £000	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.	310	150	190	206	856
CS2	Technology & Change Services	Combination of contractual & BEST savings and restructuring of elements of service in light of anticipated reductions in number of separate systems and internal customers.	360				360
CS3	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
CS4	Procurement & Contracts	COVID-19 has reduced confidence levels in ability to achieve procurement & contract management savings in 2021/22 however there is a general expectation to return to year-on-year savings from 2022/23 onwards.		150	250		400
Business Support & HR							
CS5	HR & Business Support	Reductions in levels of service on risk assessed basis and reflecting anticipated reduction in staffing levels over longer term. Updating of systems and ways of working also implemented to help with capacity, including BEST savings. Also includes a reduction in recruitment advertising budget and corporate Training & Learning	275				275
Legal & Democratic Services							
CS6	Legal & Democratic	A range of measures including reviewing the number and reviewing spend areas	20				20
Chief Executives Office							
CS7	Policy & Partnership	Various savings across each service including reduction of staffing levels		90			90
CS8	Strategy & Performance	S&P Strategic Support phase 2 – further consolidation of functions.	24				24
Corporate							
CS9	Corporate Travel	Introduction of new ways of working across all council teams is anticipated to reduce the requirement for travel around the County.	1,000				1,000
			1,989	390	644	206	3,229
CS		New projects in above	1,215				1,215

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	21/22 £ '000	22/23 £ '000	23/24 £ '000	24/25 £ '000	Total
Re-Profiling							
BES	Highways Efficiencies	1	-625	425	200	0	0
BES	Waste Services	1	-100	100	0	0	0
CS	Property Review	1	-546	150	190	206	0
CS	Policy & Partnerships	1	-25	25	0	0	0
CYPS	Review of Children's Resource Centre	1	-25	25	0	0	0
CYPS	Invest to Save ITT	1	-40	-40	80	0	0
CYPS	Young Person's Accommodation Pathway	1	-500	-88	588	0	0
CYPS	Strategic Planning	1	-30	0	30	0	0
CYPS	Pupil Referral Service/ Alternative Provision	2	75	-75	0	0	0
CYPS	SEND Multi-disciplinary review	2	200	-200	0	0	0
HAS	Strength Based Assessments	1	-200	200	0	0	0
HAS	Support Services	1	-50	50	0	0	0
HAS	Provider Services	1	-75	75	0	0	0
HAS	Welfare Benefits	1	-25	25	0	0	0
HAS	Extra Care Housing & EPH's	1	-1,023	638	385	0	0
Changes							
CS/Corp	Treasury Management	1	-1,142	0	0	0	-1,142
CS/Corp	Commercial Investments	1	-100	-100	0	0	-200
CS/Corp	Procurement & Contracts	1	-268	-100	0	0	-368
CS/Corp	Focussed Reviews	1	-1,000	-2,000	-2,000	0	-5,000
CS	Policy & Partnerships	1	-25	0	0	0	-25
CYPS	Pension Enhancements	3	20	20	20	0	60
TOTAL			-5,504	-870	-507	206	-6,675

Notes:

- Impact of COVID pandemic** – All savings identified within the previous MTFs have been reviewed and many have been re-profiled or adjusted as a result of COVID. Many of these projects have been unable to begin as resources continue to be diverted to dealing with the on-going response to the global pandemic. Others such as additional savings within Treasury Management have been removed for now, based on latest economic forecast projections.
- SEND Multi-disciplinary review & Pupil Referral Service/Alternative Provision** – Re-profiled following technical changes to the way in which High Needs funding and savings which relate to this area are recorded.
- Pension Enhancements** – Target has been adjusted based on updated data and projections.

MTFS Savings Proposal Summary

	21/22 £ '000	22/23 £ '000	23/24 £ '000	24/25 £ '000	Total
Directorate					
Business and Environmental Services	570	1,116	200	0	1,886
Central Services					
Service Areas	989	240	394	206	1,829
Procurement & Contract Savings	0	150	250	0	400
Travel Saving	1,000	0	0	0	1,000
Children and Young People's Services	1,497	805	848	0	3,150
Health and Adult Services	370	1,888	385	0	2,643
Total	4,426	4,199	2,077	206	10,908
New Savings proposals included within the above for Feb 2021 Budget/ MTFS report	1,791	461	20	0	2,272

APPENDIX C – REVENUE BUDGET AT DIRECTORATE LEVEL

2021/22 REVENUE BUDGET AT DIRECTORATE LEVEL											
BUDGET REQUIREMENT	2020/21 Original Budget £ '000	Additional spending needs							Savings 2020 £ '000	Funding £ '000	Total 2021/22 Draft budget £ '000
		In-Year Adjs £ '000	2020/21 Current Budget £ '000	Inflation £ '000	Adult Social Care £ '000	Other Recurring £ '000	Funding Adjs £ '000	Other One-off £ '000			
Directorate Net Budgets											
BES	73,051	137	73,188	1,422	-	250	-	-	-570	-	74,289
CYPS	84,601	-1,383	83,218	1,185	-	875	-810	110	-1,497	-	83,082
HAS	167,789	119	167,908	5,677	2,000	5,100	-	478	-370	-	180,792
CS	66,265	61	66,327	1,733	-	1,000	-	1,720	-989	-	69,791
Directorates Subtotal	391,707	-1,066	390,640	10,017	2,000	7,225	-810	2,308	-3,426	-	407,954
Corporate Miscellaneous											
Interest Earned	-2,242	-	-2,242	-	-	-	-	1,664	-	-	-578.40
Capital Financing charges	23,307	-	23,307	-	-	-	-	-	-	-	23,307
Corporate Contingency	7,000	-	7,000	3,000	-	-	-	-	-	-	10,000
Brexit Contingency	3,000	-	3,000	-	-	-	-	-	-	-	3,000
Corporate Redundancy Fund	2,000	-	2,000	-	-	-	-	-2,000	-	-	-
HAS Demographic growth	6,100	-	6,100	-	-	-	-	-	-	-	6,100
2020 North Yorkshire	2,000	-	2,000	-	-	-	-	-	-	-	2,000
Business Rates Grants	-2,896	-	-2,896	-	-	-	-	-	-	-	-2,896
New Homes Bonus	-2,030	-	-2,030	-	-	-	-	527	-	-	-1,503
Rural Services Delivery Grant	-8,284	-	-8,284	-	-	-	-409	-	-	-	-8,693
Community Fund (affordable housing)	400	-	400	-	-	-	-	-	-	-	400
DSG Contribution to Corp Overheads	-1,115	-	-1,115	-	-	-	-	-	-	-	-1,115
Council Tax Surplus to reserve	-	-	-	-	-	-	-	6,159	-	-	6,159
Apprenticeship Levy	800	-	800	-	-	-	-	-	-	-	800
Social Care Support Grant	-4,140	-	-4,140	-	-	-	-	-	-	-	-4,140
Social Care Support Grant - Phase 2	-8,900	-	-8,900	-	-	-	-	-	-	-	-8,900
Social Care Support Grant - 21/22	-	-	-	-	-	-	-1,180	-	-	-	-1,180
Traded Service Contribution to Corp Overheads	-1,495	-	-1,495	-	-	-	-	-	-	-	-1,495
School Improvement Monitoring and Brokering Grant	-950	-	-950	-	-	-	-	-	-	-	-950
PIP	821	-	821	-	-	-	-	-	-	-	821
COVID Funding	-	-	-	-	-	-	-10,860	-	-	-	-10,860
Local Council Tax Support Grant	-	-	-	-	-	-	-4,709	-	-	-	-4,709
Local Council Tax Income Guarantee	-	-	-	-	-	-	-2,735	-	-	-	-2,735
Other (incl funds to be allocated)	-11,672	1,067	-10,605	984	-	-	-	3,200	-1,000	-	-7,421
Sub total	1,703	1,067	2,770	3,984	-	-	-19,366	9,023	-1,000	-	-4,588
Net Expenditure	393,410	0	393,410	14,001	2,000	7,225	-20,176	11,331	-4,426	-	403,365
General Working Balances and/or Additional Savings											
Budget / MTFs shortfalls											
Previous cumulative shortfall	-5,335	-	-	-	-	-	-	-	-	-	-
2020/21 in-year position	1,414	-	-	-	-	-	-	-	-	-	-
Subtotal	-3,922	-	-	-	-	-	-	-	-	803	-3,119
Net Budget Requirement	389,488	0	393,410	14,001	2,000	7,225	-20,176	11,331	-4,426	803	400,247
External Corp Funding											
Business rates											
From Districts	-19,323	-	-	-	-	-	-	-	-	-350	-19,673
Top up from DCLG	-48,441	-	-	-	-	-	-	-	-	398	-48,043
Council tax collection fund	-	-	-	-	-	-	-	-	-	-	-
External Corp Funding Total	-67,764	-	-	-	-	-	-	-	-	48	-67,716
Council Tax Requirement	321,724	0	393,410	14,001	2,000	7,225	-20,176	11,331	-4,426	851	332,531
Tax Base	235,961										235,662
Band D Council Tax	£ 1,363.47										£ 1,411.05
Year-on-Year Increase											
£	£ 52.31										£ 47.58
%	3.99%										3.49%

APPENDIX C – REVENUE BUDGET AT DIRECTORATE LEVEL
REVENUE BUDGET AT DIRECTORATE LEVEL

BUDGET REQUIREMENT	2020/21	Changes	2021/22	Changes	2022/23	Changes	2023/24
	Budget/ MTFS £ '000		Budget/ MTFS £ '000		Budget/ MTFS £ '000		Budget/ MTFS £ '000
Directorate Net Budgets							
Business and Environmental Services	73,051	1,238	74,289	115	74,405	1,078	75,482
Children and Young People Services	84,601	-1,520	83,082	2,966	86,048	2,656	88,704
Health and Adult Services	167,789	13,003	180,792	5,938	186,731	8,134	194,865
Central Services	66,265	3,525	69,791	453	70,244	654	70,898
Corporate Miscellaneous	1,703	-6,292	-4,588	17,370	12,782	-5,450	7,331
Net Expenditure	393,410	9,955	403,365	26,843	430,208	7,071	437,279
Budget Shortfall	-3,921	803	-3,119	-18,531	-21,651	3,186	-18,465
Net Budget Requirement	389,489	10,758	400,247	8,312	408,558	10,257	418,815
External Corp Funding							
Business rates							
From Districts	-19,323		-19,673		-19,673		-19,673
Top up from DCLG	-48,441		-48,043		-48,043		-48,043
Council tax collection fund	-		-		-		-
External Corp Funding Total	-67,764		-67,716		-67,716		-67,716
Council Tax Requirement	321,725		332,531		340,842		351,099
Tax Base	235,961		235,662		236,841		239,209
Band D Council Tax	£ 1,363.47		£ 1,411.05		£ 1,439.12		£ 1,467.75
Year-on-Year Increase							
£	£ 52.31		£ 47.58		£ 28.07		£ 28.63
%	3.99%		3.49%		1.99%		1.99%

CALCULATION OF COUNCIL TAX REQUIREMENT, PRECEPT AND BASIC AMOUNT OF COUNCIL TAX (BAND D EQUIVALENT) 2021/22

- 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.
- Based on the Government's Provisional Funding Settlement figures announced in December 2020, the Council Tax and Precept position is set out below:-

Council Tax Requirement	£k	£k
Net Expenditure Budget		399,444
Contribution to Reserve		-803
Net Budget Requirement		400,247
Funding from Business Rates		
Share (9%) of BR income from District Councils	-19,673	
BR 'Top up' from Government	-48,043	-67,716
Council Tax Requirement		332,531
District Council Tax Base (equivalent number of Band D properties)		235,662.19
Basic Amount of Council Tax per Band D property		1,411.05
Increase over 2020/21 (£1363.47)		
£ increase		47.58
% increase		3.49%
Basic Council Tax Increase (1.99%)		£27.13
Adult Social Care Precept (1.50%)		£20.45
Increase in Basic Council Tax (£k)*		6,023
Increase in Adult Social Care Precept (£k)*		4,784
Total Basic Council Tax (£k)*		299,466
Total Adult Social Care Precept (£k)*		33,065

*This includes an element relating to tax base movement.

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) 2021/22
Craven	22,362.93
Hambleton	37,342.89
Harrogate	63,984.89
Richmondshire	19,704.46
Ryedale	21,801.13
Scarborough	38,401.24
Selby	32,064.65
Total	235,662.19

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

Total Council Tax Requirement		332,531,133
Relevant Tax Base		235,662.19
@ Band D	=	1411.05

6. Using the appropriate ‘weightings’ for other property bands as determined by statute, the Council Tax precept for each property would be as follows¹:-

Band	2020/21 £ p	2021/22 £ p
A	908.97	940.70
B	1,060.47	1,097.48
C	1,211.97	1,254.27
D	1,363.47	1,411.05
E	1,666.47	1,724.62
F	1,969.46	2,038.18
G	2,272.45	2,351.75
H	2,726.94	2,822.10

¹ All figures are rounded to the nearest penny

RESERVES SCHEDULE 2020/21 – 2023/24

	Actuals @ 31-Mar-2020	Est & Plan Movement 2020-21	Est @ 31-Mar-2021	Est & Plan Movement 2021-22	Est @ 31-Mar-2022	Est & Plan Movement 2022-23	Est @ Mar-31-2023	Est & Plan Movement 2023-24	Est @ 31-Mar-2024
*			-		-		-		-
* GWB	(27,640,000.00)	(228,200.00)	(27,868,200.00)		(27,868,200.00)		(27,868,200.00)		(27,868,200.00)
- Operational	(95,218,135.47)	23,133,156.58	(72,084,978.89)	10,561,077.81	(61,523,901.08)	2,481,773.93	(59,042,127.15)	2,036,667.47	(57,005,459.68)
* Business & Environmental Services	(17,607,096.98)	7,886,248.50	(9,720,848.48)	3,922,912.21	(5,797,936.27)	239,470.95	(5,558,465.32)	31,254.93	(5,527,210.39)
* Business & Environmental Services - Misc Grants	(1,729,482.48)	990,788.73	(738,693.75)	500,000.00	(238,693.75)	238,693.75	-	-	-
* Central Services	(11,420,495.36)	4,794,688.67	(6,625,806.69)	2,158,333.00	(4,467,473.69)	1,393,333.00	(3,074,140.69)	1,393,333.00	(1,680,807.69)
* Children & Young Peoples	(8,149,792.30)	(1,111,873.05)	(9,261,665.35)		(9,261,665.35)		(9,261,665.35)		(9,261,665.35)
* Children & Young Peoples - Misc Grants	(9,695,635.58)	8,274,286.06	(1,421,349.52)		(1,421,349.52)		(1,421,349.52)		(1,421,349.52)
* Children & Young Peoples - Schools & DSG	(8,824,837.52)	18,172,051.58	9,347,214.06	1,500,000.00	10,847,214.06		10,847,214.06		10,847,214.06
* Corporate	(16,050,317.70)	(22,213,804.40)	(38,264,122.10)		(38,264,122.10)		(38,264,122.10)		(38,264,122.10)
* Health & Adult Services	(10,565,181.98)	5,112,582.52	(5,452,599.46)	2,479,832.60	(2,972,766.86)	610,276.23	(2,362,490.63)	612,079.54	(1,750,411.09)
* Health & Adult Services - Public Health	(2,524,837.27)	752,300.00	(1,772,537.27)		(1,772,537.27)		(1,772,537.27)		(1,772,537.27)
* North Yorkshire Education Services	(8,650,458.30)	475,887.97	(8,174,570.33)		(8,174,570.33)		(8,174,570.33)		(8,174,570.33)
- Strategic	(84,616,908.57)	6,387,310.81	(78,229,597.76)	4,818,860.00	(73,410,737.76)	21,650,090.00	(51,760,647.76)	18,464,120.00	(33,296,527.76)
= Local Taxation	(9,148,655.57)	1,348,655.57	(7,800,000.00)		(7,800,000.00)		(7,800,000.00)		(7,800,000.00)
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 - Projects	(27,911,256.85)	2,177,440.81	(25,733,816.04)	1,700,000.00	(24,033,816.04)		(24,033,816.04)		(24,033,816.04)
= Strategic Capacity - UNALLOCATED	(47,556,996.15)	2,861,214.43	(44,695,781.72)	3,118,860.00	(41,576,921.72)	21,650,090.00	(19,926,831.72)	18,464,120.00	(1,462,711.72)
MTFS Shortfall	11,615,000.00	3,921,670.00	15,536,670.00	3,118,860.00	18,655,530.00	21,650,090.00	40,305,620.00	18,464,120.00	58,769,740.00
Strategic Capacity	(59,171,996.15)	(1,060,455.57)	(60,232,451.72)		(60,232,451.72)		(60,232,451.72)		(60,232,451.72)
Grand Total	(207,475,044.04)	29,292,267.39	(178,182,776.65)	15,379,937.81	(162,802,838.84)	24,131,863.93	(138,670,974.91)	20,500,787.47	(118,170,187.44)

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 2020 together with forecast movements over 2020/21 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; and funding to repay debt and/or generate cash returns.

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 £8m for 2021/22.
- 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.

NORTH YORKSHIRE COUNTY COUNCIL
MEDIUM TERM FINANCIAL STRATEGY (MTFS)
 2020/21 to 2023/24

EXECUTIVE SUMMARY

	2020/21 £ '000	2021/22 £ '000	2022/23 £ '000	2023/24 £ '000
A Starting Position	382,018	389,489	400,247	408,558
B Inflation				
Pay Awards	4,108	3,751	3,195	3,258
Other Inflationary Costs	13,341	10,000	10,000	10,100
Pay Review	1,000	250	-	-
	18,449	14,001	13,195	13,358
C Increased Spending / Growth Requirements				
BES				
LED Streetlighting	(5,418)	-	-	-
Waste	-	250	-	-
Central				
Appropriation to Reserve - C Tax deficit	(1,249)	5,026	(317)	(4,709)
Locality Budgets	(360)	720	-	(720)
Technology and Change	3,000	-	-	-
Partners in Practice	116	-	-	-
Insurance	-	1,000	-	-
Corporate				
Treasury Management & Capital Financing	-	1,664	(1,036)	(1,188)
Business Rates Adjustment	-	1,133	(567)	(566)
Property	(2,500)	-	-	-
Brexit Contingency	-	-	(1,500)	(1,500)
Corporate Redundancy Fund	2,000	(2,000)	-	-
Elections	-	1,000	(1,000)	-
Commercial	-	1,200	(300)	(400)
Carbon reduction/Environmental Initiatives	-	1,000	(1,000)	-
PPE	-	1,000	-	-
CYPS				
Children and Families	-	(350)	-	-
High Needs	7,000	(1,080)	2,000	2,000
Disabled Children's Services	(200)	-	-	-
Transport	2,610	1,480	500	-
CYPS Capital	1,000	(1,000)	-	-
Partners in Practice	129	515	-	-
School Redundancies	250	-	-	-
Digital EHCPs	-	340	(160)	50
HAS				
Adult Care	2,000	2,000	2,000	2,000
Market Pressures	5,100	5,100	-	-
Delayed Transfers of Care/Winter Pressures	4,000	-	-	-
Impact of Covid on HAS	-	478	(478)	-
	17,478	19,476	(1,858)	(5,033)
D Cost Reduction / Savings Requirements				
BES				
2020 Budget Savings	(1,003)	(570)	(1,116)	(200)
Central				
Central Services Budget Savings	(265)	(989)	(240)	(394)
Procurement & Contract	-	-	(150)	(250)
Treasury Management	(618)	-	-	-
Corporate				
Travel	-	(1,000)	-	-
CYPS				
2020 Budget Savings	(1,225)	(1,497)	(805)	(848)
HAS				
2020 Budget Savings	(1,907)	(370)	(1,888)	(385)
	(5,018)	(4,426)	(4,199)	(2,077)
E Adjustments to Funding				
Corporate				
New Homes Bonus	(287)	527	1,040	463
Rural Services Delivery Grant	(8,284)	(409)	-	-
Social Care Support Grant - Phase 2	(8,900)	-	-	-
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	-
CYPS				
School's Central Services DSG	420	420	360	360
SEN Funding	(5,400)	-	-	-
Extended Rights Transport Grant	-	(150)	-	-
HAS				
Winter Pressures Grant	(2,400)	-	-	-
	(24,851)	(19,096)	19,704	823
F Use of General Working Balances (GWB)				
MTFS Balance/(Shortfall)	1,413.63	803	(18,531)	3,186
	1,414	803	(18,531)	3,186
G Total Net Budget Requirement	389,489	400,247	408,558	418,815
H Funding Sources				
Business Rates Top Up	(48,441)	(48,043)	(48,043)	(48,043)
Business Rates District Councils	(19,323)	(19,673)	(19,673)	(19,673)
	(67,764)	(67,716)	(67,716)	(67,716)
I Balance Required from Council Tax	321,725	332,531	340,842	351,099
J District Council Tax Base (Band D equivalents)	235,960.69	235,662.19	236,840.50	239,208.91
K Basic Amount of Council Tax (Band D)	1,363.47	1,411.05	1,439.12	1,467.75
Annual % Increase (£1,099.98 in 2015/16)		3.49%	1.99%	1.99%

MTFS Balance/Shortfall Workings

1,363.47	1,411.05	1,439.12	1,467.75
321,725.32	332,531.13	340,841.90	351,098.87
320,311.69	331,728.32	359,373.13	347,912.90
1,413.63	802.81	(18,531.23)	3,185.97

Blue highlight as per 'Summary Version Control & Movement' file / 'MTFS 1819 Version Control' Tab

Summary of In-Year Budget Shortfall	(3,921.67)	802.81	(18,531.23)	3,185.97
Cumulative Budget Shortfall		(3,118.86)	(21,650.09)	(18,464.12)

Your services, your say results

1.0 Introduction

We have received 383 responses to the budget survey. This document details the unweighted results the survey.

2.0 Aims

The consultation process aimed to:

- Engage people in setting the strategic direction of the Council, including where it prioritises its finite resources through on going austerity
- Raise awareness of the financial challenge and how the Council is dealing with budget reductions

The desired outcomes of the consultation were:

- A council plan which takes account of residents views
- Residents with a greater understanding of the financial challenges facing the council.
- Officers and councillors with a better understating of residents views on the priorities and council tax rise.
- Clear understanding of the level of support amongst residents of a council tax rise.

