



Notice of meeting of

Executive

To:	Councillors Waller (Chair), Steve Galloway, Sue Galloway, Moore, Reid, Runciman and Vassie
Date:	Monday, 16 February 2009
Time:	2.00 pm
Venue:	The Guildhall, York

AGENDA

Notice to Members - Calling In:

Members are reminded that, should they wish to call in any item on this agenda, notice must be given to Democracy Support Group by:

10:00 am on Friday 13 February 2009, if an item is called in *before* a decision is taken, *or*

4:00 pm on Wednesday 18 February, if an item is called in *after* a decision has been taken.

Items called in will be considered by the Scrutiny Management Committee.

1. **Declarations of Interest**

At this point, Members are asked to declare any personal or prejudicial interest they may have in the business on this agenda.

2. Exclusion of Press and Public

To consider the exclusion of the press and public from the meeting during consideration of Annex 2 to agenda item 9 (Provision of Construction and Related Services for the Primary Capital Programme), on the grounds that it contains information relating to the financial and business affairs of particular persons. This information is classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

3. Minutes (Pages 3 - 12)

To approve and sign the minutes of the meeting of the Executive held on 3 February 2009.

4. Public Participation

At this point in the meeting, members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Executive's remit can do so. The deadline for registering is **5:00 pm on Friday, 13 February 2009**.

5. Executive Forward Plan (Pages 13 - 14)

To receive details of those items that are listed on the Executive Forward Plan for the next two meetings.

6. Financial Strategy 2009-13 (Pages 15 - 100)

This report presents the Financial Strategy for 2009-2013, including the detailed Revenue Budget proposals for 2009/10, and asks the Executive to make appropriate recommendations to Council.

Note: a revised version of the above report, and Annexes 1-6, was published with this agenda on 11 February 2009.

7. Capital Programme Budget – 2009/10 to 2013/14 (Pages 101 - 136)

This report sets out the proposed capital programme budget for the period 2009/10 to 2013/14 and asks the Executive to make appropriate recommendations to Council.

8. Treasury Management Strategy Statement and Prudential Indicators for 2009/10 to 2013/14 (Pages 137 - 194)

This report asks the Executive to recommend that Council approve an integrated Treasury Management Strategy Statement, the proposed Prudential Indicators for 2009/10 to 2013/14 and the use of the revised Treasury Management Policy and the Treasury Management Practices.

Note: The above report was slightly amended on 11 February 2009 to include two figures in paragraph 13 which were missing from the original published version.

9. Provision of Construction and Related Services for the Primary Capital Programme (Pages 195 - 202)

This report asks Members to approve the appointment of a contractor for the provision of building work arising from the delivery of the first two schools in the Primary Capital Programme.

10. Reference Report - Approval of the Private Sector Housing Strategy 2008-2013 (Pages 203 - 214)

This reference report asks the Executive to consider the recommendation of the Executive Member for Housing and Adult Social Services to approve the Council's new Private Sector Housing Strategy, covering the period 2008-2013.

Note: Annexes 1A, 1B and 1C to the above report have not been included in the printed copies of the agenda but have been made available to view on the Council's website. The web address is www.york.gov.uk

11. Urgent Business

Any other business which the Chair considers urgent under the Local Government Act 1972

Democracy Officer:

Name: Fiona Young

Contact details:

- Telephone – (01904) 551027
- E-mail – fiona.young@york.gov.uk

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

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- ensure that what you want to say speak relates to an item of business on the agenda or an issue which the committee has power to consider (speak to the Democracy Officer for advice on this);
- find out about the rules for public speaking from the Democracy Officer.

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Further information about what's being discussed at this meeting

All the reports which Members will be considering are available for viewing online on the Council's website. Alternatively, copies of individual reports or the full agenda are available from Democratic Services. Contact the Democracy Officer whose name and contact details are given on the agenda for the meeting. **Please note a small charge may be made for full copies of the agenda requested to cover administration costs.**

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Holding the Executive to Account

The majority of councillors are not appointed to the Executive (38 out of 47). Any 3 non-Executive councillors can 'call-in' an item of business from a published Executive (or Executive Member Advisory Panel (EMAP)) agenda. The Executive will still discuss the 'called in' business on the published date and will set out its views for consideration by a specially convened Scrutiny Management Committee (SMC). That SMC meeting will then make its recommendations to the next scheduled Executive meeting in the following week, where a final decision on the 'called-in' business will be made.