2.0 Background and methodology

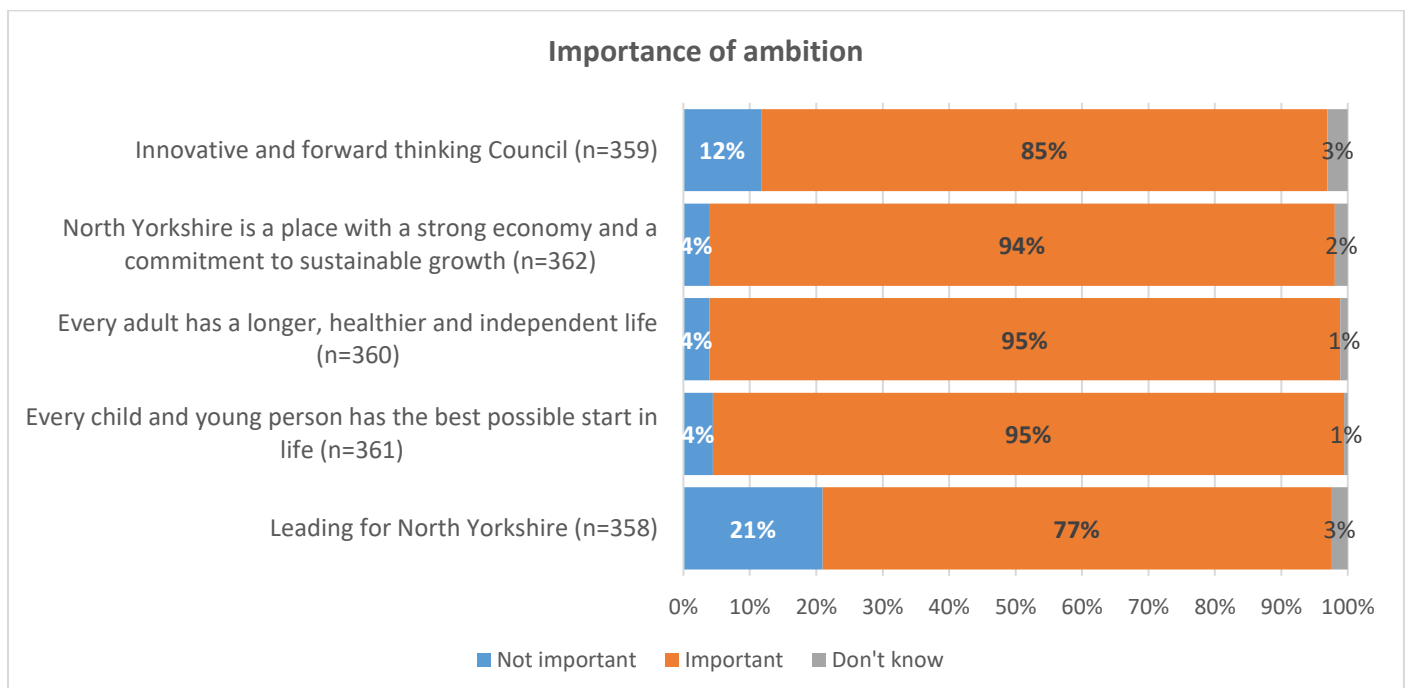
The online survey ran between December 2020 and 11th January 2020 and was publicised via social media, the council website and press releases. Further information on the budget was available on the website.

Members of the Citizens’ panel were contacted and informed of the survey. An easy read survey was developed and circulated to forum members – 16 responses were received.

Summary of main findings

Council plan 2021 to 2025

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.

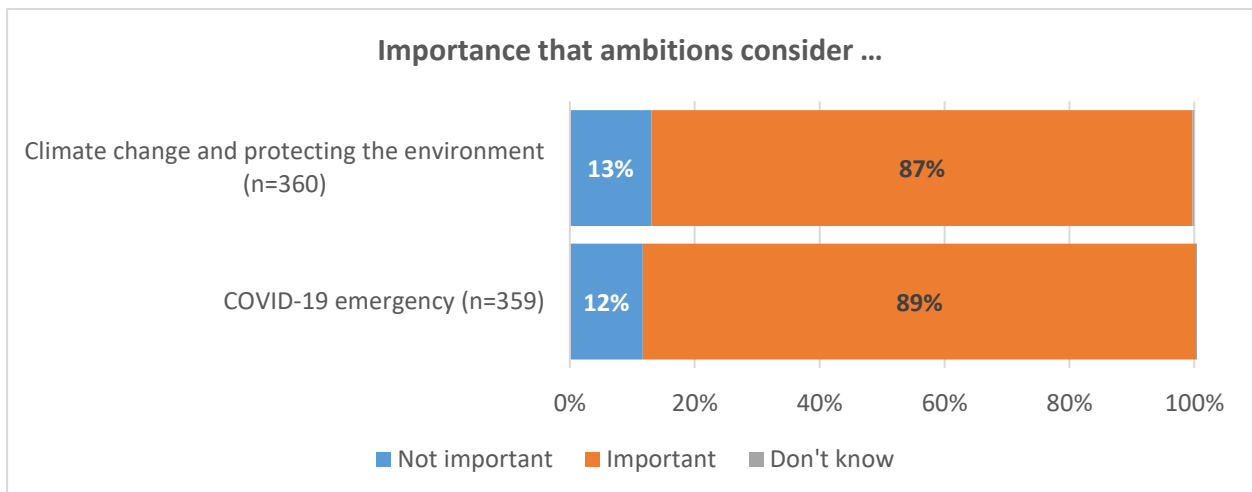


The majority of respondents felt that all of our ambitions are important to some extent:

- 95% felt ‘Every child and young person has the best possible start in life’ was important (77% very important / 18% fairly important).
- 95% felt ‘Every adult has a longer, healthier and independent life’ was important (73% very important / 22% fairly important).
- 94% felt ‘North Yorkshire is a place with a strong economy and a commitment to sustainable growth’ was important (65% very important / 29% fairly important).
- 85% felt ‘Innovative and forward thinking Council’ was important (46% very important / 40% fairly important).
- 77% felt ‘Leading for North Yorkshire’ was important (36% very important / 41% fairly important).

Of those, responding to the Easy Read survey 88% (14) agreed with our plans 13% (2) disagreed.

Respondents were asked to rate the importance of our plans to meet these ambitions in 2021/22 addressing Covid 19 and Tackling climate change and protecting the environment. The majority of respondents felt that both climate change and protecting the environment and Covid 19 should be considered within the council’s ambitions



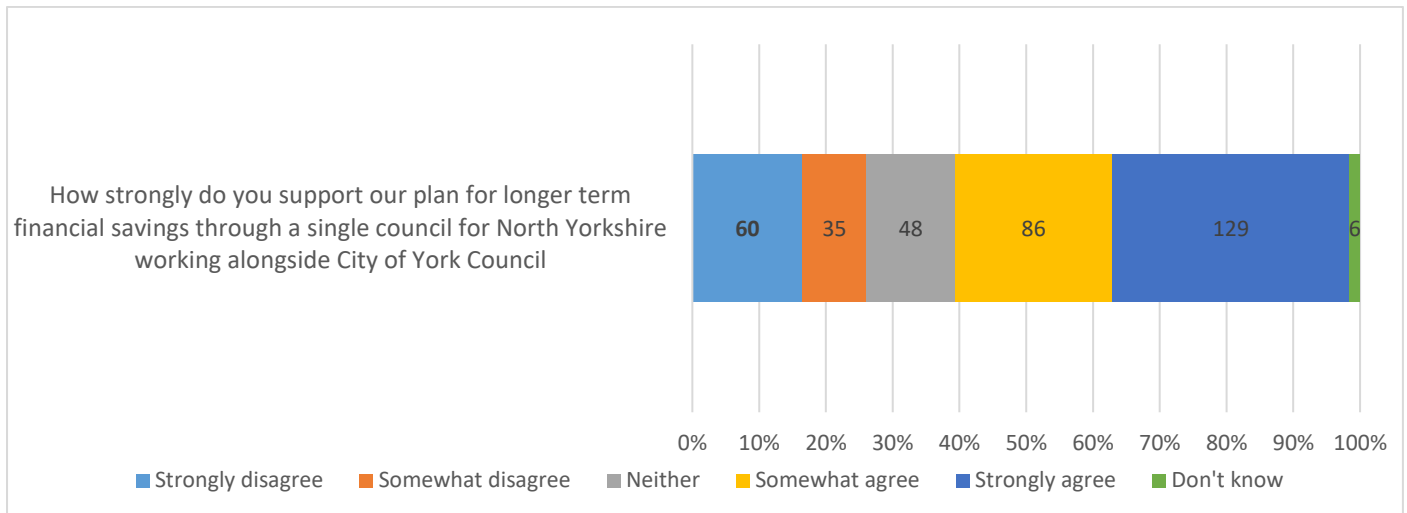
Respondents were asked if there any other issues we should be considering. 114 respondents included a comment. Many of these were specific issues that will be considered in relation to the ambitions.

- 40 related to ‘North Yorkshire is a place with a strong economy and a commitment to sustainable growth’ was important.
- 18 related to ‘Leading for North Yorkshire’ was important.
- 14 related to ‘Every adult has a longer, healthier and independent life’.
- 5 related to ‘Every child and young person has the best possible start in life’
- 4 related to ‘Innovative and forward thinking Council’ was important’.

The most mentioned issues were around transport (14), climate change /environment (12), Covid (8), town planning and housing (7), community (6) and health and wellbeing (6).

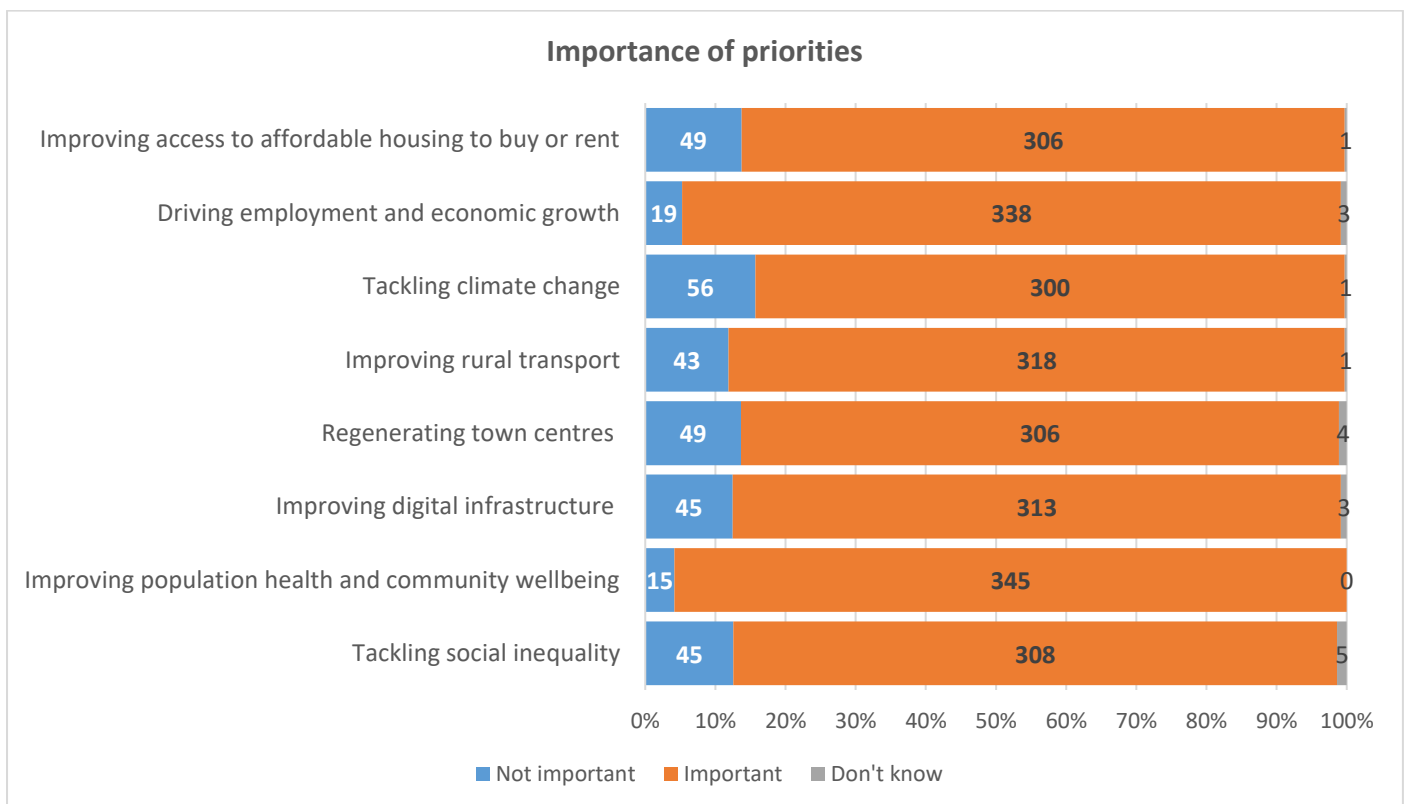
Longer-term plans

Respondents were asked how strongly they support our plan for longer-term financial savings through a single council for North Yorkshire working alongside City of York Council



The majority (59%) agreed with our longer-term plan whilst only a quarter (26%) disagreed.

Respondents were asked to rate the importance of the priorities for the new single North Yorkshire council set out in our proposal.



The priorities were all rated important by 84% or more of the respondents were:

- Improving population health and community wellbeing (96%)
- Driving employment and economic growth (94%)
- Improving rural transport (88%)

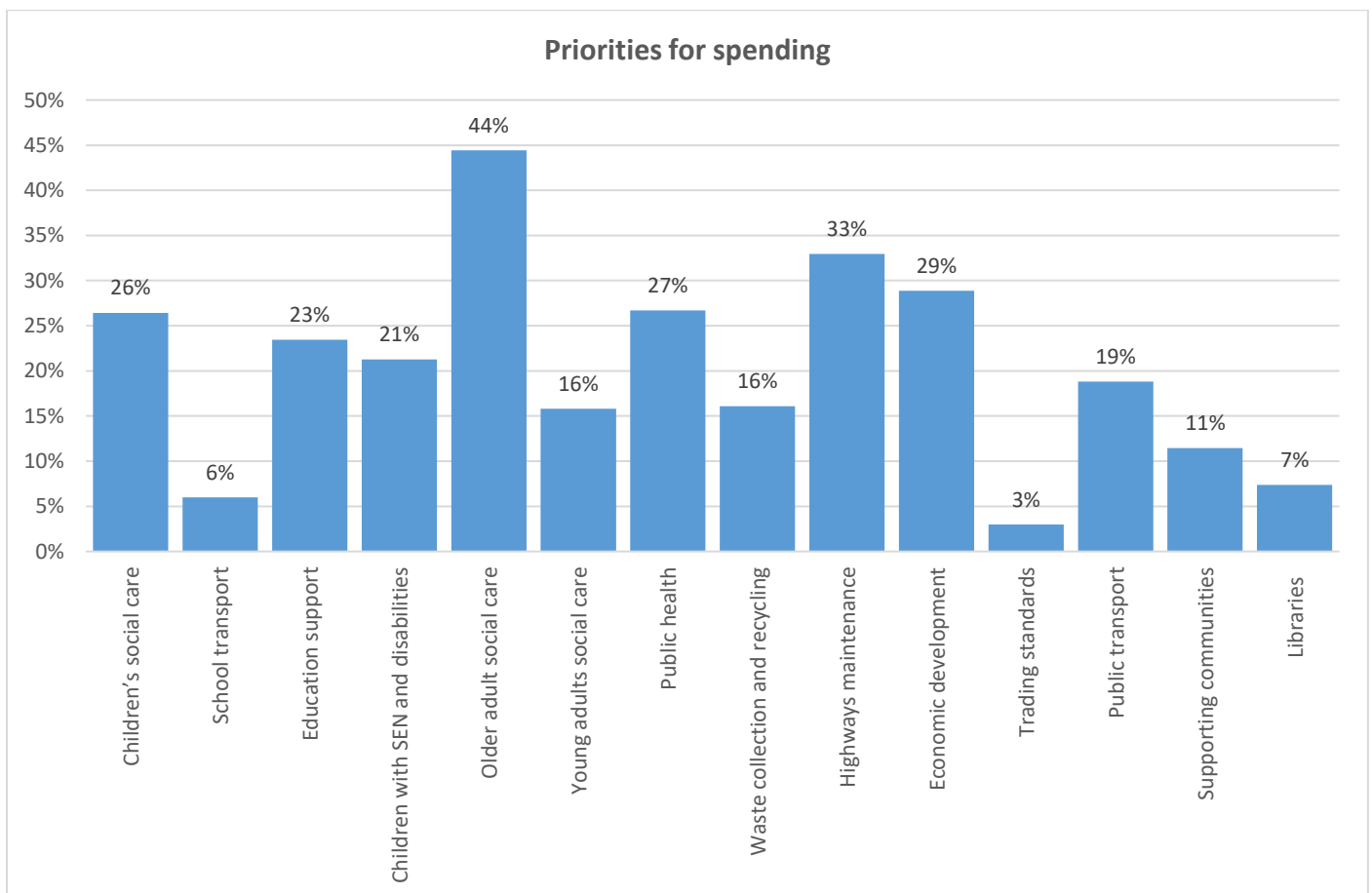
- Improving digital infrastructure (87%)
- Improving access to affordable housing to buy or rent (86%)
- Tackling social inequality (86%)
- Regenerating town centres (85%)
- Tackling climate change (84%)

Respondents were asked for any additional priorities. 64 provided a comment in response, the areas suggested as priorities most often were:

- Local democracy/Local issues/services (12)
- Environment, climate change and flood management (10)
- Housing, infrastructure and planning (10)
- Children & Young People including education (7)
- Transport (6)
- No to single unitary (3)
- Priorities should not be the role of council (3)

Budget

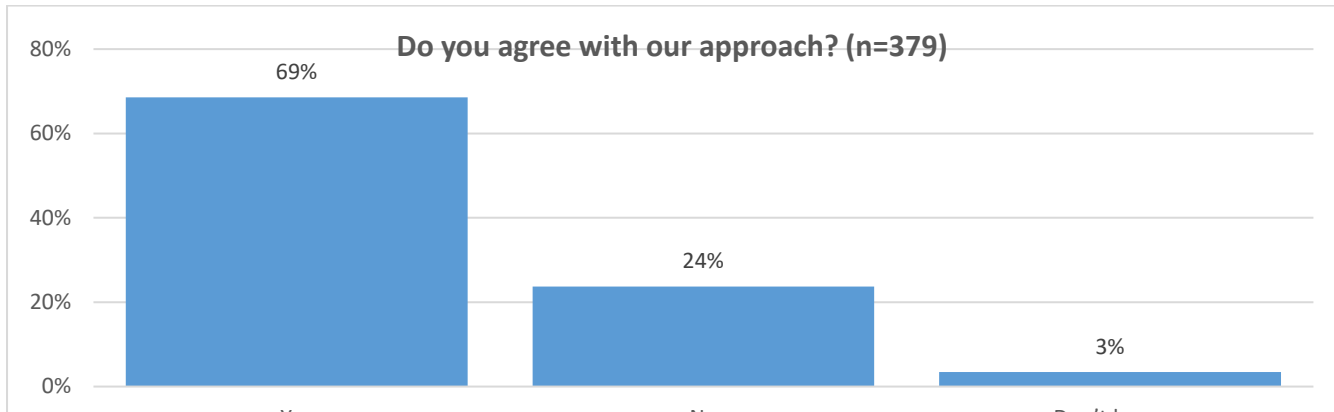
Respondents were asked to looking at the list of services and pick up to three to prioritise spending including covid support and recovery in 2020/21.



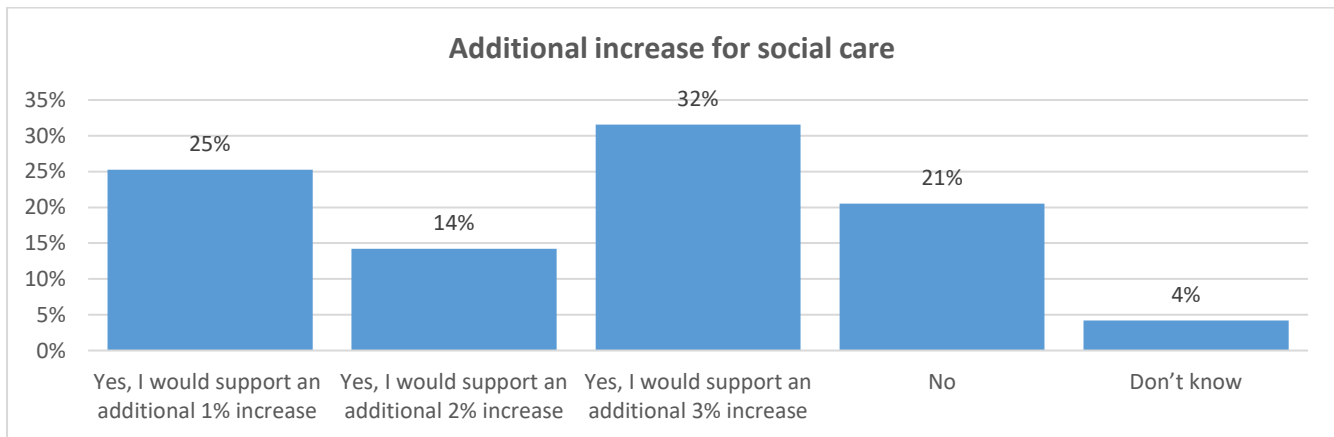
The top priorities amongst respondents were adult social care (44%), highways maintenance (33%) and economic development (29%).

Respondents were asked if they supported the plan to increase council tax by 1.99% in 2021 (equivalent to £27 per year or 52p per week for an average household) to fund covid support and recovery, our priority areas and reduce the need for an additional £6m of further savings.

69% of those answering agreed.



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.



The majority of respondents (75%) support an additional increase for social care. Of these 32% support a 3% increase, 14% support a 2% increase and 25% support a 1% increase.

Respondents who did not agree with a council tax increase were asked to make suggestions on how to fill the funding gap. 50 respondents commented the most common comments made were:

- Reduce staff / councillor costs including pensions (13)
- National solution / lobbying (8)
- Efficiency savings / improved working (8)
- Cut services (5)

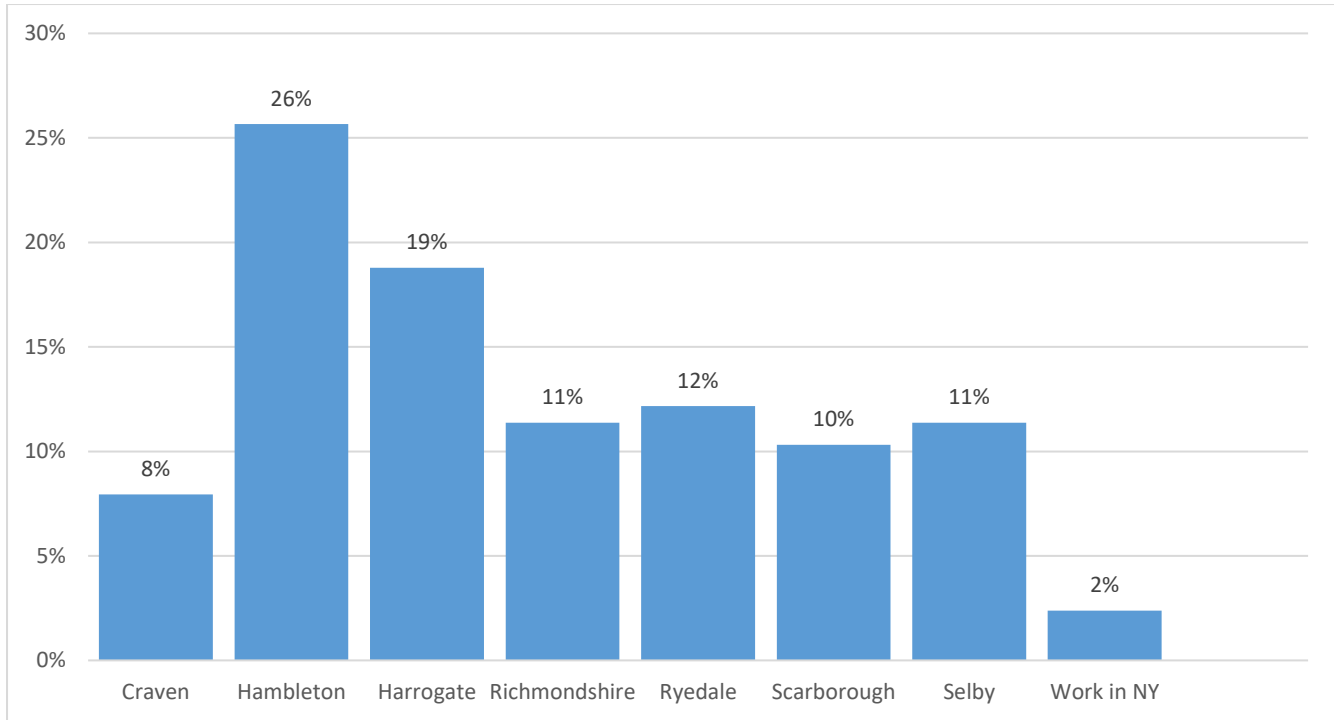
The final question allowed respondents to make any further comments they had. 79 respondents made a comment. The topics that comments most commonly related to were:

- National solution / lobbying (15)
- Affordability (12)
- Support an increase for social care / the most vulnerable / mental health (9)
- Invest in specific areas (7)

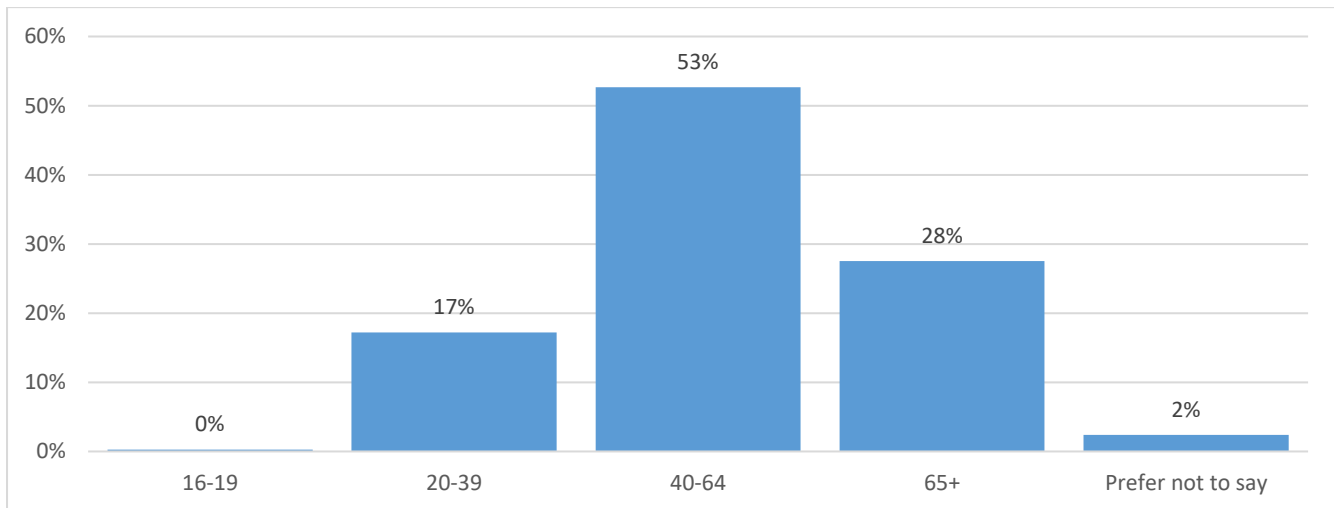
- Reduce staff and councillor costs (5)
- Support an increase (6)

Respondents

Respondents were asked for some demographic information.



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



The majority of respondents were aged 40-64 (53%).

Comments

Q3.3 Are there any other issues we should be considering?

Every child and young person has the best possible start in life

- Appropriate and sustainable support for children and their families (including focus on Early Help and intervention)
- Education
- Education for the future.
- The lack of support for parents with children under 1
- Strategic planning for improvements to all LA schools.

Every adult has a longer, healthier and independent life

- Access to health and wellbeing services such as cycle tracks, parks, walks
- Culture, outdoor spaces, new walking and cycle paths, access to free sports facilities
- Health & Wellbeing of Adults and Children within North Yorkshire.
- Healthy and Social Care - Very Important.
- How to support an ageing population in North Yorkshire
- Improving public health outcomes for the most disadvantaged. Keeping effective local control over planning. Improving investment in education.
- Increasing social care support
- looking after the elderly
- Mental health support for adults and children but particularly for elder residents as there are very few specialist care places in Ryedale or wider NY area
- Prevention is key and will make savings in the long term.
- Properly funding special needs and the vulnerable
- Better training of staff that support and assess adults with learning disabilities. Better support for the families of these adults
- Adult social care - it's a minefield! During the lead up and/or at point of crisis, it's baptism by fire. Simple things like who do I contact? social services? GP? another agency? At a time of physical and emotional strain it is utterly bewildering trying to find the right help, information and support . NYCC could/should take the lead (nobody else appears to) by making it easier for carers to understand what is available, how to access, and how their services dovetail with other agencies. No longer a carer but concerned for others who have to go through this situation
- Long-term public health contingency planning.

North Yorkshire is a place with a strong economy and a commitment to sustainable growth

- Public footpaths, wild flower meadows and open spaces.
- Is there any suggestion of rate relief for the very poorest including those who have lost jobs due to the pandemic? Can the NYCC increase its workforce to both offer jobs to those people, and give more personal help to those needing care or other services?
- Join together solutions, approaches that do both eg new opps for young people & address covid/ economic priorities with carbon reductions. Local procurement etc
- Making places more person-friendly. Encouraging people to stay local as much as possible
- Affordable Housing, Transport and Jobs
- Supporting business and employment opportunities
- Supporting small businesses in the high street, these attractive small businesses are one of the main reasons that people come to North Yorkshire. NYCC also need to provide more support for affordable local housing for our young workers.
- Continuing government lobbying for better funding for North Yorkshire. Invest in your commercial/traded services to drive income generation - dont just look at education for trades

services push put in a truly commercial way, open cafes in high streets, generating income, creating jobs and filling empty shops

- Reduce hazards from flooding and improving bridges
- Inequalities and levelling up for those most disadvantaged.
- Stop wasting money putting in traffic lights than are not needed or wanted.
- Road infrastructure is in a very poor condition, more attention and funding should be directed at road safety and maintenance. No more cycle paths please!...just repair the roads and make them safer for ALL road users (PS I am a regular cyclist, driver and walker). Also there should be much more attention on providing safe and good quality walking routes that allow towns and villages to be connected other than driving / walking on busy roads that dont even have pavements.
- Maintaining current levels of infrastructure
- Internet accessibility
- The destitute
- Careful considerate town planning taking more notice of residents views and of AONBs
- Empty houses in Tadcaster they are an eyesore. These are houses badly needed for families. It is disgusting that this is allowed to continue in 2020. Also empty boarded up shops on the main street. Make Tadcaster look run down. We as residents care.
- Expansion of housing should not go ahead until infrastructure is in place - how can we keep allowing more houses to be built in areas where doctors/dentists/hospitals etc cannot cope with the rise in numbers. We should also limit the expansion of smaller villages, the type of housing these are getting is not what they need. If they keep getting built up the way they are North Yorkshire is in danger of ruining it's tourist attraction completely as tourists will not want to come at all. It's the ruralness that attracts tourists. Also agreeing to large hotel/shop type developements shouldn't be allowed as the buisnesses we already have here have suffered enough with loss of trade due to covid, they need to recover from this economic downfall not have their livelihoods taken from them too from buisnesses we don't want or need. Also understandably the councils are under a lot of strain on their budgets but should be careful & thoughtful how they raise money from residents that are also under similar pressures & loss of their own finances.
- The rapidly increasing population in various parts of North Yorkshire and the improvement and sustainability of the infrastructure.
- The sustainability of growth and impact on current residents and infrastructure.
- Bus services
- Congestion in Harrogate
- Improve public transport so that it can replace families needing to own cars which are expensive to run and increase pollution levels and cause road accidents. Look at some examples in Europe and beyond where less cars are used.
- Local bus services and companion bus pass scheme
- Retail the hourly bus timetable implemented from Northallerton to / from Bedale mid Covid, also extend into the evening to facilitate folks getting to from venues to support the economy as it recovers too??
- Rural transport including bus services and cycle lanes connecting towns and villages
- Spending less money. Repairing (properly, not surface dressing superficial waste of money) the dreadful state of the roads you are responsible for.
- Standard of roads and infrastructure
- Improving visibility on B and C class roads.
- Sustainable transport models with funding moved from roads to bike lanes and buses.
- Tackling congestion by providing active travel alternatives such as a countywide safe cycling network
- Traffic & the never ending roadworks.
- Traffic and parking remain a concern.
- Transport, particularly public transport. It's a key piece of national infrastructure.

- Yes. You should plan to improve our roads and streets for walking and cycling. You should plan a county that is less dependant on travel. We need jobs near to where people live. You should not plan to improve roads for cars and lorries. You should not improve the A59 junction with the A59. You should not build a new road at Kex Gill.
- Enhancing and protecting our local areas - littering, fly-tipping etc should be a focus
- Improve recycling facilities
- Schools Recycling
- Zero waste to landfill
- The state of the roads, particularly the road into ... Nun Monkton. It is absolutely disgusting that the road only gets the bare minimum for filling in pot holes, and it never gets gritted during winter and some days can be like a death trap

Innovative and forward thinking Council

- Incorporating the new way of working as council, focusing on what has worked well during this global pandemic & the elements, we can incorporate going forwards. In turn will highlight how we as a council reduce our carbon footprint & continue develop, monitor, review & put plans into action that will work. This has started to take shape within HAS reflecting on the pandemic. One element is key, ensuring time is allocated for some face to face meeting when time allows, alongside keeping the on-line training, meetings & webinars. Which has impacted on all employees being more proactive with engaging with technology. Giving more confidence to continuing developing how we interact with one another. As human beings we still need to have an element on contact with others to effectively do our jobs.
- Providing value for money
- Reducing costs to tax payers
- Yes, streamline the council, over bureaucratic and over expensive. Slim down and become efficient.

Leading for North Yorkshire

- Negative impact of Brexit
- Easy access to community services - supporting the voluntary sector - ensuring access to libraries & their electronic resources for all North Yorkshire residents - safe towns & good emergency services - proactive & responsive mental health services that are responsive & don't wait until crisis situations arise before offering support services outside of the medical model. Equal access to all posts & careers across all NYCC vacancies
- Protection of social facilities to help avoid isolation in the lonely and housebound
- Social fabric & engaged communities - building on COVID-19 momentum, supporting community social to reduce isolation/loneliness
- support for foodbanks
- Support to the voluntary sector since they deliver so much for little direct cost. This support must be local - the central organisation based in York is irrelevant outside the City. We need support in all the large towns as we used to have.
- Supporting the VCSE sector and local communities
- The need for additional non-statutory advocacy support for all members of the community. The needs of local charitable organisations that face closure due to Covid impacting on funding streams
- Mobile signal in the more rural spots is increasingly important for those now having to work from home. Remote workers could be a boon to the economy but poor signal will hamper development in rural parts.
- Helping our towns to stay alive such as cinemas etc. Probably part of Covid plans
- A welcoming place for refugees
- Community cohesion through increased partnership work and asset based community development, particularly in rural areas.

- Inclusion and access to services for all
- Addressing imbalances between provision in different area, eg, moors vs towns
- Making sure that central government knows that North Yorkshire exists. It has become very apparent during Covid that West Yorkshire is the same as North Yorkshire. Yorkshire is just one area according to them. They appear to have lost all interest once it was decided that the House of Lords rejected York as a location to transfer to. .
- Facilitating local communities so they can be more self sufficient and less reliant on travel to bigger towns and cities for services etc.
- Matching medical and educational facilities to new housing developments. ie. Knaresborough is expanding rapidly and our excellent services risk being overwhelmed.
- Above all, stand up for North Yorkshire. We're the largest English county but our voice often sounds like the smallest. We need to stand tall and play to our many strengths.

Budget

- That all residents of North Yorkshire have a equal share of the bounty of North Yorkshire
- Cut spending and stop harassing local business
- North Yorkshire is a very special place. It combines a genuine commitment to individuals with a real concern for sensible budgeting. At present given all the circumstances a significant rise in Local Authority spending is not just acceptable it is absolutely necessary. If anything I think that your budget plans are too cautious! If you really want to be the dynamic forward thinking Council you aspire to be then collect the increase with your heads held high! Just tell people why they matter and why you want to give them the best possible services. Thank you.
- Stop giving money to Welcome to Yorkshire
- Yer lower people's council tax after this shambles of a year, people are already struggling without lining the pockets of overpaid councillors

Climate/Environment

- Become a zero carbon council by 2030
- Better public transport (links to Climate Change above)
- Climate change is non-negotiable. It should be one of the ambitions to be carbon neutral by as early a date as possible: much earlier than the government's 2050. Every policy and programme should be rigorously subject to compliance with goals. Forget sustainable growth - there is no such thing and what do you mean by 'growth'? Replace that ambition with 'North Yorkshire is a place which models the regenerative economy in which communities and the environment are continuously renewed.' We cannot solve the problems created by the current sort of thinking with the same thinking, so be courageous and set an example of better thinking.
- Climate change will increase flooding. Where council's responsibilities connect with this issue (eg Highways) please take a more proactive and supportive approach
- Flood defences in the Selby district.
- It was upsetting to see that protecting our environment and countryside was not a key ambition. It is this which makes North Yorkshire such a wonderful place this in turn supports economy and community wellbeing.
- Looking at Climate change as an opportunity, eg what industries will need to grow to address this challenge, what skills do they need, how to get these businesses to set up in our area
- Promoting and funding domestic insulation retrofit of housing. Actually doing something to promote active and sustainable travel rather than building roads
- Protecting the environment and genuinely supporting the area to develop a circular economy is critical to the council's five ambitions. A meaningful green agenda implemented with a sense of urgency and enthusiasm is necessary - greenwashing is pointless and transparent.

- Roadside litter, flood prevention, tree planting, moorland restoration, outmoded and environmentally damaging farming practices, biodiversity, raptor persecution.
- The restoration of the natural landscapes and the dismantling of wind turbines and solar farms.
- Re-wilding marginal land especially in the Dales including a large amount of tree planting and re-introduction of key stone species such as Beaver. This will help to regulate the flow of water and mitigate the effects of flooding as well as sequester CO₂ in the land and trees. I recommend the book Wilding by Isabella Tree this should convince anyone of the importance of re-wilding. I think there should be an additional tax for people who own more than one house to discourage the practice and more help for young people to afford houses in rural villages and towns so they are not forced out by the high prices.

Covid

- If media is to be believed, covid will be under control by Easter. Why spend a whole year's budget on something that may adversely affect a small percentage of NYorks population? Majority have mild symptoms.
- It's not just address COVID-19 issues it is leading the recovery from it. I think in the short-term there is too much focus on change and protecting the environment, this can be in the thinking but should not rammed into us. Will 600,000 people in North Yorkshire make that much difference versus what the country and countries are doing to the planet.
- Life will continue to limp along until the Covid pandemic is conquered therefore the challenges of every other priority will fall into second/ third place etc.
- Obtain from Government a greater role in Covid Testing, Tracking and Tracing.
- Stop wasting taxpayers money frightening the public over an epidemic that ended in April.
- Ensuring that public servants salaries are not capped to pay for COVID and reducing the working week for Local Govt staff to 35hrs per week to provide more overall job retention when Devolution happens.
- Fake pandemic.....NO GLOBAL GREEN ECONOMY AS PER WORLD ECONOMIC FORUM. FAKE ENVIRONMENTAL ISSUE. THE SEA AND OCEANS ARE AN ENVIRONMENTAL DISASTER.

Other

- Giving access to a range of cultural activities across the county for all residents and visitors
- Maintaining law and order including so-called petty crimes
- Most of the ambitions are ambiguous, contradictory or meaningless. Sustainable growth, for example. Innovative? Trump thought of himself as innovative and look where that got America. This consultation is so superficial, it is pointless.
- Law and order.

Devolution/Local Government Re-organisation

- Reducing pension contributions to 10% One single Council by merging Harrogate and York under NYCC
- The propose Devolution. The suggestion that the area should be split makes some sense if the Council is based in Northallerton. Candidates in the East are deterred by the problem of attending meetings in Winter months.
- N Yorkshire is too big an area to be run from Northallerton. Such a scheme failed 15 yrs ago and would be no better now. It is too diverse, badly connected (in transport terms) & needs a proper 'capital' -York, basically. The ideas of the district councils, of 2 large councils, is better. One more coastal, the other Dales/N W Yorks.
- Not forcing reorganisation during a global pandemic

Q5 Any other issues

- Inclusion and access to services for all
- Reducing discrimination to disabled adults & children by providing affordable wheelchair accessible housing
- Reducing financial burdens on households and families during covid 19 pandemic!
- Cut your budget and reduce public spending, council tax payers are already being overcharged.
- Early intervention for children, young people and their families - through Early Help, Mental Health and Health Services
- Provision for children. They are the future. Making communities more pedestrian and cycle friendly.
- Improving the amount of police officers on patrol in rural areas in order to reduce rural crime significantly. Action to make travellers accountable for the mess they leave and a concerted effort by the County Council to lobby Central Government for legislation to stop unauthorised traveller camps and to achieve a set target of a number of hours in moving unauthorised camps rather than the current number of unspecified days.
- Policing
- Fostering ideas of 'citizenship', responsibility for local surroundings and volunteering.
- supporting the countryside and access to it (including farming and countryside maintenance)
- Creating safe routes for cyclists and pedestrians. (Linked to Climate Change, but easily overlooked or fobbed off with the kind of tokenism that creates a non-mandatory cycle lane which ends abruptly in a pinch point where a lorry is trying to pass. Horrendous!)
- Ensuring local community democracy/representation. Narrowing the disadvantage gap for school children.
- Maintaining local democracy, perhaps by not having a ridiculous mega-council.
- Ensuring that all communities across such a large council area are well served with resources & support fairly distributed. Ensuring that local issues particularly on the coast are not disregarded by focussing just on the major towns such as Northallerton & Harrogate. Investment must be shared & the discrete communities respected & heard
- Protecting our countryside and environment. This is critical to the success of many others. This is more than just climate change.
- The environment, the environment, the environment. Sustainable transport - cycling and walking.
- Flood defences in the Selby district and any other area that suffers flooding.
- Improving flood planning, eg projects to improve highways/bridges susceptible to flooding. For example Morton bridge which is the main route to the dales
- Although affordable housing is needed it needs to be placed in the right areas - why build large developments in areas of little employment/shops/amenities etc where tenants will have to travel long distances.
- Not sure how you can improve access to affordable housing, access is not really a thing when it comes to affordable housing, what we need is more of it. Change your plans to - providing more affordable housing
- Again very laudable priorities, but too wide-ranging to be meaningful. For example the last one: we don't need more inappropriately sized houses in the wrong place. There are plenty

of houses in N. Yorks that are empty 48 weeks of the year because they are second homes. Do something to bring them back into the housing stock.

- Childrens services, homelessness
- Ensure provision of local health services are adequate for growing communities with new housing.
- The roads and infrastructure to support growth are not fit for purpose
- When new houses are built extra provision for schools and medical practices. All new builds should have solar panels on south facing roofs and air source heating.
- what about the job loses incurred by merging services? not enough well paid jobs around as it is
- There should be more emphasis on parish and town councils for local matters so decisions that affect local people can be decided by local people instead of being imposed from some distant county council
- The only problem I see is the Towns and villages on the periphery are forgotten something I feel happens now with North Yorkshire County Council. If you live in or near Northallerton, York, Scarborough Harrogate, then all is well otherwise you are forgotten.
- Work to ensure genuinely local democracy, decision making and spending power
- Fulfilling LOCAL responsibilities rather than meekly following government edicts and repeating the dreadful mistakes of the such as when NYCC decimated childrenc' services in the name of efficiency.
- Special needs for rural areas not just larger towns
- Maintaining local services at a high level - waste collection, recycling sites, street cleaning etc. Improve the maintainance of local roads and footpaths etc.
- No but I would like you to publish details of the response % and comments to this questionnaire
- NO TO A DEVOLUTION
- Not sure NYCC is the best way to deliver what is needed it is too big and yet the proposal to keep YORK separate misses the opportunity to make the required changes, as this is too small. So the East - West solution would appear to be the best. Highways has not been as successful as you think - why was the A59 Kex Gill realignment not put forward after the first slip instead of waiting for what must be nearly 10 years. East - West travel is very poor, even you say so.
- Plan should include York council it does not make sense without it
- The main priority should be the starting point. See my previous comments. I do not feel it is practical for 1 N Yorks unitary council. It is the size of a country and too unwieldy for Northallerton to run.
- This assumes a single unitary authority will be established which I do not support . Your consultation is skewed in favour of becoming that .
- I do not believe in public involvement in the provision of Digital Infrastructure. It should be left to the private sector and central government/OFCOM to mandate rollout and a rural strategy.
- To be clear, employment and economic growth are important, but I don't believe a county council is competent to influence these areas effectively.
- Make the Head Quarters easier to access from the East.
- Improving the working relationship between the Council and National Park authorities.

- Council needs to embrace the free market economy, put in a place a positive environment to enable that and the bulk of the aims will come. Encourage personal responsibility and this will aid this. Remember people are better at spending their money than the state.
- Improved chances of really 6th form education. Many children choose to go to York because there is little choice of excellent 6th form here.
- Reducing bureaucracy and control over our citizens who pay our salaries
- Disability and learning disability provisions Debt management Children with special educational needs
- SEN provision.
- Improving biodiversity on council premises and partnerships with national park authorities etc
- Leading on the change needed to make transport carbon neutral - more walking and cycling and coordinating EV's plans across the county. Leading on a vision for changing domestic and commercial energy use across the county Maximising the benefits of the visitor economy whilst mitigating its impacts.
- Maintaining and communicating the strong North Yorkshire identity - we are proud to be North Yorkshire! To live and work in such a beautiful place, to be grounded and pragmatic and forward thinking, whilst respecting our heritage. Being more ecological - eg stop mowing grass verges and plant wildflowers instead.
- Really, you need to stop asking people whether tackling climate change is important. Have you not understood yet? Climate change is THE priority - it is THE issue which affects everyone and THE lynchpin around which all policy and plans MUST be designed. Otherwise there will be no economic prosperity, no health & wellbeing, no regeneration, no employment, no improvements to housing and more social inequality. The climate is sending us clear messages: please read them.
- Tackling climate change by reducing energy usage through heating and transport
- Tackling climate change should be the starting point for all the other priorities to ensure any changes are sustainable and money isn't wasted.
- Encouraging more tourism to our beautiful County and thus generating external income. At present the marketing of gems like Richmond is pathetic given its potential.
- Improving public transport, not just rural transport. Focus on enabling people to have choice in their travel options and promoting public transport and active travel as part of that choice.
- Improving the infrastructure of roads and transport
- improving transport connectivity - to allow people to connect more easily with trains and buses Increasing no. of people able to cycle for school, work, shops etc
- Improving urban transport in the bigger towns and cities
- Rural transport, rural affordable housing and rural jobs will in my opinion only work if they are all considered at the same time, affordable housing is of no use if it costs a fortune to travel to work, young people leaving school/college with no local jobs need a good time relevant affordable public transport links at either end of the day
- Central support for the voluntary sector delivered locally.
- Personally speaking we could cope with a three weekly black bin service, as OAPs we make less waste re-cycle more too!!
- A new unitary council needs priorities on waste collection and recycling. And needs priorities on parks and gardens and improving our streets. Broken tarmac and broken paving

flags should not be accepted in our streets. And a new unitary needs a better planning system to prevent building houses in the countryside, except to develop new settlements that can grow into self sufficient towns.

- Sadly no mention on focussing on the youth and the future of the County and building education in ALL areas across North Yorkshire.
- They are all extremely important, of course but I've tried to show a little prioritising.

Q7.3 If no, do you have any suggestions on how the funding gap...

Cut services

- Cut covid support. This does only affect a minority of the population. We are constantly told the majority have a flu like illness. Unfair to spend such a high proportion of budget on a minority. Create volunteer army to support these vulnerable groups.
- Cut the services.
- Reduce services
- Save by cutting adult social care.
- Reduction on expenditure on education.