Scrutiny Committees

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:

- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

Who Gets Agenda and Reports for our Meetings?

- Councillors get copies of all agenda and reports for the committees to which they are appointed by the Council;
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City of York Council

Committee Minutes

MEETING

EXECUTIVE

DATE

3 FEBRUARY 2009

PRESENT

COUNCILLORS WALLER (CHAIR),
STEVE GALLOWAY, SUE GALLOWAY, MOORE,
REID, RUNCIMAN AND VASSIE

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS**165. DECLARATIONS OF INTEREST**

Members were invited to declare at this point in the meeting any personal or prejudicial interests they might have in the business on the agenda.

No interests were declared, but Cllrs Moore and Vassie announced their intention to withdraw from the room during consideration of agenda item 8 (Access York Phase 1 Park & Ride Development – Major Scheme Bid Submission – Minute 172 refers), under the provisions of the Planning Code of Good Practice, so as not to prejudice their consideration of future planning applications in respect of the Park & Ride sites.

166. EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting during consideration of Annexes 1-4 to agenda item 10 (Discus Bungalows Development Update), on the grounds that they contain information relating to the financial and business affairs of particular persons, which is classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

167. MINUTES

RESOLVED: That the minutes of the Executive meeting held on 20 January 2009 be approved and signed by the Chair as a correct record.

168. PUBLIC PARTICIPATION

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

169. EXECUTIVE FORWARD PLAN

Members received and noted details of those items that were currently listed on the Forward Plan for the next two meetings of the Executive.

170. MINUTES OF WORKING GROUPS

[See also under Part B minutes]

Members considered a report which presented the minutes of recent meetings of the Social Inclusion Working Group (SIWG), the Local Development Framework Working Group (LDFWG) and the Young People's Working Group (YPWG).

Minutes of the following meetings were annexed to the report:

- SIWG – meetings on 19 November 2008 (Annex A) and 14 January 2009 (Annex B)
- LDFWG – meeting on 6 January 2009 (Annex C)
- YPWG – meeting on 15 January 2009 (Annex D).

Members were asked to consider in particular the recommendation in Minute 32 of the SIWG minutes at Annex B, that a total of four disability groups be invited to nominate representatives for appointment to the Group as non-voting co-opted members. It was noted that the current approved membership included only two co-opted members from each of the equality 'strands'. Approval of this recommendation would therefore require a recommendation to Council to increase the membership of the Group.

Having noted the comments of the Shadow Executive on this item, it was

RESOLVED: (i) That the minutes attached at Annexes A to D to the report be noted.

REASON: In accordance with the requirements of the Council's Constitution in relation to the role of Working Groups.

(ii) That Officers be requested to ensure in future that only the minutes of the Working Groups - with any recommendations to the Executive highlighted - be included with the Executive agenda and that any annexes to the minutes not be included.

REASON: To minimise the amount of paperwork received.

171. COMPREHENSIVE AREA ASSESSMENT AND USE OF RESOURCES ASSESSMENT 2009

Members considered a report which provided an overview of the Comprehensive Area Assessment (CAA), including the new Use of Resources Assessment, and outlined the internal preparations to address any risk areas that might affect the Council's first assessment result. This report had also been received by the Audit & Governance Committee, at their meeting on 13 January 2009.

The CAA would come into effect in April 2009, replacing the CPA, JARs, APAs and social care star ratings with an annual assessment identifying key risks to achieving priority outcomes or service delivery. It would focus on delivering outcomes in partnership and would be heavily influenced by the views of residents and service users. It would comprise an 'Area Assessment' examining the effectiveness of local services and an 'Organisational Assessment' focusing on how well the Council delivered value for money.