Reduce staff / councillor costs including pensions

- Cut public pension entitlements to something closer to private sector norms (ie defined contribution at lower % contributions from employer.
- Cut the pension contributions for public workers.
- Cut your senior salaries. I haven't had a pay rise in 3 years but you Jack Council Tax up every year. How do I feed my family?
- Don't increase council tax to line your own pockets
- Reduce salaries of highest paid staff members. Remove perks.
- Get rid of all the wasters employed by the council.
- Get rid of unnecessary higher management to fund gaps in service provision
- Reduce the amount of middle or higher management and unnecessary expenditure and expenses. Get staff to multi-task, reduce 'golden handshakes' etc
- stop the 40odd% pay rise streamline staff your always recruiting.
- Yes, have fewer senior managers spouting nonsense on Twitter all day..... Reduce staff numbers by 20% in all non front lines services eg finance, hr
- Meet any funding gap with a large reduction in council staff numbers and salaries.
- Reduce the headcount of council. Stop offering a council pension contributions. Become more efficient. (Example producing a flooding report every year that repeats basic information every year) what a complete waste of money. Pay the council employees less - no-one should earn more than the PM!
- Reduce staff employed.. better management of costs.

Efficiency savings / improved working

- Stop wasting money across the board. Cut the bureacracy. Stop interfering in people's lives ! Public Health services no longer have any credibility in this country so stop wasting money on them too !

- Efficiencies. Unfortunately there is little transparency in council financial affairs so I cannot give more detail, but I am certain there are many savings that can be made
- Paid for 3 relation to go into nursing homes I've done my bit so why should I subsidise others? Less red tape.
- Anyone who comes close to watching how NYCC officers spend the existing money come away dismayed at the waste, the illogical and inefficient practices and culture. Much more can be achieved by stamping out that.
- Better management of the the way services such as highways and social care are billed and held accountable. Less provision of anything which isn't a necessity.
- North Yorks Band 4 council tax is amongst the highest in England (compare with Westminster). Devolution efficiency savings should be used to fill the funding gap and Govt grants/business rates used to improve services.
- As a council we seem to always get charged over the odds for transport e.g. taxis for taking children to and from school- can we not have our in house service and use Pool cars that are not being used as not many people travelling now most people are working at home As a council we must have made savings on transport re mileage as only essential travel has been allowed most of this year as this been taken into account
- Use the technology we have to send more documents online.

National solution/lobbying

- A wealth tax at a national level is the obvious way forwards. Council tax rises with disproportionately hit middle incomes compare to a wealth tax as proposed at £500k of assets per adult.
- Central government needs to address the ongoing austerity agenda & replace the funding previously cut. NYCC needs to join with other LA's to put pressure on Gov to force their hand. Residents cannot continue to increase their contributions in this economic climate & this won't change in the foreseeable future. I'd consider the library service becoming subscription based a modest annual cost to access esp. E-services.
- Central government should provide more funding, especially social care
- Covid relief should be dealt with by central government, in a fair manner through tax rises and managed repayments of national debt. The local approach will mean we are taxed repeatedly by councils alongside multiple national tax rises.
- Funding of adult social care requires total reform. Responsibility for funding should not be on local authorities. It should be funded by central government from increased taxation.
- Government to increase tax to everyone and stop tax avoidance and evasion. Taxation needs to a national imperative rather than left to councils to increase taxes to a few that can afford to live in their own homes
- Increase tax on large businesses
- To increase council tax with so many families unable to buy food and fuel is wrong Lobby the government to increase income tax which is based on the ability to pay, earnings

Reduce premises

- Sell older buildings to reduce outgoings and get staff to work from home..
- Reduce premises

Other

- Stop wasting money on unnecessary virtue signalling schemes like cycle lanes which just cause ever more congestion.
- Use previous years tax rises to meet the funding gap as no additional services have been provided, only more cuts.
- Lotteries; use more non-profit council care institutions; less use of 'agency' workers - use staff trained and employed by the council; convert unused council properties into council care or warden-type homes. Do the same thing that universities have done and dont allow the private sector to make money from sick people. Take the oversight and provision in-house!
- Reduce council overheads
- HBC need to look at their spending in house and cut out the waste

Q7.4 Any other comments

Affordability

- Council tax is by far our biggest bill, and there is no way for us to economise on it. We can buy cheaper food and turn heating off, but can not reduce the huge council tax bill. Please bear this in mind when spending our money
- Council tax is high especially for those pensioners who are just outside the band for help!
- I don't think this is the year to start increasing taxes, especially Council tax as many people and more to come have, and will be loosing their jobs and their homes.
- If council tax goes up by too big a percentage then it may lead to less people being able to pay. Taking someone to Court for non payment could be counterproductive and lead to less in the budget than expected
- In principle, I support the council tax increase of 1.99% and likewise would support a small increase to cover adult social care. However, it should be considered that a lot of people have seen a significant reduction in income this year, or lost their jobs or businesses and therefore any increase could be hard to attain, and result in outstanding payments to the Council.
- It is really difficult to say, as it has been a hard year for everyone and income hasn't increased for individuals
- Rich people should have to pay much more tax than low-paid workers or impoverished families.
- There must be a limit on tax rises somewhere. 5% tax rise would punish many residents. Suggest raising the 2% for social care rather than for general spending
- Unemployment rising hard pressed residents unable to cope with another year on year above inflation rise
- Cut Council Tax, don't increase it especially at a time when those not in public sector are suffering financially from the endless lockdowns that you are enforcing.
- Every year the council puts up council tax by way more than inflation. I live in a modest sized cottage and pay nearly £2,500 pa in council tax. Since being made redundant if increases continue at the pace they have over the last 10 years I will have to move house.
- Any extra taxing of households during this pandemic will affect the lives of people already under financial burdens due to the pandemic! This will cause unrest and resentment!

Devolution

- The sale of properties as a result of Devolution to be used as incentives to technology start-ups.

- Devolution funded by a local income tax instead of the present system would give us far more scope for directing money where it's needed. Central government should only tax us for central government concerns such as defence and foreign policy. I could expand on this!
- Devolution offers the best opportunity to clear out much of the 'dead wood' within existing local authorities. This should be one of the aims of the proposed new unitary council.

Efficiencies

- The council shouldn't pay profit making companies to do adult social care and should do it themselves
- More workers and less managers and tiers of beurocracy.
- there is a lot of time spent concentrating on the amount of money being spent on various areas. whenever you have to deal with the council, be it N Yorks or district councils, it always seems a very slow and painful experience. perhaps some thought should be given to improving operational efficiencies.

Invest in specific area

- I would support the creation of an Environment / Biodiversity Office within the council.
- Why oh why do you focus on savings all the time, at this time NYCC should be focussing on investments in services, infrastructure that build back and improves North Yorkshires economy and County Council revenue. NYCC keep on saying how wonderful North Yorkshire is to live and with working from home (work) and play and yet how do NYCC make this happen. People looking to move out of the cities, into less risk areas, better places to work etc., sometimes you have to speculate to accumulate and I don't mean building small housing estates (this should be left to the private sector). Please start thinking of the North Yorkshire of the future and how NYCC can enable that.
- Yes - increase the support to local businesses and lower the business rate. Also remove the parking charges in local carparks and on high streets.
- You should focus far more resource on doing PROPER, lasting road repairs and stop spending anything on trying to socially engineer us to use cycles. You should toughen up with what behaviour you accept from employees and kick them out if they don't work as hard as would be expected in private sector.
- Covid is not a long term emergency so unnecessary to prioritize this. Priorities should be the young and their recovery from the damage this has caused.
- The reduction in funding is something we are only too painfully aware of. However, sending generic case workers with little or no understanding of autism is counter productive and results in increased spending in other area ie hospital admissions. More care above everything is needed in this area.
- HAS for the Stop Smoking Service, if we managed to get every smoker to stop (around 60,000 people) then this would free up over £100 million which would go some way to meeting the deficit. Now I know this will not happen overnight or even within a year but investing in a Specialised Stop Smoking Service longer term would help. It would also cut down on the litter cigarettes make and again this is a saving long term.

More information needed

- It's hard to comment on a couple of these questions without understanding the cost/quality of current services
- You tell us how much each % equates to, but you don't tell us how much you already get.

- In agreeing 1.99% increase to basic council tax it is unclear if the intention is to add a further sum of 2% (as shown) to only the adult care budget ? Any increase on top of the basic charge is an extra burden on fixed income households . This needs clarification .
- Is this 1-3% in addition to the 1.99%? Not clear in question hence 'Dont know'

National solution / lobbying

- Council tax system is flawed and should be scrapped
- You have added in the past for Adult Social Care now you want to add up to 3% on past rises. As for Covid as I understand you and other Authorities have been supported by the Government. If not enough bid for more!
- After a sustained period of budget cuts caused by central government, it's invidious to ask us to choose which of these weakened services to prioritise now (and therefore which not to prioritise). I'm happy with a significant rate rise and reorganisation for efficiency but I also want NYCC to campaign vigorously and visibly for restoration of funding from central government.
- Councils must stand together to lobby for a fairer distribution of wealth as many have profited from the pandemic and many can afford to pay more income tax. Rates are indirect taxation on lower paid people. Councils do a great job as proven in the pandemic, they must be funded properly. The choices you offered are unacceptable in choosing between vital services
- Funding needs to come from government more.
- FUNDING TO SERCO TO HOUSE IMMIGRANTS COULD BE DIVERTED TO NYC.
- I think the government should raise taxes and not rely on local authorities to pick up the pieces after government austerity measures. Why spend so much on HS2 when other things need priority- its an unnecessary venture and won't ever help areas like the North East incl. n.Yorks. We need transport infrastructure improved in terms of buses in this part of the world, where a car has become a necessity for living here.
- I would support this proposal if it fitted into a governed strategy to address the needs of an ageing population. This is long overdue and NYCC should be using the current opportunities to influence senior politicians
- Press for a review of council tax banding so that the wealthiest contribute significantly more, including me; ideally replace it with a local income tax.
- Sad that council's have to do this rather than it being provided by central government so they can shirk the blame.
- The Government has been devolving cuts to county and district councils for 10 years. It is essential to lobby and campaign along the lines that this is a false economy and that local government austerity should be reversed
- The Government should arrange additional funding for Councils, in order that Council Tax only needs to be increased by a smaller amount.
- The ultimate answer is, how else will the money be raised other than taxation. The issue is we (as the citizens of the country) are paying more and more tax and this will only get worse following COVID. However, I do not feel as though the tax we already pay is being spent appropriately by Central Government. It is therefore a bitter pill to swallow for me to pick the bill up again when my wages are not going up in line with even the cost of living and I feel as though I pay enough as it is. I understand this is a central gov issue, but I think a lot of

people are sick of it. The system is fundamentally flawed, but we just keep upping the tax on people rather than fixing the issue to start with.

- This should be a central government priority not forcing the council to find the extra money themselves.
- Yes. You should not accept these government cuts and restrictions. You should campaign the government strenuously and repeatedly. Demand more money from the government, and demand to be allowed to put a bigger increase on the council tax.

Communication

- I don't feel we hear or know enough about local government work. National media covers national politics and local news, especially TV, is often dumbed down reports, it's awful to watch. On the other side any reports & consultations are dry to read. Would like to see more informal ways of communicating- e.g. use social media more in a positive way- even the link to this consultation - great it was via social media - but it didn't say anything about the good work you do, it just was a dry statement that you might want to increase council tax. I think we all need to know just how much you do.
- Make it clearer when improvements cannot be made due to a lack of central government funding.
- Please educate NY residents as to what effort and cost is required to achieve deliverables

Staff and councillor costs

- As above & review the salaries of senior NYCC managers & councillors allowances
- I do think we could save more money in HAS by looking at duplication of middle management
- Public sector workers will no longer have a pay rise. You plan on increasing council tax, the pcc will increase it too for police/fire services yet there's no additional service provision for residents so limit any increase
- Reduce headcount and pay. Streamline and become efficient, remember it is not your money - it is the taxpayers money.
- Restructure and stop duplications in adult social care, finance officer, care officer, social worker, direct payments officer. Why not have one person for all but all are responsible for less people.

Supportive of increase

- I consider paying extra tax for public services to be an efficient use of my money. I am very much against the government awarding contracts to their private business cronies, which results in inefficiencies, mistakes and ineptitude.
- I think North Yorkshire county council is Best Local authority in the Country
- Investing in services is vital to enable successful recovery from the challenges faced. Priority should be given to services that provide opportunities to improve life chances eg pre school development, education, libraries, teenage mental health as well as supporting an ageing population to live as independently as possible. Wider community wellbeing supported by properly funded local services needs to be a priority
- NYCC should ask for the maximum increase. This will be unpopular but will be necessary to maintain any decent level of service to the most disadvantaged residents or communities over the coming decade (any increase not taken up is lost forever). What is the point of making a relatively small saving through Local Government Reorganisation and all of the

disruption that will entail, if it is just hoovered up by a budget shortfall elsewhere? That would damage local democracy rather than improve it.

- Public services are public goods, and a strong case needs to be made for these as enablers of a strong economy and decent society
- I would support higher increases.
- although i support the additional rise i would encourage you to invest in areas that can have the biggest impact on reducing the number of adults requiring social care.
- As long as this was ringfenced for that purpose only, and not put into a general pot
- How we look after the most vulnerable in our society is a key indicator of a successful, responsible council.
- I consider the Council Tax in my area to be far too high and would (in other circumstances) have ticked no to the Support question above but where else can the funds come from for Social Care which is very important in my opinion.
- I take it this is on top of what the District Council will change on top of their charge. Hopefully it will go to adult social care and not into another pot!
- I would support this if it helped to reduce funding cuts to vital frontline services and support to families.
- If the funds were spent on mental health support for older adults
- the impact of covid (and soon Brexit) on mental health will be immense and needs attention now to help people who are and will be struggling.
- It's going to be absolutely essential, particularly as we emerge from Covid, that we fund social care far better than we have done in the past.

Other

- Why did you decide to waste the money on Covid-19 in the first place, surely you can't now expect us to pay for your poor decision making, or do you ?
- IT provision in schools is a waste of money.
- HBC need to look at their spending in house and cut out the waste
- Pointless spending, such as the new 'Craven' signs needs to stop. Until things like this stop, I'm not supporting the idea of increasing council tax.
- I would be more inclined to support tax rises if those of us who are childless and not expecting to get publicly funded social care (home owners) got something to show for what we pay ie better roads, less litter, didn't have to pay to dispose of rubble at the tip.
- Please assess differences in council tax by area, moors get very few services yet pay way more than town!!
- There are huge numbers of houses being built in the county, our council tax is going up but there seems to be no increase in services provided.
- I have been appalled by reductions in spending and in services. This has been done under the auspices of a conservative government and not something that was unavoidable (as the Covid spending has proved). Each and every conservative councillor must take responsibility for the suffering this has caused to the most vulnerable.
- Stop anything that you are doing that is associated in any way with Agenda 21
- The population in the United Kingdom as a whole is ageing. It is my understanding that the population in North Yorkshire is ageing more rapidly than other parts of the country. It would seem to me that in order to meet these increasing budgetary demands we would

need to encourage more younger people and younger families to live in our county to help to fund this deficit.

- when you give only 3 options to choose from a lengthy list of activities as per previous page there is a danger that a topic that is consistently highly rated in 4th or 5th position is ignored - how do you intend to address this ?

Q12. Easy-read survey: Is there anything else you would like to tell us?

- How can we make sure no one is left out or forgotten about when you make savings?
- I don't agree with putting the council tax up but I think people with disabilities should be supported more.
- Need better drop kerbs in Craven - Need better support for autistic young adults who Need support but don't come under learning disability services - support for disabled people to help them stay healthy and exercise.
- People are already struggling after 2020 without having to pay more each month.
- Not really
- People with a disability. Need a better quality of life by living as independently as possible - better health service - better roads and transport - Please give us plenty of time next year to complete this easy read version of the budget.
- We have no grit buckets in our road and it is like an ice rink when it snows. There needs to be much more support for people with mental health, hidden disabilities and good clear information about what is available. There should be a safe building available for people to visit where a small number of people can visit in our area.

**NORTH YORKSHIRE COUNTY COUNCIL
PAY POLICY STATEMENT ON PAY STRUCTURE,
GRADING AND CONDITIONS FOR SENIOR MANAGERS
COVERING THE PERIOD 1ST APRIL 2021 TO 31ST MARCH 2022**

- 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 2021. The spinal point pay values are at 2020-21 rates as the national pay rates for 1st April 2021 to 31st March 2022 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 which has 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 £22,557 and £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 required a wholesale review of local terms and conditions. Again in 2018 the introduction of a new NJC national pay spine resulted in 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 1 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.

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 which 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. This resulted in 2007 in the introduction of a formal locally integrated pay and conditions framework contained in a “Collective Agreement” between the County Council and recognised unions (non-teaching). This sets out the local pay framework and all local terms and conditions. It applies to all staff equally including Chief Officers and senior managers and is incorporated into all 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 which was 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 payments for overtime was removed in April 2012.

- 3.6 All other pay entitlements are the same as for all NYCC staff as detailed in the national and local agreements. These include;
- Mileage and limited 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 **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 (£538, 2020).

Legislation implemented in December 2020 introduces a £95k cap on public sector termination payments, although this is at odds with Local Government Pension Scheme Regulations, and is subject to a number of judicial challenges. Further changes to local government exit payments and to local government pension rules are due during 2021 and these will significantly reduce potential termination payments for those aged 55 or more but under state retirement age. Redundancy calculations will be capped at the statutory maximum of a week's pay for redundancy purposes (£538 in 2020), and the entitlement to immediate access to an unreduced pension is removed.

- 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. New national Regulations introduced by the Government in December 2020 require any proposal for exit pay over £95k to meet strict and limited criteria and require approval by 2 government ministers. Internal processes will now be reviewed and changed to reflect this.

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 just 2 Head teachers paid above £100k. In addition, there are 52 Heads and Deputies in posts with salaries equivalent to Assistant Director pay bands. This does not include Academies which 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	
3	£18,562	£9.62		GRADE C - 309-345
4	£18,933	£9.81		
5	£19,312	£10.01	GRADE D - 346-369	
6	£19,698	£10.21		
7	£20,092	£10.41		GRADE E - 370-397
8	£20,493	£10.62		
9	£20,903	£10.83		
10	£21,322	£11.05	GRADE F - 398-422	
11	£21,748	£11.27		
12	£22,183	£11.50		
13	£22,627	£11.73		
14	£23,080	£11.96		
15	£23,541	£12.20		GRADE G - 423-447
16	£24,012	£12.45		
17	£24,491	£12.69		
18	£24,982	£12.95		
19	£25,481	£13.21	GRADE H - 448-474	
20	£25,991	£13.47		
21	£26,511	£13.74		
22	£27,041	£14.02		
23	£27,741	£14.38		
24	£28,672	£14.86		GRADE I - 475-509
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		
30	£33,782	£17.51		GRADE K - 551 - 587
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		
37	£40,876	£21.19		GRADE M - 625-713
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

Direct orate	Grade	AD Job Title	FTE	21/22 SCP	Salary*	Notes
BES	AD3	Highways & Transport	1.0	67	100,141	
BES	AD2	Waste & Countryside	1.0	66	97,975	
BES	AD2	Growth, Planning & Trading Standards	1.0	64	93,397	
BES	AD2	Economic Partnership Unit	1.0	63	90,919	
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	65	96,054	
CS	AD2	Strategic Resources	1.0	63	90,919	
CS	AD2	Strategic Resources & SDC CFO	1.0	64	93,397	Employed by NYCC, part funded by SDC as s151 officer and business partner
CS	AD2	Policy, Partnerships & Communities	1.0	63	90,919	
CS	AD2	Commercial Director	1.0	63	90,919	
CS	AD1	Head of HR (York)	1.0	60	80,399	Employed by NYCC, funded by CYC
CS	AD1	Head of Communications	1.0	59	77,419	
CYPS	AD3	Children & Families	1.0	67	100,141	Acting up payment £3k under review
CYPS	AD2	Education & Skills	1.0	64	93,397	
CYPS	AD2	Inclusion	1.0	65	96,054	
HAS	AD3	Director of Public Health	1.0	66	97,975	
HAS	AD2	Care & Support	1.0	65	96,054	
HAS	AD2	Care & Support	1.0	64	93,397	
HAS	AD2	Commissioning & Quality	1.0	64	93,397	
HAS	AD1	Public Health Consultant	1.0	60	80,399	Market supplement £2.4k pa
HAS	AD1	Public Health Consultant	0.8	60	64,456	Market supplement £1.9k pa
HAS	AD1	Public Health Consultant	0.8	60	64,456	Market supplement £1.9k pa
HAS	AD1	Public Health Consultant	0.61	60	49,162	Market supplement £1.5k pa
HAS	AD1	Public Health Consultant	1.0	58	74,549	Market supplement £2.4k pa
HAS	AD1	Alliance Director HARA	1.0	60	80,399	Joint funded with NHS
AD Total					2,282,489	Excl. supplements
MB Total					972,105	
Total					3,254,594	

*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:

PH Consultant increased by 1.19 fte

HAS: AD Health & Integration vacant post

Cumulative Equalities Impact Assessment – Budget 2021/22

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	<p>North Yorkshire has a lower proportion of young people than the national average – 25% under 25 compared to 29.7% nationally.¹</p> <p>In 2020 1% of 16 – 17 year olds were identified as NEET (Not in Employment, Education or Training). The percentage across the UK who were NEET was 2.7%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 4.3%, for the period August to October 2017.²</p> <p>In 2019 24.73% of the county's adult population was over the age of 65. This is higher than the national percentage of 18.39%. 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+.</p>	<p>Older people</p> <p>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.</p> <p>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.</p>

¹ Office for National Statistics Population Estimates mid-2019

² GOV.uk NEET and participation: local authority figures 2020

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
	<p>Nationally 23.26% will be 65+ and 4.05% will be 85+ by 2035.</p>	<p>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.</p> <p>Younger people</p> <p>Proposals which may have specific impacts for younger people include:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>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 schools have engaged with the new panel processes and appropriate support offered to avoid the need for permanent exclusion.</p>

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
		<p>Working age people</p> <p>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.</p> <p>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.</p>
Disability	<p>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%.³ However, this will rise to 20.89% of the 65+ population in North Yorkshire, against a national average of 24.86%.</p>	<p>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.</p> <p>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 a single charge for all discretionary transport. This proposal is, however, currently suspended until further notice.</p>

³ Poppi 2019

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
		<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Sex	At county level the proportion of females is slightly higher (50.7%) than that of males (49.3%) ⁴ . This pattern is reflected across all districts, with the exception of Richmondshire where the large number of predominantly male	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 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.

⁴ Office of National Statistics Mid-2019 population estimates

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
	<p>military personnel have the effect of reversing the proportions.</p> <p>There were 13,648 lone parent households in North Yorkshire in 2011⁵, of which 11,958 had a female lone parent (87.6%).</p>	<p>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.</p>
Race	<p>North Yorkshire has a much lower proportion (2.65%) of Black or Minority Ethnic (BME) citizens than the national average (14.57%)⁶ according to the 2011 census.</p>	<p>There are no anticipated adverse impacts on people with this protected characteristic.</p> <p>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.</p>
Religion or belief	<p>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)</p>	<p>There are no anticipated adverse impacts on people with this protected characteristic.</p> <p>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.</p>
Sexual orientation	<p>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.</p>	<p>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.</p>
Gender reassignment	<p>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.</p>	<p>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.</p>

⁵ Census 2011

⁶ 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
	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.	
Pregnancy or maternity	<p>In 2019 there were 5049 live births in North Yorkshire.</p> <p>In 2018 the conception rate per 1000 for under 18 year olds was 12.8. This is below the rate for England (16.7).</p> <p>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.</p>	<p>There are no anticipated adverse impacts on people with this protected characteristic.</p> <p>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.</p>
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%). ⁷ (2011 census)	<p>There are no anticipated adverse impacts on people with this protected characteristic.</p> <p>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.</p>
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	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

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
	<p>(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.⁸</p> <p>Rurality can also mean higher costs for such things as fuel for heating.</p>	<p>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.</p> <p>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.</p> <p>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. The Superfast North Yorkshire programme, however, aims to ensure that 95 per cent of all homes and businesses in the county will have access to superfast broadband by the end of 2021.</p> <p>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, 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.</p> <p>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,</p>

⁸ Index of Multiple Deprivation, Indices of Deprivation 2019

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
		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	<p>At local authority level North Yorkshire is among the least deprived in England⁷. Figures for long term unemployment in North Yorkshire (0.1%) are lower than the national average (0.4%)⁹. However, North Yorkshire has a number of lower super output areas within the 20% most deprived in England (23 in 2015, rising from 18 in 2010) and three LSOAs in Scarborough town are within the most deprived 1% in England.⁷</p> <p>The percentage of the working age population who claim out of work benefits in North Yorkshire is 1.7%, compared to a Great Britain percentage of 2.9% (Nomis – ONS November 2019)</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>The proposed increase to council tax may have a disproportionate adverse impact upon those residents receiving low incomes.</p>
Carers	Carers' allowance claimants make up 0.9% of North Yorkshire's population. ¹⁰ 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	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.

⁹ November 2017, ONS

¹⁰ May 2017, ONS

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
	do not reflect the true number of people carrying out caring roles in the county as many do not claim allowances.	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.

APPENDIX K

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 2021/22 Budget / MTFS:-

Risk	Quantification	Likelihood (H/M/L)	Impact (H/M/L)	£m	Recurring?	Rationale
Post COVID & Post Brexit						
Demand pressures (as people delay accessing services during the pandemic) - Including Adult Social Care, LAC, SEND	Corporate risk contingency as identified in the MTFS report.	H	H	£10m	Yes	Pent up demand built through (or driven by) lockdown and the pandemic.
Further funding cuts from government	10% additional cut on all government funding through Business Rates and grants	H	H	£14m	Yes	Given the funding required to support the response to the pandemic, further cuts are anticipated in the near future.
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.	H	M	£11m	Depends	Resources tied up responding to pandemic and savings become more difficult to deliver.
Acceleration of inflation above assumptions on supplies and services within the MTFS	1% increase in inflation (in a single year)	M	M	3.0	Yes	Economic position and Brexit

Potential shortfall on Council Tax yield based upon MTFS assumptions	1% Council Tax variation	H	M	3.5	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	M	H	1.0	Yes	
Insufficient capacity to deal with the competing demands of the organisation and inability to progress strategically important initiatives.	1% staff workforce	M	H	£1.5m	No	LGR, continued response to pandemic etc.
Other						
Government funding towards Social Care – protection of Social Care	100% of Fund used to underpin adult social care in 2019/20	M	H	30.0	Yes	
Erosion of DSG to underpin council services to schools	Complete loss of DSG to council	M	H	3.0	Yes	
Risk of adverse weather conditions	Extreme spend on adverse weather in excess of budget and / or emergencies	M	L	4.0	No	Based on previous experience.

Corporate Risk Register

Risk Register: **month 0 (November 2020) – summary**

Next Review due: **May 2021**

Report Date: **2nd December 2020 (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		
◀▶	20/187 - Information Governance	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	Chief Exec	CD SR	H	M	M	M	H	1	11	30/06/2021	H	L	M	L	M	2	Y	CD SR
◀▶	20/207 - Beyond 2020 Change Programme	Failure to implement a coherent transformation and savings programme "Beyond 2020" which delivers the improvements and forecast funding shortfall resulting in short term and sub optimal savings decisions ie service cuts	Chief Exec	CD SR	H	H	H	H	H	1	11	31/03/2021	M	H	H	H	H	2	Y	All Mgt Board
◀▶	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	9	31/01/2021	M	H	H	M	M	2	Y	All Mgt Board
▼	20/235 - Ending of EU Exit Transition Arrangements	At the end of the EU Exit transition period (31 December 2020) and/or the phased introduction of border checks (30 June 2021) the UK has sub-optimal trade deals and other arrangements resulting in difficulties (which impacts on residents and local businesses), in price uncertainty and supply chain difficulties, price pressures from contractors, increased demands on services from customers and businesses; adverse impacts upon the local economy and infrastructure and environmental standards; data protection; some EU citizens living in the county who do not have settled or pre-settled status will be unable to work, study, rent housing or have recourse to public funds causing an impact on recruitment, damaging community cohesion, and necessitating additional	Chief Exec	All Mgt Board	H	M	H	M	M	1	26	31/01/2021	M	M	H	M	M	2	Y	Chief Exec

Corporate Risk Register

Risk Register: month 0 (November 2020) – summary

Next Review due: May 2021

Report Date: 2nd December 2020 (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		
		expenditure to support the most vulnerable.																		
◀▶	20/194 - Major Failure due to Quality and/or Economic Issues in the Care Market	Major failure of provider/key providers results in the Directorate being unable to meet service user needs. This could be caused by economic performance or resource capabilities 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	14	31/12/2020	H	M	M	M	M	2	Y	CD HAS
◀▶	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	11	31/08/2021	M	M	H	M	H	2	Y	Chief Exec
◀▶	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	15	31/12/2020	M	M	M	M	M	4	Y	CD BES Chief Exec
◀▶	20/47 - Partnership and Integration with Health	Failure to achieve the best outcomes from working jointly with the Commissioner and Provider resulting in suboptimal maximisation of integration 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	20	31/01/2020	M	M	H	M	M	2	Y	CD HAS

Corporate Risk Register

Risk Register: **month 0 (November 2020) – summary**

Next Review due: **May 2021**

Report Date: **2nd December 2020 (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		
	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	5	31/01/2021	L	L	H	L	M	3	Y	Chief Exec
	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	18	31/03/2021	L	H	M	M	H	3	Y	CD CYPs CD HAS
- new -	20/247 - Local Government Reorganisation	Failure to achieve the most effective local government reorganisation for North Yorkshire leading to suboptimal savings, inferior local government arrangements, potential delay in a Devolution deal and an impact on work commitments such as the Beyond 2020 Savings Programme and other projects.	Chief Exec	Chief Exec	M	H	H	H	H	2	7	09/12/2020	L	H	H	H	H	3	Y	Chief Exec

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

AUDIT COMMITTEE

14th December 2020

THE CIPFA FINANCIAL MANAGEMENT CODE

Report of the Corporate Director – Strategic resources

1. Purpose of the Report

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued a Financial Management (FM) code which aims to ensure a high standard of financial management in local authorities. This report looks at how far the County Council already complies with these requirements and makes initial suggestions for areas of improvement.

2. Background

2.1 In light of concerns around the financial resilience and management of local authorities, in particular after the well-publicised issues at Northamptonshire County Council, CIPFA developed, and consulted on, a draft code for good practice in financial management. NYCC responded to this consultation strongly supporting the principle of a financial management code but in particular urging a pragmatic and not overly prescriptive approach.

2.2 The final CIPFA FM code was issued in October 2019 and local authorities are required to apply the code from 1st April 2020. However, CIPFA considers 2020-21 as a 'shadow' year and requires that by 31st March 2021 local authorities should be able to demonstrate they are working towards full implementation of the code. The first full year of compliance will therefore be 2021-22.

2.3 Finance in local government is governed by a complex mix of rules including primary legislation, regulation and professional standards. The general financial management of a local authority, however, has not historically been supported by a specific professional code. Therefore, the CIPFA FM code will, for the first time, set standards of financial management for local authorities in the UK.

2.4 The code is designed to support good practice in financial management and help local authorities demonstrate financial sustainability. It builds upon the underlying principles of leadership, accountability, transparency, professional standards, assurance and sustainability.

2.5 The FM code is also consistent with other CIPFA codes in that it is based on principles rather than narrow prescription. The code will not, therefore, detail specific financial management processes that each organisation must follow. Instead the local authority must demonstrate that the principles of the code, the Financial Management Standards, are being satisfied. Demonstrating this compliance with the code is the collective responsibility of elected members, S151 officers and their professional colleagues in the leadership team.

2.6 The code in itself, of course, does not eliminate financial pressure or risk but compliance with the code validates the organisation's ability to identify and manage risk and plan for long term financial sustainability.

2.7 A self-assessment of the County Council's ability to demonstrate that it meets the requirements of the FM code, and areas for further development, are detailed in the appendix to this report.

3. Conclusion

3.1 North Yorkshire County Council has a strong record of financial management and so, perhaps unsurprisingly, analysing the Council's structures, processes and procedures against the FM Code's Financial Management Standards shows a relatively high level of compliance with these principles. However, there are a number of areas where further actions can be taken to enhance compliance and these are detailed in the appendix along with an appropriate responsible officer.

4. Recommendations

4.1 That the Committee notes the introduction of the CIPFA FM Code and the self-assessment of compliance with the code detailed in the appendix to this report

4.2 That the identified officers address the actions as detailed in the appendix.

4.3 That a further report on progress is brought back to Audit Committee ahead of the deadline for full compliance.

GARY FIELDING

Corporate Director - Strategic Resources

County Hall

12th March 2020

Report prepared by Nick Morgan


North Yorkshire County Council – assessment of compliance with the CIPFA Financial Management Code**SECTION 1 – The Responsibilities of the chief finance officer and leadership team**

	FINANCIAL MANAGEMENT STANDARD	CURRENT POSITION	'RAG' RATING & AREAS FOR POTENTIAL IMPROVEMENT
A	The Leadership team is able to demonstrate that the services provided by the authority are value for money	<p>An annual report on VFM is taken to Audit Committee.</p> <p>NYCC reports on the performance against its key priority areas as well as financial performance on a quarterly basis to Executive Members. Prior to this the report is also discussed at management board with all the senior leaders within the Council.</p> <p>Regular meetings are also held between the S151 Officer and the Executive Member responsible for finance, assets and special projects, to discuss financial management including emerging pressures and how the Council is managing them, use of reserves as well as potential underspends and whether these can be used towards the council's savings programme.</p> <p>External judgements, in particular OFSTED's comprehensive 'outstanding' rating for children's services, are further evidence of effective service delivery within the available resources.</p> <p>Benchmarking against comparator organisations is undertaken and the recent licensing of the CFOInsights tool should allow more comprehensive analysis in this area.</p>	<p>Develop a more systematic approach to benchmarking against relevant comparators</p> <p><i>Responsible Officer – Head of Strategic Financial Planning (working with Head of Strategic Support)</i></p>
B	The authority complies with the CIPFA <i>Statement on the Role of The Chief Finance Officer in Local Government</i>	<p>The S151 officer is a key member of Management Board and is actively involved in helping to shape and deliver the County Council's strategy as well as ensuring there are sufficient resources to deliver the strategy.</p> <p>The S151 Officer is also chair of the Strategic Investment Board and a member of programme board and NYES board. Any significant investment decision is therefore subject to scrutiny by the S151 Officer and is challenged where the project is not aligned to the strategic vision of the council.</p> <p>As part of the annual Treasury Management Strategy report the Chief Finance Officer also provides the capital strategy for the County Council. The authority also has access to technical advice from LINK Asset Services.</p>	

		<p>The S151 Officer is CIPFA qualified and has 30 years of experience in local government finance as well as maintaining CPD compliance.</p> <p>Management team is supported by Lead Business Partners who are joint finance/service posts and sit on directorate management teams. They support and challenge as appropriate when directorates are considering matters that may have a financial bearing for the council. The Council also offers financial training to all budget managers to ensure people have the skills necessary to carry out their role effectively.</p> <p>CPD is actively monitored as of 2019 and a training matrix has been established for finance staff. Specific training needs are reviewed annually although staff are also encouraged to attend other technical training as required, for example if there are technical changes to accounting standards, changes to funding formula for local authorities etc. Therefore, the S151 Officer is supported by a highly skilled team and is able to offer advice and support when required.</p> <p>Almost 80% of the Finance team have accountancy qualifications (and maintain membership). This includes accounting technician qualification (AAT) and accountant level qualifications (such as CIPFA, CIMA etc.).</p>	
--	--	---	--

SECTION 2 – Governance and Financial Management Style

C	<p>The Leadership team demonstrates in its actions and behaviours responsibility for governance and internal controls</p>	<p>The Council’s governance arrangements include a framework of assurance, of which the leadership team are part. Any significant issues with regards to governance and control across the authority are considered by the leadership team as a whole and the annual Governance Statement is reviewed and agreed by the Leadership team.</p> <p>A number of key controls ensure appropriate scrutiny and governance of key financial decision points. For example, Strategic Investment Board, Project Management Office, procurement gateways, finance procedure rules etc.</p> <p>Internal Audit are a key part of the Council’s assurance framework and meet routinely with the S151 Officer and chief officers to ensure that Audit resources are appropriately directed towards areas of greatest need (applying a risk based approach) and that audit actions are followed up.</p>	<p>Ensure regular refresh of finance manual and finance procedure rules.</p> <p><i>Responsible Officer – AD Strategic Resources.</i></p>
---	--	--	--

<p>D</p>	<p>The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework (2016)</i></p>	<p>The Council is committed to demonstrating good corporate governance. This is done through a system which directs and controls its functions and relates to the community it serves. To enable this there is a framework of policies, management systems, procedures and structures that together, determine and control the way in which the Council manages its business, determines its strategies and objectives, and sets about delivering its services to meet those objectives for the greater good of its community. This naturally extends to how the organisation accounts to, engages with and, where appropriate, leads its community.</p> <p>The Council’s corporate governance Framework is based upon the CIPFA/SOLACE document entitled <i>Delivering Good Governance in Local Government: Framework 2016</i>.</p> <p>There is documentation that makes up the Council’s Framework which includes the Council’s Local Code and the Annual Governance Statement. The Local Code addresses the seven core Principles of corporate governance as set out in the CIPFA/SOLACE Framework and describes the systems and processes that support these in the Council. The Code also explains how the Council intends to monitor and review the corporate governance arrangements defined in this Code.</p> <p>The Annual Governance Statement is linked to the Local Code through the seven principles in the Code. The Statement explains how the Council has complied with its Local Code and also how it meets the requirements of Regulation 6(1)) of the <i>Accounts and Audit Regulations 2015</i> in relation to the publication of an Annual Governance Statement.</p> <p>The Local Code and Annual Governance Statement are reviewed and refreshed annually, and then further reviewed by the Audit Committee. The Audit Committee also receive an annual corporate governance progress report which includes details of other notable governance work and a summary of improvements.</p> <p>In terms of roles and responsibilities the Council has in place a Corporate Governance Officer Group which includes the Monitoring Officer, Section 151 Officer and the Head of Internal Audit. This Group reviews the development and maintenance of the governance Framework and the environment of the</p>	


		<p>Council on a regular and ongoing basis, in conjunction with Corporate Directors and senior officers.</p> <p>The role of the Audit Committee under their Terms of Reference includes assessing the effectiveness of the Council’s corporate governance arrangements, approving the Annual Governance Statement, and to liaise and work with the Standards Committee to promote good ethical standards within the Council.</p>	
E	<p>The financial management style of the authority supports financial sustainability</p>	<p>Financial sustainability underpins the Council corporate objectives with the Council’s ‘Beyond 2020’ programme (and prior to this the 2020 and BEST Programmes) being the key strategic focus for cross-cutting service transformation.</p> <p>In terms of financial accountability, NYCC expects all budget managers to actively monitor their budgets. All budget managers are also given direct access to financial information to enable them to do this including Oracle BI and PBCS for forecasting their outturn position. Budget managers are expected to understand and explain significant variances from the budget. Finance are working within a business partner model. Finance colleagues are supporting and challenging service areas to maximise performance and in turn ensure resources are used in the most effective way. Part of this is undertaken through our work supporting the transformation programme and reviewing processes and services to see if they can be delivered in a different way. Finance play a key role in risk management and ensuring, in particular, that the financial outcomes of savings programmes are delivered.</p> <p>NYCC has had a culture of effective budgetary control and the most recent LGA peer review commended the County Council’s <i>‘tremendous grip on its budget’</i>.</p> <p>The MTFS process also means that the Council is able to understand longer term risks and plan a response to those appropriately.</p>	<p>Continue to develop managers’ capabilities for financial management <i>Responsible Officer – Head of Finance (Business Partnering)</i></p>

SECTION 3 – Long to medium-term financial management

F	<p>The authority has carried out a credible and transparent resilience assessment</p>	<p>The County Council scores well on the CIPFA resilience index and this performance is reported as part of the MTFS/Budget process. A well-</p>	<p>Review the approach to scenario modelling to ensure it covers an appropriate range of potential risks.</p>
---	--	--	---

Appendix M - CIPFA Financial Management Code

		<p>established MTFS process allows for early identification of issues including the long term sustainability of funding.</p> <p>The authority generally takes a prudent approach to long term financial management including making reasonable provision for risks (e.g. funding for Brexit risks and for failure to meet all savings targets).</p> <p>Project planning for savings programmes is well established (including the requirement for costed business cases etc.) with a strong track record of delivery.</p> <p>As part of the MTFS process we explore a range of scenarios but inevitably in a period of significant uncertainty there are areas for further development, including exploring a wider range of potential risks.</p>	<p><i>Responsible Officer – Head of Strategic Financial Planning</i></p>
<p>G</p>	<p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members</p>	<p>NYCC currently update the Medium Term Financial Strategy annually – currently up to 2023/24. This is generally based on current year + four. Given the anticipated Spending Review time horizon it is not regarded as sensible to project beyond 2023/24 at this stage.</p> <p>Reports to Executive and County Council are explicit about long term risks and sustainability. The authority retains appropriate reserve balances to manage risks over the medium term and there is a specific policy on reserve balances which is agreed with members on an annual basis.</p> <p>NYCC also hold a capital plan which is current year + two with future plans captured within ‘later years’. A further year is added to the capital plan during quarterly reporting at Q2.</p> <p>The vision of the Council is set out along with key priorities within the Council Plan.</p> <p>Individual projects are generally assessed over a three to five-year time horizon, although for large scale investment projects the timeframe is extended dependent on the nature of the project.</p> <p>Government funding is currently only for 1 year ahead and Fair Funding is still awaiting implementation so there is little forward visibility.</p>	
<p>H</p>	<p>The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities</p>	<p>North Yorkshire County Council complies with the CIPFA Prudential Code through the approval on an annual basis of:</p> <ul style="list-style-type: none"> • a set of Prudential Indicators; and 	

<ul style="list-style-type: none">• an Annual Treasury Management Strategy including an Annual Investment Strategy, an annual Minimum Revenue Provision (MRP) Policy Statement; and• a Capital Strategy including non-financial and treasury management investments; and• a Prudent, sustainable, affordable and value for money Capital Programme including capital expenditure and capital financing <p>Each is monitored on a regular basis both in-year (quarterly) and at the financial year end to ensure compliance. During the previous financial year and current year to date, the County Council has operated within the latest Capital and Treasury Prudential Indicators approved and in compliance with the County Council’s Treasury Management Practices.</p> <p>The County Council determines its own programmes for investment that are central to the delivery of quality public services. In addition to the setting of Prudential Indicators, Annual Treasury Management Strategy, Capital Strategy and Capital Programme, in order to ensure compliance with the Prudential Code the County Council also adopts the following practices:</p> <ul style="list-style-type: none">• Treasury Management performance benchmarking;• Regular member and officer treasury management training to ensure the appropriate level of resources and skills, and the effective division of responsibilities within the treasury management function;• Internal audit of the Treasury Management function and liaison with external audit;• Appointment of external service providers.• The adoption of a Commercial Investment Board (members and officers) 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• A proportional commercial investment framework so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk	
---	--

		<ul style="list-style-type: none"> • A process of due diligence carried out on all treasury and non-financial investments and is in accordance with the risk appetite and legal powers of the authority • Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed 	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	The authority has a rolling multi-year Medium Term Financial Plan which is updated at least annually and reflects the latest position in terms of funding, cost pressures, investments and savings.	

SECTION 4 – The annual budget

J	The authority complies with its statutory obligations in respect of the budget setting process	The Council sets a balanced budget and complies with the requirements in relation to the S151 Officer statement on the robustness of the budget and adequacy of reserves. A s25 opinion is offered as part of the annual budget.	
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	As above – s25 opinion. As well as complying with the formal requirement the S151 Officer is clear and open about longer term risks and reports these to members.	

SECTION 5 – Stakeholder engagement and business plans

L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term	Public consultations are held in respect of budget proposals. The MTFS, annual budget and Council Plan are all published on the Council website. The MTFS and budget is developed in consultation with Executive Members, wider Members, Leadership Team and Extended Leadership Team as well as key partners and stakeholder groups, for example a working group with adult	Review approach to engaging key stakeholder organisations (within the constraints of the national funding position).
---	--	---	--

Appendix M - CIPFA Financial Management Code

	financial plan and annual budget	social care provider representatives. Commissioner fora, meetings of Health & NYCC Finance Directors and the Health & Wellbeing Board provide opportunities to engage with senior health partners on issues of joint financial interest. Members Seminars are held on a regular basis so that all Members are given opportunities to understand and challenge the budget and assumptions.	<i>Responsible Officer: Corporate Director – Strategic Resources</i>
M	The authority uses an appropriate documented option appraisal methodology to demonstrate value for money of its decisions	The authority uses an outline business case template and a well tried and exhaustive process for management of projects and savings programmes. North Yorkshire has a very good record of delivering planned savings. Final decisions on significant projects are taken at a cross-service Strategic Investment Board chaired by the S151 officer.	

SECTION 6 – Monitoring Financial Performance

N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	Quarterly in-year financial and performance monitoring reports are taken to leadership team and chief officers are held accountable for financial performance. Collective approaches to dealing with wider organisational risks are also well developed. Focussed reviews are carried out on areas of significant overspend so that recovery plans can be formulated. Some areas of particular demand pressure (e.g. adult social care and SEND) are the subject of Chief Executive & s151 officer “deep dives” and are reviewed at least bi-monthly.	
O	The leadership team monitors the elements of the balance sheet that pose a significant risk to its financial sustainability	Use of reserves is explicitly reported in quarterly performance reports. Quarterly treasury reports update on investments and debt. Regular reviews of Reserves are undertaken mid-year in order to justify amounts and reasons for the Reserves. This is then incorporated into the longer term forecasting of reserve balances is included as part of the MTFS report.	Review reporting of balance sheet items to wider leadership team as part of Q reporting regime. <i>Responsible Officer – Corporate Director – Strategic Resources</i>

SECTION 7 – External financial reporting

P	<p>The chief financial officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i></p>	<p>The Statement of Accounts is prepared in accordance with <i>The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19</i>. This is stated in the accounts that have been signed off by the Corporate Director – Strategic Resources ahead of submission to the Audit Committee.</p> <p>The County Council has consistently received an unqualified audit opinion from the external auditors.</p>	
Q	<p>The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions</p>	<p>The outturn report identifies key variances from budgets with appropriate explanations and recommends action where appropriate in line with the in-year quarterly monitoring process. Any key issues arising from the outturn figures are reflected in the budget and MTFS process.</p>	

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

26 January 2021

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 2020/21 to 31 December 2020) Capital Plan and recommend its adoption to County Council on 17 February 2021.