Steps being taken to prepare for the CAA were set out in paragraph 18 of the report. They included the establishment of a senior level CAA Steering Group, revisions to the recording and reporting of performance indicators and a review of performance against the KLOE areas to be used in the Organisational Assessment. An action plan would be developed to address low scoring areas.

Having noted the comments of the Shadow Executive on this item, it was

RESOLVED: (i) That the requirements of the new Comprehensive Area Assessment be noted and that the work ongoing to meet the requirements of the new process be recognised.

(ii) That the advantage of including Member training relevant to the CAA, in tandem with planned future training events, be noted.

REASON: So that Members are aware of new corporate inspection processes and associated requirements, and work planned to meet those requirements.

172. ACCESS YORK PHASE 1 PARK & RIDE DEVELOPMENT - MAJOR SCHEME BID SUBMISSION

Members considered a report which provided an update on the progress of Phase 1 of the Access York Project since the matter was last reported to Executive on 29 July 2008.

In principle, the scope and anticipated completion date of the Phase 1 scheme (Park and Ride sites) remained the same as set out in the July report. However, there had been a number of changes to the content of the Major Scheme bid, following detailed design and assessment work. These variations were set out in paragraph 7 of the report. Although preparation of the bid had taken longer than anticipated, completion of the project was still expected within 2011/12. Key programme milestones, and variations to the programme reported in July, were highlighted in the table at paragraph 10 of the report. A consultant had been engaged to carry out a procurement options review, to ensure that the most appropriate procurement and delivery approach was progressed. At this stage, the preferred contract for the project was NEC ECC Option C.

The current total revised cost of the scheme was £27.727m, requiring a Regional Funding Allocation (RFA) of £24.100m. This represented a 15%

increase on the original bid approved by the Regional Transport Board (RTB) last April. The projected funding profile was set out in paragraph 26. Funding for the local contribution would need to be identified to enable the bid to proceed and potential funding source were highlighted in paragraph 28. Purchase of the land for the sites was a critical element of the project and negotiations had commenced with landowners of all the sites. It was proposed to secure contracts on the Askham Bar and A59 sites in the near future and for the Clifton Moor site once a preferred site had been confirmed.

Members noted that the apparent increase in costs was in fact the result of a more refined and accurate cost assessment. Final costs would only be known once the tendering stage had been reached. They expressed their thanks to Officers for the work carried out on preparing the bid.

Having noted the comments of the Shadow Executive on this item, it was

RESOLVED: (i) That approval be given to submit the Major Scheme Business Case to the Department for Transport, subject to the endorsement of the Regional Transport Board and the approval of the Director of Resources.¹

(ii) That approval be given to conclude negotiations for the acquisition of land for the sites and to complete conditional contracts where necessary to secure options for future purchase.²

(iii) That the proposed funding sources for the local contribution to the scheme be noted and that Officers be requested to refine this list in the light of other emerging opportunities, such as the increased funding available for the LTP and windfall revenue receipts.³

REASON: To enable the Access York Project to proceed and to ensure that all potential funding sources for the local contribution are explored.

Note: Cllrs Moore and Vassie withdrew from the room during consideration fo the above item, as indicated under 'Declarations of Interest'.

Action Required

- | | |
|--|----|
| 1. Submit Major Scheme Business Case to the DfT | SS |
| 2. Conclude negotiations and complete conditional contracts | SS |
| 3. Investigate further funding sources and refine the list of proposed sources | SS |

173. COUNCIL HEADQUARTERS - UPDATE REPORT

Members considered a report which provided an update on the outcomes of the pre-qualification stage of the procurement process for the delivery of the Council's new headquarters building.

Stage 1 of the procurement process was now complete. Twelve expressions of interest had been received, of which two were non compliant and ten had been taken forward for evaluation. The Project Board had approved the evaluation team's recommendation to take five bidders forward to Stage 2, which would focus on the actual locations proposed. Outline proposals would then be returned for evaluation by 16 February 2009, when a maximum of three bidders would be invited to submit detailed proposals at Stage 3. At this stage, bidders would be expected to engage in public and staff information and consultation sessions.