2.0 OVERVIEW

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. Sitting behind the Plan is the Council's Capital Strategy which provides a high level overview of how capital expenditure, capital financing and treasury management contribute to this end.

2.2 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.

2.3 In order to obtain a County Council approved Capital Plan for 2021/22 before the start of the financial year, an updated Capital Plan is submitted to Executive alongside the other 2021/22 budget-related reports. This updated Capital Plan (Quarter 3 2020/21 to 31 December 2020) is recommended for:

- a) approval by Executive at this meeting

followed by

- b) approval and adoption by the County Council on 17 February 2021

and will therefore form the base Capital Plan for subsequent modifications approved by Executive throughout 2021/22.

- 2.4 This latest Capital Plan impacts on the Revenue Budget 2021/22 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 2021/22 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 November 2020, the Q2 2020/21 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 2020/21, 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 £163.1m on capital schemes across the County in 2020/21 and £358.6m, 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 2020					
	2020/21	2021/22	2022/23	2023/24	Later Years	Total
	£k	£k	£k	£k	£k	£k
Business & Environmental Services	111,518.8	76,487.1	12,800.5	227.0	1,370.3	202,403.7
Children & Young People's Service	33,675.0	31,380.1	11,814.6	4,640.0	14,960.7	96,470.4
Central Services	15,269.4	21,668.9	1,300.0	1,387.0	5,829.0	45,454.3
Health & Social Care	2,627.6	8,206.9	253.5	0.0	3,199.4	14,287.4
	163,090.8	137,743.0	26,168.6	6,254.0	25,359.4	358,615.8

Additions to the Capital Plan this Quarter

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

3.6 The following table highlights updates referred to in earlier reports plus new schemes that have been added to the Capital Plan this quarter:

Directorate	Scheme Heading	Scheme Detail	Budget £k
BES	Getting Building Funding (LEP)	Following receipt of the award letter, the grant has been added to the Capital Plan. Of this, £6.0m is to be expended by Highways (A19 Chapel Haddlesey) and £3.0m by T&C (Digital Infrastructure Programme).	14,700.0
BES	Active Travel Fund Tranche 2 (DfT)	An allocation of £1,011,750, 80% of which is capital funding for the creation of more permanent walking/cycling infrastructure projects to those funded in Tranche 1 and for which the Council received £4.0k. All but £30k has been reprofiled into 2021/22.	809.4
Central	Loans to Limited Companies (NY Highways)	Budget has been added following the signing of the Facility Agreement between NYCC and NY Highways Ltd.	11,000.0
Central	Investments in Limited Companies (NY Highways)	The share capital budget has also been added.	500.0
All Directorates Total			27,009.4

3.7 As outlined in paragraph 2.1, 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 2020/21					
	Quarter 3					
	1 October to 31 December 2020					
	2020/21	2021/22	2022/23	2023/24	Later Years	Total
£k	£k	£k	£k	£k	£k	
Business & Environmental Services						
Structural Maintenance of Roads & Bridges	-6,024.6	6,049.6	0.0	0.0	-25.0	0.0
Flood Risk Management	-316.0	316.0	0.0	0.0	0.0	0.0
Major Highways Schemes	-1,710.5	1,710.5	0.0	0.0	0.0	0.0
Waste Services	34.0	47.0	0.0	0.0	-81.0	0.0
Growth & Planning Services	-175.2	175.2	0.0	0.0	0.0	0.0
	-8,192.3	8,298.3	0.0	0.0	-106.0	0.0
Children & Young People's Service						
Schools						
Basic Need programme	-4,488.2	2,741.8	2,787.8	0.0	-1,041.4	0.0
School Condition Programme	-68.7	196.2	0.0	0.0	-127.5	0.0
	-4,556.9	2,938.0	2,787.8	0.0	-1,168.9	0.0
Central Services						
	0.0	0.0	0.0	0.0	0.0	0.0
Health & Social Care						
	0.0	0.0	0.0	0.0	0.0	0.0
Total Capital Expenditure	-12,749.2	11,236.3	2,787.8	0.0	-1,274.9	0.0

3.9 Structural Maintenance of Roads and Bridges:

3.9.1 Works to reconstruct the embankments and carriageway of the A19 between Eggborough and Chapel Haddlesey which had been severely damaged by storms and flooding in February 2020 are not expected to be completed until July 2021. The £6m funding allocated from the Getting Building Fund is expected to be spent in this financial year with the LTP match funded element of £1.2m being reprofiled into 2021/22.

3.9.2 Of the large and complex NPIF and Safer Roads package of schemes, £3.5m of work on improvements to the A684, A167 and A682 is now programmed for delivery in 2021/22.

3.10 **Kex Gill Realignment (Major Highways Schemes):** The scheme was approved at Planning Committee on 12th January 2021 with the tender process now under review. As a result, £1.7m has been reprofiled from 2020/21 to 2021/22. 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:

3.11.1 The development of the new primary school in North Northallerton is progressing with the evaluation of tenders expected to be finalised this month.

Therefore, the initial budget (£2.5m) has been reprofiled from Later Years to 2022/23 with the additional uplift budget (as referred to at Q2) being reprofiled from 2022/23 to 2021/22 (£287.8k) as delivery timescales become clearer.

3.11.2 Whilst a contractor has been confirmed to deliver the 4 class expansion of the PFI primary school at Barlby, delays have led to the need to reprofile a further £500k of spend into 21/22. The PFI Special Purpose Vehicle's lender has challenged contractual obligations regarding the ability of the Council to claim unavailability deductions on the extended area of the school beyond the defects period to the end of the contract in 2027 before agreeing to the works going ahead.

3.11.3 Unallocated Basic Need Contingency of £3,000k has been reprofiled from 2020/21 to 2021/22 and will form the basis of the contingency in the new year pending an update report on the Basic Need Programme to Executive later in the year. A review of the profiling of S106 developer contributions which are expected in relation to schemes that have been completed using grant resources ahead of the S106 funding release trigger points has resulted in a net movement from 2020/21 to 2021/22 of £988.2k and 2022/23 of £470.4k.

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

SUMMARY OF CHANGES SINCE THE LAST CAPITAL PLAN UPDATE	2020/21	2021/22	2022/23	2023/24	Later Years	Total
Capital Plan as at Q3 2020/21						
	£k	£k	£k	£k	£k	£k
	182,566.7	116,443.8	23,380.8	6,254.0	26,634.3	355,279.6
Changes this Quarter:						
Total reprofiling between years	-12,749.2	11,236.3	2,787.8	0.0	-1,274.9	0.0
Total variations in the funding of schemes	-6,726.7	10,062.9	0.0	0.0	0.0	3,336.2
Updated Gross Capital Spend	163,090.8	137,743.0	26,168.6	6,254.0	25,360.0	358,615.8

Other Capital Updates

3.13 Selby Free School

3.13.1 The development of a special school in the Selby area where, at present, no such provision exists, is a key action in the Strategic Plan for SEND Education Provision 2018-23. As well as supporting the Local Authority to meet its commitment to ensure that children and young people with SEND across the county are able to access the right support locally, it will also reduce the dependence on independent and other local authority provision. The Wellspring Academy Trust has been appointed to open and operate the school and work is ongoing with them and the DfE to finalise its design.

3.13.2 As a condition of the successful bid for DfE funding to build the school, the Council must fund any s278 costs and ground abnormal costs where remediation is required under planning. Depending on the final design and site layout, the DfE is seeking significant contributions from the Local Authority to ameliorate the net cost to the Department. In order to avoid delay or suspension of the scheme, it is proposed to make a capital budget provision of £1.0m from Capital Receipts available to the Director of CYPS in consultation with both the Corporate Director of Strategic Services and the Assistant Chief Executive (Legal and Democratic Services) to fulfil any such requirement.

3.13.3 Given changes in funding regulations introduced in February 2020 which effectively prohibit the Local Authority from using its general resources to fund school-related activities, permission will be required from the Secretary of State in order to disapply the regulations. Such permission will need to be applied for and received prior to any LA funds being committed to a DfE school build project. It should also be noted that the conditions of grant for the Dedicated Schools Grant prohibit use of the grant for capital expenditure purposes.

3.14 **Extra Care Facilities in Harrogate:** Funding already set aside in the Capital Programme for Extra Care will be used to purchase land at Cardale House to assist with social care market development in the Harrogate area. Alternative options will be investigated before committing to the current Extra Care programme and it is possible that this land may be used as part of a larger commercial development for care. If the latter is proposed, a separate report will be brought to Executive, in due course, seeking approval.

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	x	x				
Kex Gill Realignment		x	x	x		
Local Growth Fund				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 The service is proposing to deliver works estimated at £3.0m and originally planned for 2021/22 in two geographical areas via Framework packages before April 2021 in order to reduce the impact of any potential underspend as a result of Covid-related 2020/21 programme delays. There is a risk that even if the tender process is successful, it does not leave sufficient time to deliver this level of works before 31st March. Whilst the service has continually tried to avoid underspending grant in year for fear that it may impact future funding levels, any underspent grant will then be carried forward as committed for utilisation on these schemes in 2021/22.

4.4 Kex Gill Realignment Update:

4.4.1 Further to previous reporting, a firm funding commitment has still not been received from the Department for Transport (DfT). However, it is understood that a decision on the funding of the scheme is now with Ministers and an announcement is expected imminently.

4.4.2 Work on the necessary compulsory purchase and side roads orders continues with tender documents already prepared with a view to going out to tender this month for a start on site of June/July 2021. If there are enough major objections to warrant a Public Inquiry, this will delay this step by approximately 12 months. The estimated overall project budget currently stands at £49.6m, £4.95m of which is being funded from the Council's Strategic Capacity Reserve.

5.0 CAPITAL FORWARD PLAN

5.1 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 The Technical (Capital) and Strategic teams within Finance, are the key contacts for officers developing funding proposals that require both grant applications and access to central funding reserves.

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

Directorate	Scheme	Detail
Central	Public Sector Decarbonisation Fund 2020-21	Proposed bid for £100.0k to support the decarbonisation of heat in non-domestic public buildings and energy efficiency.
HAS	Potential Care Development in Harrogate	See paragraph 3.15

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 74% of the total 2020/21 Capital programme (a decrease of 3 percentage points on the last quarter reflecting the addition of the loan provision for NY Highways). 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 £16.9m of unallocated capital funding that might become available over the Capital Plan period (depending upon the realisation of forecast capital receipts).

Source	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	Later Yrs £k
Forecast Sources of Finance					
Borrowing	18,169	14,672	-10,594	-3,088	-3,523
Grants and Contributions	131,906	98,739	21,216	2,100	16,322
Schemes financed from Revenue	12,629	9,919	4,100	3,467	556
Capital Receipts	5,378	15,901	12,197	3,855	21,596
= Total Forecast Capital Funding	168,082	139,231	26,919	6,334	34,951
- Updated Capital Plan	-163,091	-137,743	-26,169	-6,254	-25,359
= Potential Unallocated Capital Resources	4,991	1,488	750	80	9,592
Total potentially unallocated available over full capital reserves resources Capital Plan period	16,901				

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.

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

6.8.1 The Executive is recommended to:

- a) Approve the refreshed Capital Plan summarised at **paragraph 3.4**;
- b) Approve a £1.0m budget provision from Capital Receipts to address the DfE funding conditions for the proposed Free School development as set out at **paragraph 3.13** and to delegate authority to the Corporate Director, Children & Young Peoples Service in consultation with the Corporate Director, Strategic Resources and the Assistant Chief Executive, Legal & Democratic Services to agree terms and arrangements with the Department for Education; and
- c) 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

2020/21 CAPITAL BUDGET MONITORING - POSITION TO 31 DECEMBER 2020

BUSINESS AND ENVIRONMENTAL SERVICES

ITEM	Total £000	Expenditure to 31.3.20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Later Years £000
GROSS EXPENDITURE							
HIGHWAYS & TRANSPORTATION ANNUAL PROGRAMME							
Structural Maintenance	169,033	42,553	70,731	55,748	-	-	-
Integrated Transport	6,515	-	3,253	3,262	-	-	-
New and Replacement Road Lighting Columns	9,054	7,511	1,543	-	-	-	-
Regional Funding Allocation	429	-	9	-	-	-	420
Overprogrammed Works	2,238	-	2,266	29 CR	-	-	-
Flood Risk Management	3,191	40	1,095	1,486	370	200	-
HIGHWAYS & TRANSPORTATION MAJOR PROJECTS							
Kex Gill Realignment	4,950	2,840	400	1,711	-	-	-
Junction 47 Improvements	7,890	609	3,924	3,297	12	12	36
Harrogate- York Rail Scheme	9,600	-	9,600	-	-	-	-
Bedale-Aiskew-Leeming Bar Major Scheme	25,651	25,052	80	60	40	-	420
A174 Sandsend Slope Stabilisation	7,032	7,032	-	-	-	-	-
Transforming Cities	18,859	-	1,856	4,640	12,364	-	-
WASTE & COUNTRYSIDE SERVICES							
Waste Management Service	650	-	63	62	15	15	495
Waste Procurement Project	5,632	5,534	98	-	-	-	-
ECONOMIC PARTNERSHIP UNIT							
Rural Connected Communities (5G)	1,000	4	441	555	-	-	-
Mobile Infrastructure Programme	79	79	-	-	-	-	-
Heritage Services	175	-	-	175	-	-	-
GROWTH, PLANNING & TRADED SERVICES							
Local Growth Deal	76,802	62,512	14,291	-	-	-	-
LEP Growing Places Fund (Grant)	-	-	-	-	-	-	-
LEP Growing Places Fund (Grant Reinvested)	988	-	988	-	-	-	-
Getting Building Fund	6,400	-	880	5,520	-	-	-
TOTAL GROSS SPEND	356,168	153,765	111,519	76,487	12,801	227	1,370
Last Update	367,678	153,765	128,971	70,439	12,801	227	1,476
CAPITAL GRANTS & CONTRIBUTIONS							
Capital Grants							
- Local Transport Plan Grant	68,446 CR	2,269 CR	32,562 CR	33,615 CR	-	-	-
- National Productivity Investment Fund	3,434 CR	580 CR	997 CR	1,858 CR	-	-	-
- Safer Roads Fund	11,552 CR	653 CR	6,304 CR	4,595 CR	-	-	-
- Highways England Grant	813 CR	29 CR	-	784 CR	-	-	-
- Section 31 DfT Grants	23,953 CR	23,140 CR	34 CR	779 CR	-	-	-
- Transforming Cities Fund Grant	18,559 CR	-	1,856 CR	4,640 CR	12,064 CR	-	-
- EA Grant	5,586 CR	4,763 CR	314 CR	452 CR	57 CR	-	-
- Waste Capital Grants	425 CR	-	14 CR	-	-	-	411 CR
- DfT Grant	35,933 CR	-	20,773 CR	15,160 CR	-	-	-
- Local Growth Deal	116,951 CR	87,879 CR	29,073 CR	-	-	-	-
- Getting Building Fund	12,400 CR	-	6,880 CR	5,520 CR	-	-	-
- DCMS Grant	1,000 CR	4 CR	441 CR	555 CR	-	-	-
- Other Capital Grants	39 CR	-	20 CR	19 CR	-	-	-
Capital Contributions	4,383 CR	1,580 CR	2,103 CR	480 CR	20 CR	200 CR	-
S106 Contributions	763 CR	-	159 CR	184 CR	-	-	420 CR
LEP Growing Places Fund/Teckal Loan Repayments	10,988 CR	-	988 CR	10,000 CR	-	-	-
Revenue Contributions							
- Road Lighting Columns	8,211 CR	7,511 CR	700 CR	-	-	-	-
- Structural Maintenance of Roads	15,000 CR	14,798 CR	202 CR	-	-	-	-
- Kex Gill	4,950 CR	2,840 CR	400 CR	1,711 CR	-	-	-
- Flood Risk Management	1,425 CR	40 CR	281 CR	811 CR	293 CR	-	-
- Junction 47	2,323 CR	-	-	2,263 CR	12 CR	12 CR	36 CR
- Transforming Cities	300 CR	-	-	-	300 CR	-	-
- BALB (PIP)	2,402 CR	1,802 CR	80 CR	60 CR	40 CR	-	420 CR
- Other Revenue Contributions	609 CR	418 CR	147 CR	15 CR	15 CR	15 CR	-
TOTAL GRANTS AND CONTRIBUTIONS	350,445 CR	148,304 CR	104,327 CR	83,500 CR	12,801 CR	227 CR	1,287 CR
Last Update	361,955 CR	148,304 CR	121,813 CR	77,499 CR	12,801 CR	227 CR	1,312 CR
TOTAL NET EXPENDITURE	5,723	5,461	7,192	7,013 CR	-	-	84
Last Update	5,723	5,461	7,158	7,060 CR	-	-	165

2020/21 CAPITAL BUDGET MONITORING - POSITION TO 31 DECEMBER 2020

CHILDREN AND YOUNG PEOPLE'S SERVICE

ITEM	Total £000	Expenditure to 31.3.20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Later Years £000
GROSS EXPENDITURE							
NYCC MANAGED SCHOOL SCHEMES							
Basic Need Schemes	55,394	-	16,902	17,154	6,869	-	14,469
School Condition Schemes	14,339	-	6,869	6,793	296	-	382
Capital Maintenance Programme	7,033	-	4,250	2,784	-	-	-
General Compliance & Health and Safety	264	-	264	-	-	-	-
Strategic Management of Capital	361	-	361	-	-	-	-
SCHOOL MANAGED SCHEMES							
Self Help Schemes	12,418	-	3,418	3,000	3,000	3,000	-
Devolved Formula Capital Grant Funding	5,380	-	1,160	1,410	1,410	1,400	-
NYCC NON-SCHOOL MANAGED SCHEMES							
Catering Equipment	960	-	240	240	240	240	-
Prevention & Commissioning	109	-	-	-	-	-	109
Children & Families	211	-	211	-	-	-	-
TOTAL GROSS SPEND	96,470	-	33,675	31,380	11,815	4,640	14,961
Last Update	96,420	-	38,589	28,034	9,027	4,640	16,130
CAPITAL GRANTS & CONTRIBUTIONS							
NYCC MANAGED SCHOOL SCHEMES							
Capital Grants							
- Basic Need Grant	22,410 CR	-	8,345 CR	8,763 CR	2,476 CR	-	2,827 CR
- Devolved Capital Grant	250 CR	-	165 CR	85 CR	-	-	-
- School Condition Grant	19,715 CR	-	10,204 CR	9,216 CR	296 CR	-	-
- Special Provision Capital Fund Grant	239 CR	-	239 CR	-	-	-	-
- Other Capital Grants	38 CR	-	38 CR	-	-	-	-
Capital Contributions							
- Section 106 Income	30,597 CR	-	7,656 CR	6,670 CR	4,393 CR	-	11,879 CR
- Other Capital Contributions	1,499 CR	-	750 CR	750 CR	-	-	-
Revenue Contributions							
SCHOOL MANAGED SCHEMES							
Capital Grants							
- Devolved Capital Grant	5,380 CR	-	1,160 CR	1,410 CR	1,410 CR	1,400 CR	-
- Sport Organisation Grants	418 CR	-	418 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
Capital Contributions							
Revenue Contributions							
- Catering Equipment	960 CR	-	240 CR	240 CR	240 CR	240 CR	-
- Other Revenue Contributions	211 CR	-	211 CR	-	-	-	-
TOTAL GRANTS AND CONTRIBUTIONS	93,827 CR	-	32,425 CR	30,133 CR	11,815 CR	4,640 CR	14,815 CR
Last Update	93,776 CR	-	37,339 CR	26,787 CR	9,027 CR	4,640 CR	15,984 CR
TOTAL NET EXPENDITURE	2,643	-	1,250	1,248	-	-	146
Last Update	2,643	-	1,250	1,248	-	-	146

ITEM	2020/21 CAPITAL BUDGET MONITORING - POSITION TO 31 DECEMBER 2020						
	CENTRAL SERVICES						
	Total £000	Expenditure to 31.3.20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Later Years £000
GROSS EXPENDITURE							
County Hall Redevelopment	6,444	3,091	2,918	435	-	-	-
Property Rationalisation	1,500	259	75	1,166	-	-	-
Library Service Property Schemes	95	-	95	-	-	-	-
County Farm Properties	200	-	-	200	-	-	-
T&C Roadmap 2020/2025	3,221	-	560	700	700	700	561
GBF Digital Infrastructure Programme	3,000	-	820	2,180	-	-	-
Super Fast Broadband Scheme	840	154	-	-	-	-	686
Library Schemes	769	731	38	-	-	-	-
Purchase of Vehicles, Plant & Equipment	400	-	100	100	100	100	-
Material Damage Provision	2,000	-	500	500	500	500	-
South Cliff, Scarborough	1,212	-	1,212	-	-	-	-
Loans to Limited Companies	41,737	12,229	8,451	16,388	-	87	4,582
Investments in Limited Companies	1,000	500	500	-	-	-	-
TOTAL GROSS SPEND	62,417	16,963	15,269	21,669	1,300	1,387	5,829
Last Update	47,622	16,963	12,379	9,764	1,300	1,387	5,829
CAPITAL GRANTS & CONTRIBUTIONS							
Capital Grants							
- Getting Building Fund	3,000 CR	-	820 CR	2,180 CR	-	-	-
- Performance Reward Grant	800 CR	124 CR	-	-	-	-	676 CR
Capital Contributions							
Loan Repayments	42,237 CR	777 CR	389 CR	4,593 CR	11,747 CR	3,805 CR	20,926 CR
Revenue Contributions							
- Revenue Contributions - Property	6,194 CR	3,091 CR	2,918 CR	185 CR	-	-	-
- Revenue Contribution - Technology & Change	2,790 CR	29 CR	560 CR	700 CR	700 CR	700 CR	100 CR
- Revenue Contribution - Other	1,307 CR	-	1,307 CR	-	-	-	-
- Revenue Contribution - Library Kiosks	741 CR	703 CR	38 CR	-	-	-	-
- Revenue Contributions - Limited Companies	1,000 CR	500 CR	500 CR	-	-	-	-
TOTAL GRANTS AND CONTRIBUTIONS	58,068 CR	5,224 CR	6,532 CR	7,658 CR	12,447 CR	4,505 CR	21,702 CR
Last Update	43,473 CR	5,224 CR	5,117 CR	5,478 CR	12,447 CR	4,505 CR	10,702 CR
TOTAL NET EXPENDITURE	4,349	11,739	8,737	14,011	11,147 CR	3,118 CR	15,873 CR
Last Update	4,149	11,739	7,262	4,286	11,147 CR	3,118	4,873

2020/21 CAPITAL BUDGET MONITORING - POSITION TO 31 DECEMBER 2020

HEALTH AND ADULT SERVICES

ITEM	Total	Expenditure to 31.3.20	2020/21	2021/22	2022/23	2023/24	Later Years
	£000	£000	£000	£000	£000	£000	£000
GROSS EXPENDITURE							
Maintaining Fabric / Facilities of Properties	1,027	-	83	690	254	-	-
Extra Care Scheme (Invest to Save)	13,261	-	2,545	7,517	-	-	3,199
TOTAL GROSS SPEND	14,287	-	2,628	8,207	254	-	3,199
Last Update	14,287	-	2,628	8,207	254	-	3,199
CAPITAL GRANTS & CONTRIBUTIONS							
Capital Grants							
- PSS Capital Grant	609 CR	-	83 CR	526 CR	-	-	-
Revenue Contributions							
- Revenue Contributions - PIP Funding	3,979 CR	-	2,545 CR	1,434 CR	-	-	-
TOTAL GRANTS AND CONTRIBUTIONS	4,587 CR	-	2,628 CR	1,960 CR	-	-	-
Last Update	4,587 CR	-	2,628 CR	1,960 CR	-	-	-
TOTAL NET EXPENDITURE	9,700	-	-	6,247	254	-	3,199
Last Update	9,700	-	-	6,247	254	-	3,199

FINANCING OF CAPITAL PLAN					
Q3 2020/21					
A FORECAST FUNDING AVAILABLE	2020/21	2021/22	2022/23	2023/24	Later Yrs
	£000s	£000s	£000s	£000s	£000s
1 Borrowing					
Prudential (Unsupported) Borrowing	20,616	3,066	600	600	-45,885
Rephased borrowing (capital expenditure & receipts slippage)	-2,447	11,606	-11,194	-3,688	42,362
	18,169	14,672	-10,594	-3,088	-3,523
2 Capital Grants and Contributions					
Health & Adult Services	83	526	0	0	0
Business & Environmental Services	101,529	68,640	12,141	200	831
Children & Young People's Service	29,474	27,393	9,075	1,900	14,815
Central Services	820	2,180	0	0	676
	131,906	98,739	21,216	2,100	16,322
3 Schemes financed from Revenue					
Health & Adult Services	2,545	1,434	0	0	0
Business & Environmental Services	1,810	4,860	660	27	456
Children & Young People's Service	2,951	2,740	2,740	2,740	0
Central Services	5,323	885	700	700	100
	12,629	9,919	4,100	3,467	556
4 Capital Receipts available to finance Capital Spending					
Other capital receipts from sale of properties	4,001	1,308	450	50	670
LEP Growing Places Loan Repayment (classed as capital receipts)	988	0	0	0	0
Company & Other Loan Repayments (treated as capital receipts)	389	14,593	11,747	3,805	20,926
	5,378	15,901	12,197	3,855	21,596
= Total Forecast Funding Available	168,082	139,231	26,919	6,334	34,951
B CAPITAL PLAN Updated gross spend	-163,091	-137,743	-26,169	-6,254	-25,359
C FUNDING REMAINING	4,991	1,488	750	80	9,592
D TOTAL FUNDING REMAINING					16,900

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

26 January 2021

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 2021/22 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 Background

- 2.1 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'.
- 2.2 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.
- 2.3 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 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.

2.4 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.

2.5 This report provides a summary of the following for 2021/22:

2.5.1 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: -

2.5.2 Appendix A – Capital Prudential Indicators

The Capital Prudential Indicators set out the capital expenditure plan and associated indicators, capital financing requirement (£478.1m in 2021/22) and the monitoring of core funds and investment balances. The Minimum Revenue Provision (MRP) Policy Statement is also included in **Appendix A**.

2.5.3 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), £577.9m in 2021/22; and
- The Operational Boundary for External Debt (the limit beyond which external debt is not normally expected to exceed), £557.9m in 2021/22.

2.5.4 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 2021/22.

2.5.5 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 2021/22 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 2020/21 Capital Plan does not include any plans to purchase commercial assets primarily for yield.

2.6 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

2.7 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.

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 2021/22 (**Appendix C**), and in particular;
 - i. an authorised limit for external debt of £577.9m in 2021/22;
 - ii. an operational boundary for external debt of £557.9m in 2021/22;
 - iii. the Prudential and Treasury Indicators for 2021/22 to 2023/24:
 - 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 2021/22;
 - 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.

TREASURY MANAGEMENT STRATEGY 2021/22

1.0 Introduction

- 1.1 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.
- 1.2 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.
- 1.3 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.
- 1.4 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.
- 1.5 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.”

2.0 Reporting requirements

- 2.1 Reporting arrangements in place relating to Treasury Management activities are highlighted below.

3.0 Capital Strategy

3.1 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; and
- the implications for future financial sustainability.

3.2 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.

3.3 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.

3.4 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 MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

3.5 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.

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

4.0 Treasury Management reporting

4.1 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) - 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.

5.0 Scrutiny

5.1 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.

6.0 Treasury Management Strategy 2021/22

6.1 The Treasury Management strategy for 2021/22 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.

6.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

7.0 Training

7.1 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 Asset Services – Treasury Solutions, and further training will be provided as required.

8.0 Treasury management consultants

- 8.1 The County Council uses Link Asset Services - Treasury Solutions as its external treasury management advisors.
- 8.2 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.
- 8.3 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.

CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2023/24

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.

	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	Later Yrs Estimate £m
Capital Expenditure:						
Health & Adult Services	0.7	2.6	8.2	0.3	0.0	3.2
Business & Environmental Services	69.5	111.5	76.4	12.8	0.2	1.4
Children & Young People's Services	20.1	33.7	31.4	11.8	4.6	15.0
Central Services	8.8	15.3	21.7	1.3	1.4	5.8
Total	99.1	163.1	137.7	26.2	6.2	25.4
Financed by:						
Capital Grants & Contributions	-70.0	-131.9	-98.7	-21.2	-2.1	-16.3
Direct Revenue Funding	-23.1	-12.6	-9.9	-4.1	-3.5	-0.6
Capital Receipts	-2.4	-5.4	-15.9	-12.2	-3.9	-21.6
Capital Borrowing Requirement	3.6	13.2	13.2	-11.3	-3.3	-13.1

- 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	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	Later Yrs Estimate £m
Capital Expenditure	0.0	0.0	0.0	0.0	0.0	0.0
Financing costs	0.0	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	0.0
Percentage of total net financing need %	0.0	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	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital Financing Requirement						
Capital Borrowing	295.5	291.5	290.7	291.4	270.6	260.3
Loans to Limited Companies	2.0	8.1	11.3	-11.2	-3.7	-16.3
Investment Properties	0.0	0.0	0.0	0.0	0.0	0.0
Other Long Term Liabilities (PFI / Leases)	155.1	151.6	176.1	170.5	165.2	159.8
Commercial activities / non-financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Total CFR	452.6	451.2	478.1	450.7	432.1	403.8
Movement in CFR		-1.4	26.9	-27.4	-18.6	-28.3

Movement in CFR represented by						
Net financing need for the year (above)		13.2	13.3	-11.3	-3.3	-13.1
Less Long Term Liabilities Movements		-3.5	24.6	-5.6	-5.2	-5.5
Less MRP/VRP and other financing movements		-11.1	-10.8	-10.5	-10.1	-9.8
Movement in CFR		-1.4	26.9	-27.4	-18.6	-28.3

- 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 2.3 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	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Reserves and Balances						
General Working Balance	27.6	27.8	27.8	27.8	27.8	27.8
Strategic Capacity Reserve	47.5	43.3	33.9	31.3	28.3	28.3
Schools Reserve	8.9	9.3	9.3	9.3	9.3	9.3
Other Earmarked Reserves	123.5	79.9	68.5	65.4	62.6	62.5
Total Reserves and Balances	207.5	160.3	139.5	133.8	128.0	127.9
Provisions	13.2	13.2	13.2	13.2	13.2	13.2
Cashflow (Inc Debtors, Creditors)	47.3	37.1	42.1	47.1	47.1	47.1
Personal Estates	10.7	11.0	11.0	11.0	11.5	12.0
Sub Total	71.2	61.3	66.3	71.3	71.8	72.3
Internal Capital Financing						
- Commercial Property	-11.9	-11.9	-11.9	-11.9	-11.9	-11.9
- Loans to Limited Companies	-12.0	-20.0	-27.2	-15.4	-11.8	-8.9
- Remaining Capital Borrowing Requirement	-10.4	-31.1	-40.5	-43.9	-34.3	-22.9
Total Internal Capital Financing	-34.3	-63.0	-79.6	-71.2	-58.0	-43.7
Total Cash Available to Invest	244.4	158.6	126.2	133.9	141.8	156.5

*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 MHCLG regulations have been issued which require the full 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 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 2021/22 will be about £10.8m (including PFI and finance leases).

1.0 BORROWING STRATEGY AND TREASURY PRUDENTIAL INDICATORS

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 2020 and for the position as at 31 December 2020 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	Actual 31.03.20 £m	Actual 31.03.20 %	Current 31.12.20 £m	Current 31.12.20 %
Treasury Investments				
Banks	246.5	53	247.3	53
Building Societies	0	0	0	0
Local Authorities	192.0	41	194.0	42
Money Market Funds	20.0	4	20.0	4
Certificates of Deposit	0	0	0	0
Total managed in house	458.5	99	461.3	99
Property Funds	5.9	1	5.9	1
Total Managed Externally	5.9	1	5.9	1
Total Treasury Pool Investments	464.4	100	467.2	100
Less Other Bodies Investments	226.2		234.6	
Total NYCC Investments	238.2		232.6	
Treasury External Borrowing				
PWLB	243.1	92	227.1	92
LOBO's	20.0	8	20.0	8
Total NYCC External Borrowing	263.1	100	247.1	100
Net Treasury Investments / (Borrowing)	(24.9)		(14.5)	

2.2 The County Council's 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	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt						
Debt at 1 April	285.1	263.1	236.0	221.8	208.5	208.5
Less Expected change in Debt	-22.0	-27.1	-14.2	-13.3	0.0	0.0
Debt at 31 March	263.1	236.0	221.8	208.5	208.5	208.5
Other long-term liabilities (OLTL)	155.1	151.6	176.2	170.6	165.4	159.9
Total Long Term Liability	418.2	387.6	398.0	379.1	373.9	368.4
Less Capital Financing Requirement	452.6	451.2	478.1	450.7	432.1	403.8
Under / (over) borrowing	34.4	63.6	80.1	71.6	58.2	35.4

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 2021/22 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.

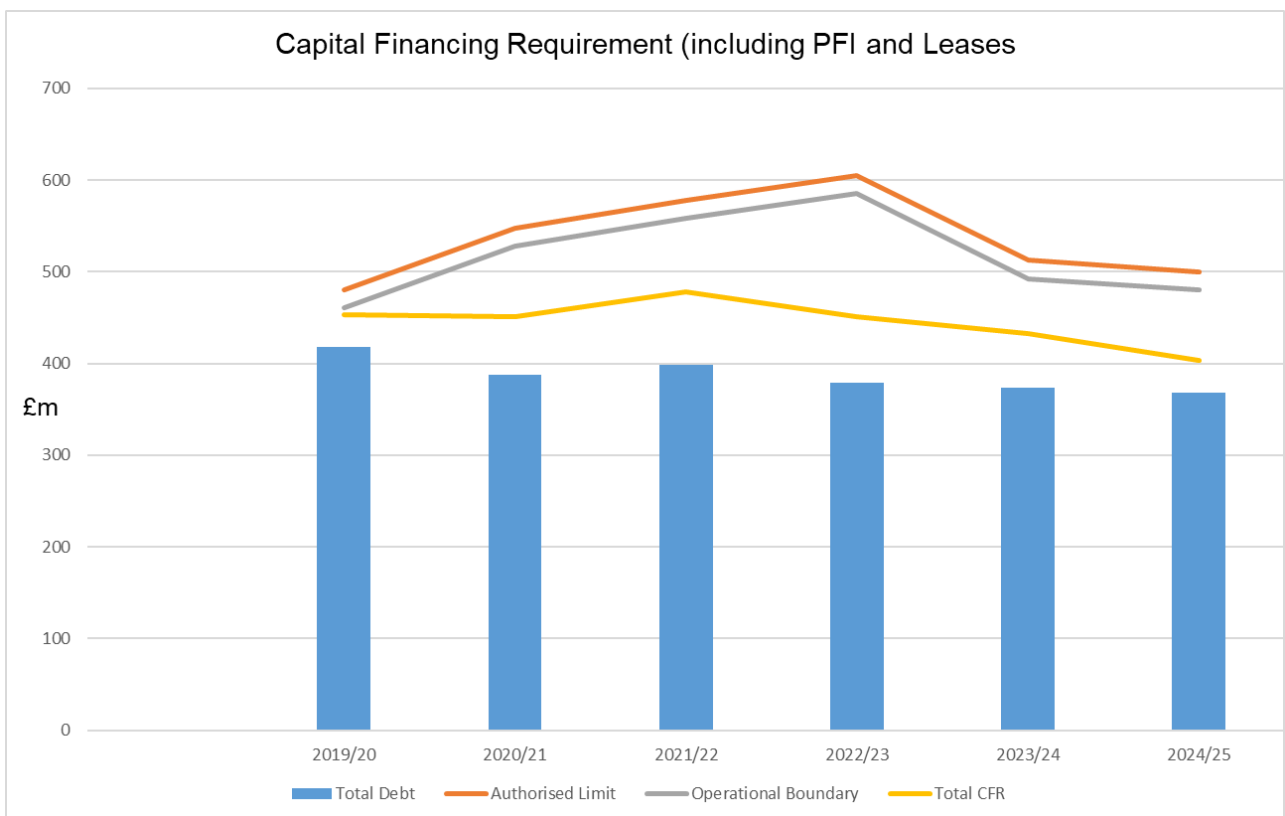
3.0 Treasury Indicators: limits to borrowing activity

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	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	375.9	381.7	414.2	327.2	320.0
Other long term liabilities	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	527.5	557.9	584.8	492.6	479.9

- 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	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	395.9	401.7	434.2	347.2	340.0
Other long term liabilities	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	547.5	577.9	604.8	512.6	499.9



4.0 Prospects for interest rates

4.1 The County Council has appointed Link Asset Services – Treasury Solutions 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 9.11.20														
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

4.2 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its last meeting on 6th August, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

4.3 **Bond yields / PWLB rates.** There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

4.4 Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the financial

crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

- 4.5 As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

5.0 Investment and borrowing rates

- 5.1 **Investment returns** are likely to remain low during 2021/22 with little increase in the following two years.
- 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: indeed, gilt yields up to 6 years were on negative yields during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for amending the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure.
- 5.3 On 25.11.20, 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 2021/22 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; or*
- *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 County 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 the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

8.2 If rescheduling was done, it will be reported to the Executive and Audit Committee as part of the quarterly Treasury Management Reports.

ANNUAL INVESTMENT STRATEGY

1.0 Investment policy – management of risk

1.1 The MHCLG 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 D**).

1.2 The County Council’s investment policy has regard to the following: -

- MHCLG’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 MHCLG 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.

- **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.

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);

- e) **lending limits**, (amounts and maturity), for each counterparty will be set;
 - f) the County Council will set a limit for the amount of its investments which are invested for **longer than 365 days**;
 - g) investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**;
 - h) 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;
 - i) all investments will be denominated in **sterling**; and
 - j) as a result of the change in accounting standards for 2020/21 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 Ministry of Housing, Communities and Local Government, (MHCLG), 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 31.3.23.
- 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 Asset Services – Treasury Solutions. 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 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 equivalent) 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 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 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 Asset Services – Treasury Solutions. 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 All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

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.** Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

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 %
2020/21	0.25
2021/22	0.25
2022/23	0.25
2023/24	0.25
2024/25	0.40
2025/26	0.60

5.3 The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.

5.4 There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter-term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe

haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

- 5.5 While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.
- 5.6 Money Market Funds (MMFs), have seen yields continue to drift lower. Some managers have already resorted to reducing fee levels to ensure that net yields for investors remain positive where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money held at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.
- 5.7 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

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 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.

1.2 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

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 County 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 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 A**.

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.

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 2019/20, and the estimates for 2020/21 through to 2023/24, are provided in **Schedule 2**.

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 A**.

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 2019/20 and forward projections for the current and forthcoming years are as follows:

	2019/20 Actual £m	2020/21 Probable £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital Borrowing	295.5	291.5	290.6	291.3	270.4	260.2
Loans to Limited Companies	2.0	8.1	11.3	-11.2	-3.7	-16.3
Investment Properties	0.0	0.0	0.0	0.0	0.0	0.0
Other Long Term Liabilities	155.1	151.6	176.2	170.6	165.4	159.9
Total Capital Financing Requirement	452.6	451.2	478.1	450.7	432.1	403.8

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 2023/24. 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 County Council, and represents the statutory limit determined under section 3 (1) of the Local Government Act 2003; and
- **Operational Boundary** – this is an estimate of the probable level of the County 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.

3.11 The agreed **Operational Boundary** and **Authorised Limits** for external debt are as follows:

	2020/21 Probable £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Debt outstanding at start of year	263.1	328.8	347.5	380.9	307.2
+ External borrowing requirements					
Capital borrowing requirement	13.2	13.2	-11.3	-3.3	-13.1
Replacement borrowing	27.1	14.2	13.3	0.0	0.0
MRP charged to Revenue	-11.1	-10.8	-10.5	-10.1	-9.8
Borrowing b/fwd from 2019/20	0.0	0.0	0.0	0.0	0.0
Internally funded variations	63.6	16.3	55.2	-60.3	15.7
Sub-total	92.8	32.9	46.7	-73.7	-7.2
- External debt repayment	-27.1	-14.2	-13.3	0.0	0.0
Forecast Debt Outstanding	328.8	347.5	380.9	307.2	300.0
+ Other 'IFRS' long term liabilities PFI / Leases	151.6	176.2	170.6	165.4	159.9
Total Debt Outstanding	480.4	523.7	551.5	472.6	459.9
+ Provision for					
Debt rescheduling	15.0	15.0	15.0	15.0	15.0
Potential capital receipts slippage	5.0	5.0	5.0	5.0	5.0
New borrowing taking place before principal repayments made	27.1	14.2	13.3	0.0	0.0
Operational Boundary for year	527.5	557.9	584.8	492.6	479.9
+ Provision for cash movements	20.0	20.0	20.0	20.0	20.0
Authorised Limit for year	547.5	577.9	604.8	512.6	499.9

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 County Council'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 2021/22 has been compiled on a basis consistent with this policy.

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 CIPFA recently issued an update to its Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Management Code). One of the main changes introduced by the new Code is to require authorities to incorporate all of the financial and non-financial assets held for financial return in authorities' annual capital strategies.
- 4.3 Separately, the Ministry of Housing, Communities and Local Government recently updated its Statutory Guidance on Local Authority Investments, which 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 The 2021 Capital Plan does not include any plans to purchase commercial assets primarily for yield.
- 4.6 The 2021 Capital Plan does include £8.4m relating to expenditure on Alternative Investments, but this specifically relates to Loans to the County Councils Limited Companies. Loans to subsidiary companies provide working capital/financial assistance and are not commercial arrangements primarily for yield.
- 4.7 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.
- 4.8 The County Council does not borrow to fund commercial investment through loans from the PWLB or money markets.
- 4.9 All alternative investment activities are subject to approval in accordance with the County Council's governance framework for decision making.

Alternative Investment Objectives

- 4.10 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.
- 4.11 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.
- 4.12 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).
- 4.13 An overall maximum exposure of £60m for alternative investments was approved by Executive on 15 January 2019.

Commercial Investment Board

4.14 Given the technical nature of potential alternative investments and strong linkages to the County 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.

4.15 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.

4.16 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.

4.17 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.

Membership of the Board is as follows:

- Executive Member for Finance (Chair);
- Executive Member for Growth;
- Corporate Director Strategic Resources;
- Corporate Director Business and Environmental Services;
- Assistant Director Strategic Resources; and

- Assistant Director BES - Growth, Planning and Trading Standards

Investment Properties

- 4.18 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.
- 4.19 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

- 4.20 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.
- 4.21 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

- 4.22 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;
- 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

4.23 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 2021/22 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

4.24 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 31/12/20 £m	Rate of Return %
Alternative treasury instruments						
Money Market Funds	} Low	20.0	} 1 – 5	} >0.10	20.0	0.0
Enhanced Cash Funds		20.0			0.0	-
Certificates of Deposit		20.0			0.0	-
Property Funds		20.0			5.9	3.66
Total Alternative Treasury Instruments					25.9	0.84
Other Alternative Investments						
Loans to Council Companies	Low - Medium	25.0	10	4.00	23.2	4.01
Spend to Save	Low	5.0	7	4.00	-	-
Loans to Housing Associations	Medium	10.0	20	3.00	-	-
Solar Farms (or similar)	Medium	5.0	20	7.00	-	-
Commercial Investments	High	20.0	10	5.00	11.9	1.56
Total Other Alternative Investments *					35.1	3.18

* Total Alternative Investments capped at £60m

4.25 The County Council has the following loans to subsidiaries in place as at 31 December 2020

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	11.9
Yorwaste – Loan 1	3.70	2017/18	10	4.0+Base	3.7
Yorwaste – Loan 2	3.85	2017/18	10	4.0+Base	2.7
Brierley Homes	2.75	2017/18	2	6.0+Base	4.6
First North Law	0.25	2017/18	10	4.0+Base	0.1
NY Highways	11.00	2020/21	10	6.5+base	0.2
Total					23.2

4.26 The County Council has the following Commercial Property Investments in place as at 31 December 2020

Property	Amount £m	Net Yield %
Bank Unit in Stafford Town Centre	0.9	0.6
Harrogate Royal Baths	9.5	6.1
Co-op in Somercotes	1.5	5.3
Total	11.9	1.6

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;
 - 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; and
- 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 2021/22 to 2023/24
3. Economic background
4. Specified and Non Specified Investments
5. Approved Lending List
6. Approved countries for investments

NORTH YORKSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

1.0 **BACKGROUND**

1.1 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.

1.2 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.

1.3 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.

1.4 This current Treasury Management Policy Statement (TMPS) was approved by County Council on 17 February 2021.

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 money 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.

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;

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.

4.3 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

4.4 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.

4.5 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.

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
17 February 2021

PRUDENTIAL INDICATORS UPDATE – FOR 2021/22 TO 2023/24

CAPITAL EXPENDITURE & EXTERNAL DEBT INDICATORS	Comment																																																																				
<p>1 Estimated Ratio of capital financing costs to the net Revenue Budget</p> <p>(a) <i>Formally required Indicator</i></p> <p>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.</p> <p>The estimated ratios of financing costs to the net Revenue Budget for the current and future years, and the actual figure for 2018/19 are as follows:</p> <table border="1" data-bbox="215 667 1079 893"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Executive August 2020 Basis</th> <th colspan="2">Update January 2021 Basis</th> </tr> <tr> <th></th> <th>%</th> <th></th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2019/20</td> <td>actual</td> <td>10.8</td> <td>actual</td> <td>10.8</td> </tr> <tr> <td>2020/21</td> <td>estimate</td> <td>10.7</td> <td>probable</td> <td>10.7</td> </tr> <tr> <td>2021/22</td> <td>estimate</td> <td>10.8</td> <td>estimate</td> <td>10.8</td> </tr> <tr> <td>2022/23</td> <td>estimate</td> <td>10.3</td> <td>estimate</td> <td>10.2</td> </tr> <tr> <td>2023/34</td> <td>estimate</td> <td>-</td> <td>estimate</td> <td>9.5</td> </tr> </tbody> </table> <p>(b) <i>Local Indicator</i></p> <p>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.</p> <table border="1" data-bbox="210 1161 1079 1385"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Executive August 2020 Basis</th> <th colspan="2">Update January 2021 Basis</th> </tr> <tr> <th></th> <th>%</th> <th></th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2019/20</td> <td>actual</td> <td>6.2</td> <td>actual</td> <td>6.2</td> </tr> <tr> <td>2020/21</td> <td>estimate</td> <td>5.7</td> <td>probable</td> <td>5.7</td> </tr> <tr> <td>2021/22</td> <td>estimate</td> <td>5.3</td> <td>estimate</td> <td>5.3</td> </tr> <tr> <td>2022/23</td> <td>estimate</td> <td>5.1</td> <td>estimate</td> <td>5.0</td> </tr> <tr> <td>2023/24</td> <td>estimate</td> <td>-</td> <td>estimate</td> <td>4.6</td> </tr> </tbody> </table>	Year	Executive August 2020 Basis		Update January 2021 Basis			%		%	2019/20	actual	10.8	actual	10.8	2020/21	estimate	10.7	probable	10.7	2021/22	estimate	10.8	estimate	10.8	2022/23	estimate	10.3	estimate	10.2	2023/34	estimate	-	estimate	9.5	Year	Executive August 2020 Basis		Update January 2021 Basis			%		%	2019/20	actual	6.2	actual	6.2	2020/21	estimate	5.7	probable	5.7	2021/22	estimate	5.3	estimate	5.3	2022/23	estimate	5.1	estimate	5.0	2023/24	estimate	-	estimate	4.6	<p>The estimates of financing costs include current Capital Plan commitments based on the latest 2020/21 Q3 Capital Plan.</p> <p>The updated estimates for 2020/21 to 2023/24 reflect the net effect of a range of factors, principally</p> <ul style="list-style-type: none"> (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 2023/24 (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).
Year		Executive August 2020 Basis		Update January 2021 Basis																																																																	
		%		%																																																																	
2019/20	actual	10.8	actual	10.8																																																																	
2020/21	estimate	10.7	probable	10.7																																																																	
2021/22	estimate	10.8	estimate	10.8																																																																	
2022/23	estimate	10.3	estimate	10.2																																																																	
2023/34	estimate	-	estimate	9.5																																																																	
Year	Executive August 2020 Basis		Update January 2021 Basis																																																																		
		%		%																																																																	
2019/20	actual	6.2	actual	6.2																																																																	
2020/21	estimate	5.7	probable	5.7																																																																	
2021/22	estimate	5.3	estimate	5.3																																																																	
2022/23	estimate	5.1	estimate	5.0																																																																	
2023/24	estimate	-	estimate	4.6																																																																	

Prudential Indicator			Comment																																		
<p>2 Capital Expenditure - Actual and Forecasts</p> <p>The actual capital expenditure that was incurred in 2019/20 and the latest estimates of capital expenditure to be incurred for the current and future years are:</p> <table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Executive August 2020 Basis</th> <th colspan="2">Update January 2021 Basis</th> </tr> <tr> <th></th> <th>£m</th> <th></th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>2019/20</td> <td>actual</td> <td>99.1</td> <td>actual</td> <td>99.1</td> </tr> <tr> <td>2020/21</td> <td>estimate</td> <td>176.8</td> <td>probable</td> <td>163.1</td> </tr> <tr> <td>2021/22</td> <td>estimate</td> <td>43.0</td> <td>estimate</td> <td>137.7</td> </tr> <tr> <td>2022/23</td> <td>estimate</td> <td>10.3</td> <td>estimate</td> <td>26.2</td> </tr> <tr> <td>2023/24</td> <td>estimate</td> <td>-</td> <td>estimate</td> <td>6.2</td> </tr> </tbody> </table> <p>The above figures reflect the updated Capital Plan (Q1 2020/21) together with:-</p> <ul style="list-style-type: none"> (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. 			Year	Executive August 2020 Basis		Update January 2021 Basis			£m		£m	2019/20	actual	99.1	actual	99.1	2020/21	estimate	176.8	probable	163.1	2021/22	estimate	43.0	estimate	137.7	2022/23	estimate	10.3	estimate	26.2	2023/24	estimate	-	estimate	6.2	<p>This Indicator now reflects the Capital Outturn in 2019/20 and the Capital Plan update for Q3 2020/21.</p> <p>The variations are principally a result of:-</p> <ul style="list-style-type: none"> (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 2019/20 outturn and Q3 2020/21 to later years (c) various other Capital approvals and refinements reflected in the latest Capital Plan update
Year	Executive August 2020 Basis			Update January 2021 Basis																																	
		£m		£m																																	
2019/20	actual	99.1	actual	99.1																																	
2020/21	estimate	176.8	probable	163.1																																	
2021/22	estimate	43.0	estimate	137.7																																	
2022/23	estimate	10.3	estimate	26.2																																	
2023/24	estimate	-	estimate	6.2																																	

Prudential Indicator					Comment				
<p>3 Capital Financing Requirement (CFR)</p> <p>Actuals and estimates of the Capital Financing Requirement (CFR) at the defined year ends are as follows:</p>									
Date	Executive August 2020				Update January 2021				<p>The January 2021 figures were based on a Capital Plan approved as at 31 December 2020. The updated figures reflect the following variations figures</p> <p>(a) re-phasing between years of expenditure that is funded from borrowing including slippage between years identified at 2019/20 outturn and Q3 2020/21</p> <p>(b) capital receipts (including company loans) slippage between years that affect year on year borrowing requirements</p> <p>(c) variations in the level of the Corporate Capital Pot which is used in lieu of new borrowing until the Pot is required</p> <p>(d) additions and variations to schemes/provisions approved that are funded from Prudential Borrowing</p> <p>(e) variations in the annual Minimum Revenue Provision for debt Repayment which arise from the above</p> <p>(f) Other Long Term Liabilities now include the Allerton Waste Recovery Park PFI Scheme</p>
	Basis	Borrowing	Other Long Term liabilities (PFI etc)	Total	Basis	Borrowing	Other Long Term liabilities (PFI etc)	Total	
		£m	£m	£m		£m	£m	£m	
31 Mar 20	actual	297.5	155.1	452.6	actual	297.5	155.1	452.6	
31 Mar 21	estimate	294.4	151.6	446.0	probable	299.6	151.6	451.2	
31 Mar 22	estimate	292.1	176.2	468.3	estimate	301.9	176.2	478.1	
31 Mar 23	estimate	270.2	170.6	440.8	estimate	280.1	170.6	450.7	
31 Mar 24	estimate	-	-	-	estimate	266.7	165.4	432.1	
<p>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.</p>									

Prudential Indicator	Comment
<p>4 Gross Debt and the Capital Financing Requirement</p> <p>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 (2019/20), plus the estimate of any additional capital financing requirement for the current (2020/21) and next two financial years (2021/22 and 2022/23). 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.</p> <p>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.</p> <p>The Corporate Director – Strategic Resources reports that the County Council had no difficulty in meeting this requirement up to 2019/20 nor are any difficulties envisaged for the current or future years of the Medium Term Financial Strategy up to 2022/23. 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 2020/21 and Medium Term Financial Strategy report.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>This situation, however, could be reversed in future as a result of two key factors:</p> <ul style="list-style-type: none"> (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). <p>This potential situation will be monitored carefully by the Corporate Director – Strategic Resources.</p>

Prudential Indicator				Comment					
<p>5 Authorised Limit for External Debt</p> <p>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.</p> <p>The Prudential Code requires external borrowing and other long term liabilities (PFI and Finance leases) to be identified separately.</p> <p>The authorised limit for 2020/21 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.</p>				<p>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 2020/21 Revenue Budget and Medium Term Financial Strategy and with its approved Treasury Management Policy Statement.</p> <p>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.</p> <p>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.</p>					
	Executive August 2020		Update January 2021						
Year	External Borrowing	Other long term liabilities	Total Borrowing Limit				External Borrowing	Other long term liabilities	Total Borrowing Limit
	£m	£m	£m				£m	£m	£m
2020/21	385.5	151.6	537.1				395.9	151.6	547.5
2021/22	382.2	176.2	558.4				401.7	176.2	577.9
2022/23	409.3	170.6	579.8				434.2	170.6	604.8
2023/24	-	-	-	347.2	165.4	512.6			
2024/25	-	-	-	340.0	159.9	499.9			

Prudential Indicator				Comment		
<p>6 Operational Boundary for External Debt</p> <p>It is recommended that the County Council approves the following Operational Boundary for external debt for the same period.</p> <p>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.</p>				<p>The Operational Boundary represents a key management tool for the in year monitoring of external debt by the Corporate Director – Strategic Resources.</p> <p>The updated figures reflect refinements which are common to the Capital Financing Requirement (see Indicator 3 above), together with</p> <p>(a) relative levels of capital expenditure funded internally from cash balances rather than taking external debt</p> <p>(b) loan repayment cover arrangements and the timing of such arrangements</p> <p>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.</p>		
	Executive August 2020			Update January 2021		
Year	External Borrowing	Other long term liabilities	Total Borrowing Limit	External Borrowing	Other long term liabilities	Total Borrowing Limit
	£m	£m	£m	£m	£m	£m
2020/21	365.5	151.6	517.1	375.9	151.6	527.5
2021/22	362.2	176.2	538.4	381.7	176.2	557.9
2022/23	389.2	170.6	559.8	414.2	170.6	584.8
2023/24	-	-	-	327.2	165.4	492.6
2024/25	-	-	-	320.0	159.9	479.9

Prudential Indicator					Comment																																																																								
<p>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.</p>					<p>The updated estimates for the 3 years to 31 March 2024 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.</p>																																																																								
<table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="3">Executive August 2020</th> <th colspan="3">Update January 2021</th> </tr> <tr> <th>Basis</th> <th>Borrowing</th> <th>Other Long Term liabilities (PFI etc)</th> <th>Total</th> <th>Basis</th> <th>Borrowing</th> <th>Other Long Term liabilities (PFI etc)</th> <th>Total</th> </tr> <tr> <td></td> <td></td> <td>£m</td> <td>£m</td> <td>£m</td> <td></td> <td>£m</td> <td>£m</td> <td>£m</td> </tr> </thead> <tbody> <tr> <td>31 Mar 2020</td> <td>actual</td> <td>263.1</td> <td>155.1</td> <td>418.2</td> <td>actual</td> <td>263.1</td> <td>155.1</td> <td>418.2</td> </tr> <tr> <td>31 Mar 2021</td> <td>estimate</td> <td>236.0</td> <td>151.6</td> <td>387.6</td> <td>probable</td> <td>236.0</td> <td>151.6</td> <td>387.6</td> </tr> <tr> <td>31 Mar 2022</td> <td>estimate</td> <td>221.8</td> <td>176.2</td> <td>398.0</td> <td>estimate</td> <td>221.8</td> <td>176.2</td> <td>398.0</td> </tr> <tr> <td>31 Mar 2023</td> <td>estimate</td> <td>208.5</td> <td>170.6</td> <td>379.1</td> <td>estimate</td> <td>208.5</td> <td>170.6</td> <td>379.1</td> </tr> <tr> <td>31 Mar 2024</td> <td>estimate</td> <td>-</td> <td>-</td> <td>-</td> <td>estimate</td> <td>208.5</td> <td>165.4</td> <td>373.9</td> </tr> </tbody> </table>									Year	Executive August 2020			Update January 2021			Basis	Borrowing	Other Long Term liabilities (PFI etc)	Total	Basis	Borrowing	Other Long Term liabilities (PFI etc)	Total			£m	£m	£m		£m	£m	£m	31 Mar 2020	actual	263.1	155.1	418.2	actual	263.1	155.1	418.2	31 Mar 2021	estimate	236.0	151.6	387.6	probable	236.0	151.6	387.6	31 Mar 2022	estimate	221.8	176.2	398.0	estimate	221.8	176.2	398.0	31 Mar 2023	estimate	208.5	170.6	379.1	estimate	208.5	170.6	379.1	31 Mar 2024	estimate	-	-	-	estimate	208.5	165.4	373.9
Year	Executive August 2020			Update January 2021																																																																									
	Basis	Borrowing	Other Long Term liabilities (PFI etc)	Total	Basis	Borrowing	Other Long Term liabilities (PFI etc)	Total																																																																					
		£m	£m	£m		£m	£m	£m																																																																					
31 Mar 2020	actual	263.1	155.1	418.2	actual	263.1	155.1	418.2																																																																					
31 Mar 2021	estimate	236.0	151.6	387.6	probable	236.0	151.6	387.6																																																																					
31 Mar 2022	estimate	221.8	176.2	398.0	estimate	221.8	176.2	398.0																																																																					
31 Mar 2023	estimate	208.5	170.6	379.1	estimate	208.5	170.6	379.1																																																																					
31 Mar 2024	estimate	-	-	-	estimate	208.5	165.4	373.9																																																																					
<p>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.</p>																																																																													
<p>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.</p> <p>The actual position at 31 March 2020 was 8% (£20m out of a total of £263.1m) against an upper limit of 30%</p>					<p>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.</p>																																																																								

Prudential Indicator	Comment																																													
<p data-bbox="141 309 629 336">9 Maturity Structure of Borrowing</p> <p data-bbox="221 371 1234 427">The upper and lower limits for the maturity structure of County Council borrowings are as follows:-</p> <p data-bbox="221 464 1211 520">The amount of projected borrowing maturing in each period as a percentage of total projected borrowing that is fixed rate:</p> <table border="1" data-bbox="224 555 1220 979"> <thead> <tr> <th data-bbox="226 557 622 647">Period</th> <th data-bbox="622 557 748 647">Lower Limit %</th> <th data-bbox="748 557 869 647">Upper Limit %</th> <th colspan="2" data-bbox="869 557 1218 584">Memo item - actual at</th> </tr> <tr> <td></td> <td></td> <td></td> <th data-bbox="869 584 1046 647">1 April 20 %</th> <th data-bbox="1046 584 1218 647">1 April 21 %</th> </tr> </thead> <tbody> <tr> <td data-bbox="226 647 622 691">under 12 months</td> <td data-bbox="622 647 748 691">0</td> <td data-bbox="748 647 869 691">50</td> <td data-bbox="869 647 1046 691">6</td> <td data-bbox="1046 647 1218 691">6</td> </tr> <tr> <td data-bbox="226 691 622 734">12 months & within 24 months</td> <td data-bbox="622 691 748 734">0</td> <td data-bbox="748 691 869 734">25</td> <td data-bbox="869 691 1046 734">6</td> <td data-bbox="1046 691 1218 734">6</td> </tr> <tr> <td data-bbox="226 734 622 777">24 months & within 5 years</td> <td data-bbox="622 734 748 777">0</td> <td data-bbox="748 734 869 777">50</td> <td data-bbox="869 734 1046 777">3</td> <td data-bbox="1046 734 1218 777">7</td> </tr> <tr> <td data-bbox="226 777 622 820">5 years & within 10 years</td> <td data-bbox="622 777 748 820">0</td> <td data-bbox="748 777 869 820">75</td> <td data-bbox="869 777 1046 820">3</td> <td data-bbox="1046 777 1218 820">3</td> </tr> <tr> <td data-bbox="226 820 622 863">10 years and within 25 years</td> <td data-bbox="622 820 748 863">0</td> <td data-bbox="748 820 869 863">100</td> <td data-bbox="869 820 1046 863">7</td> <td data-bbox="1046 820 1218 863">8</td> </tr> <tr> <td data-bbox="226 863 622 906">25 years and within 50 years</td> <td data-bbox="622 863 748 906">0</td> <td data-bbox="748 863 869 906">100</td> <td data-bbox="869 863 1046 906">74</td> <td data-bbox="1046 863 1218 906">70</td> </tr> <tr> <td data-bbox="226 906 622 979"></td> <td data-bbox="622 906 748 979"></td> <td data-bbox="748 906 869 979"></td> <td data-bbox="869 906 1046 979">100</td> <td data-bbox="1046 906 1218 979">100</td> </tr> </tbody> </table>	Period	Lower Limit %	Upper Limit %	Memo item - actual at					1 April 20 %	1 April 21 %	under 12 months	0	50	6	6	12 months & within 24 months	0	25	6	6	24 months & within 5 years	0	50	3	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	<p data-bbox="1267 619 2078 675">These limits are reviewed annually and have been updated to reflect the current maturity structure of the County Council's debt portfolio.</p>
Period	Lower Limit %	Upper Limit %	Memo item - actual at																																											
			1 April 20 %	1 April 21 %																																										
under 12 months	0	50	6	6																																										
12 months & within 24 months	0	25	6	6																																										
24 months & within 5 years	0	50	3	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																																										

Prudential Indicator	Comment
<p>10 Total Principal Sums Invested for periods longer than 365 days</p> <p>The 2020/21 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 2023/24 being made available for such investments.</p> <p>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.</p>	<p>No change to this limit is proposed.</p> <p>The County Council currently has no such investments that fall into this category.</p> <p>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.</p> <p>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.</p> <p>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.</p>

ECONOMIC BACKGROUND

1.0 The UK.

1.1 The Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 5th November. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of quantitative easing (QE) of £150bn, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target". Its forecasts were optimistic in terms of three areas:

- the economy would recover to reach its pre-pandemic level in Q1 2022;
- an expectation that there will be excess demand in the economy by Q4 2022; and
- CPI inflation forecast to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".

1.2 Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.

1.3 The **Bank's forward guidance** in August stated "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". Inflation is unlikely to cause increases in Bank Rate during this period as there is likely to be spare capacity in the economy for a considerable time. It is expected to briefly peak at around 2% towards the end of 2021, but this is a temporary short-lived factor.

1.4 However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That could involve some or all of the lockdown being extended beyond 2nd December, a temporary relaxation of restrictions over Christmas, a resumption of the lockdown in January and many regions being subject to Tier 3 restrictions when the lockdown ends. Hopefully, restrictions should progressively ease during the spring. It is only to be expected that some businesses that have barely survived the first lockdown, will fail to survive the second lockdown, especially those

businesses that depend on a surge of business in the run up to Christmas each year. This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to the end of 31 March will limit the degree of damage done.

- 1.5 As for upside risks, the announcements in relation to the production and distribution of a COVID19 vaccine have boosted confidence that life could largely return to normal during the second half of 2021, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels, which would help to bring the unemployment rate down. With the household saving rate currently being exceptionally high, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could begin to be eased, possibly in Q2 2021, once vulnerable people and front-line workers had been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% next year instead of 9%. But while this would reduce the need for more QE and/or negative interest rates, increases in Bank Rate would still remain some years away. There is also a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by making positive assumptions around effective vaccines being available soon. It should also be borne in mind that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.
- 1.6 Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1% in August, this left the economy still 9.2% smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64% of its total fall during the crisis. The last three months of 2020 were originally expected to show zero growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. It was expected that the second national lockdown would push back recovery of GDP to pre pandemic levels by six months and into sometime during 2023. However, now that there is high confidence that successful vaccines will be widely administered in the UK in the first half of 2021; this would cause a much quicker recovery than in their previous forecasts.
- 1.7 Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is extremely challenging. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it

is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

- 1.8 This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures risking economic growth and recovery.
- 1.9 **Brexit.** The final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.
- 1.10 **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, with additional incentives for SMEs for six months from 30.4.21 until 31.10.21.
- 1.11 **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
- an extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
 - the furlough scheme was lengthened from the end of March to the end of April.
 - the Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

The Global Economy

2.0 USA.

- 2.1 The result of the November elections means that while the Democrats have gained the presidency and a majority in the House of Representatives, it looks as if the Republicans

will retain their slim majority in the Senate. This means that the Democrats will not be able to do a massive fiscal stimulus, as they had been hoping to do after the elections, as they will have to get agreement from the Republicans. Equity prices leapt up on 9th November on the first news of a successful vaccine and have risen further during November as more vaccines announced successful results. However, the rise in yields has been quite muted so far and it is too early to say whether the Fed would feel it necessary to take action to suppress any further rise in debt yields. It is likely that the next two years, and possibly four years in the US, could be a political stalemate where neither party can do anything radical.

- 2.2 The economy had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases to the highest level since mid-August, suggests that the US could be in the early stages of a third wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the latest wave has been driven by a growing outbreak in the Midwest. The latest upturn poses a threat that the recovery in the economy could stall. This is the single biggest downside risk to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.
- 2.3 However, with the likelihood that highly effective vaccines are going to become progressively widely administered during 2021, this should mean that life will start to return to normal during quarter 2 of 2021. Consequently, there should be a sharp pick-up in growth during that quarter and a rapid return to the pre-pandemic level of growth by the end of the year.
- 2.4 The Federal Open Market Committee's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

3.0 EUROZONE

- 3.1 The economy was recovering well towards the end of Q2 and into Q3 after a sharp drop in GDP caused by the virus. However, growth is likely to stagnate during Q4, and Q1 of 2021, as a second wave of the virus has affected many countries, and is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the worst affected countries. With inflation expected to be unlikely to get much above 1% over the next two years, the ECB has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a

possible tool to use. It is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support from governments.

- 3.2 However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle during the closing and opening quarters of this year and next year respectively before it finally breaks through into strong growth in quarters 2 and 3. The ECB will now have to review whether more monetary support will be required to help recovery in the shorter term or to help individual countries more badly impacted by the pandemic.

4.0 CHINA

- 4.1 After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies.
- 4.2 However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

5.0 JAPAN

- 5.1 Japan's success in containing the virus without imposing draconian restrictions on activity should enable a faster return to pre-virus levels of output than in many major economies. While the second wave of the virus has been abating, the economy has been continuing to recover at a reasonable pace from its earlier total contraction of 8.5% in GDP. However, there now appears to be the early stages of the start of a third wave. It has also been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. There has also been little progress on fundamental reform of the economy. The change of Prime Minister is not expected to result in any significant change in economic policy.

6.0 WORLD GROWTH

- 6.1 While Latin America and India have, until recently, been hotspots for virus infections, infection rates have begun to stabilise. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- 6.2 Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.
- 6.3 Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this is likely to result in more quantitative easing and keeping rates very low for longer. It will also put pressure on governments to provide more fiscal support for their economies.
- 6.4 A surge in investor confidence, as a result of successful vaccines, may help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

7.0 INTEREST RATE FORECASTS

- 7.1 The interest rate forecasts provided by Link were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.
- 7.2 The real risk is if the UK and the EU cannot agree. The UK could override part or all of the Withdrawal Agreement while the EU could respond by starting legal proceedings and few measures could be implemented to mitigate the disruption on 1.1.21. The acrimony would probably continue beyond 2021 too, which may lead to fewer agreements in the future and the expiry of any temporary measures.
- 7.3 Relative to the slump in GDP endured during the COVID crisis, any hit from a no deal would be small. But the pandemic does mean there is less scope for policy to respond. Even so, the Chancellor could loosen fiscal policy by about £10bn (0.5% of

GDP) and target it at those sectors hit hardest. The Bank of England could also prop up demand, most likely through more gilt and corporate bond purchases rather than negative interest rates.

7.4 So in summary, there is not likely to be any change in Bank Rate in 20/21 – 21/22 due to whatever outcome there is from the trade negotiations and while there will probably be some movement in gilt yields / PWLB rates after the deadline date, there will probably be minimal enduring impact beyond the initial reaction.

8.0 The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.; and
- there is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

8.1 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.;
- **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**;
- weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic;
- **German minority government & general election** in 2021;
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile;
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France;
- **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:

- **UK** - a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy;
- 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.

NORTH YORKSHIRE COUNTY COUNCIL ANNUAL INVESTMENT STRATEGY 2021/22 – 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 <i>(These funds have no maturity date)</i>	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 <i>(Custodial arrangements required prior to purchase)</i>	Government Backed	After consultation with Treasury Management Advisor

SCHEDULE 4

NORTH YORKSHIRE COUNTY COUNCIL ANNUAL INVESTMENT STRATEGY 2021/22 – 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

Investment	Security / Minimum Credit Rating	Circumstances of Use	Max % of total investments	Maximum investment with any one counterparty	Max. maturity period
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 Core Cash funds (£10m)	£5m	5 years
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 <small>Custodial arrangements required prior to purchase</small>	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 <small>Custodial arrangements required prior to purchase</small>	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 <small>Custodial arrangements required prior to purchase</small>	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

Investment	Security / Minimum Credit Rating	Circumstances of Use	Max % of total investments	Maximum investment with any one counterparty	Max. maturity period
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

APPROVED LENDING LIST 2021/22

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		
Handelsbanken	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		
Toronto-Dominion Bank	CAN	30.0	365 days		
Credit Industriel et Commercial	FRA	30.0	6 months	-	-
Landesbank Hessen-Thüringen Girozentrale (Helaba)	GER	30.0	365 days		
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 2020

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 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