The Project Board had endorsed an initiative to set up an office of the future as a working model to pilot new workplace concepts in advance of the move to the new headquarters building. The outcomes would be monitored to inform the final internal design of the building. Members' endorsement was also sought for this initiative, the detailed scope of which would be agreed by the Board in February.

Having noted the comments of the Shadow Executive on this item, it was

RESOLVED: (i) That the content of the report, particularly in relation to the procurement of the new headquarters and the progress made to date, be noted.

(ii) That the new initiative to set up an office of the future, as a working model to pilot new workplace concepts in advance of the move to the new headquarters building, be endorsed.¹

REASON: To help inform the final internal design for the new headquarters and to test out new work policies.

(iii) That Officers be asked to develop a direct communication strategy to engage with households in the City, to be conducted at regular intervals, with funding to be contained within the existing project budget.²

REASON: To enable members of the public to express their views on the options before a final selection is made.

Action Required

- | | |
|---|----|
| 1. Implement the 'office of the future' pilot | SS |
| 2. Develop public communication strategy | SS |

174. DISCUS BUNGALOWS DEVELOPMENT UPDATE

Members considered a report which detailed progress made by the Project Steering Group, Council and Development Consortium, in consultation with the Residents' Development Association, to enable the re-development of the Discus Bungalow sites at St Anne's Court / Horsman Avenue, Regent Street and Richmond / Faber Street.

All ground investigation surveys of the sites had now been satisfactorily completed and the planning applications submitted by the Development Consortium had been approved on 20 November 2008. The development would offer a total of 196 homes, of which 60 two-bedroom bungalows and a 41 unit extra care facility would replace the existing Discus Bungalows. Following careful consideration and discussion of the market sale element of the development in the light of the current economic downturn, social grant investment had now been agreed for all 196 homes. It was anticipated that the contractual terms for the development would be signed by mid-February. A draft Heads of Terms for the agreement was attached as (exempt) Annex 1 to the report. Details of evaluations carried out by Property Services on the Development Consortium's financial appraisal were set out in (exempt) Annexes 2 and 3.

The downturn in the housing market and the 'credit crunch' had affected the commercial viability of the project and the Development Consortium had predicted an estimated 11% fall in house prices since their original financial appraisal in 2007. They were therefore unable to pay the capital receipt originally offered in the selection process. Details of a revised capital receipt were set out in (exempt) Annex 4 and Members were asked to consider the following options:

Option 1 – accept the revised capital receipt and continue to work with the Consortium. This would still represent a highly competitive commercial deal.

Option 2 – not accept the revised receipt and re-tender to select a new developer or ask Officers to consider other opportunities to develop the site.

Officers reported at the meeting that the Secretary of State had now granted approval for sale of the sites and that work was expected to begin within the next six weeks. Members welcomed this news and thanked all those involved in enabling this scheme to progress, in particular, the former Executive Member for Housing Services, Cllr Sue Sunderland.

Having noted the comments of the Shadow Executive on this item, it was

RESOLVED: (i) That the contents of the report be noted, and the progress made by the Project Steering Group, Council and Development Consortium, in consultation with the Residents' Development Association, to enable the re-development of the Discus Bungalows sites at St Anne's Court / Horsman Avenue, Regent Street and Richmond / Faber Street.

(ii) That Option 1 be approved; namely, to accept the revised capital receipt offered by the Development

Consortium and, subject to agreed contractual terms, to continue to work with the Consortium to deliver this exemplar housing regeneration project in York.¹

REASON: The revised receipt still represents a highly competitive commercial deal for a phased sale of the Discus Bungalow sites, particularly in the current economic climate, and the development will address the present and future needs of older residents and affordable housing needs in the City.

Action Required

1. Accept the revised capital receipt and continue to work with the Consortium to deliver the project SB

175. RIVERBANK REPAIRS: RIVER OUSE, SCARBOROUGH TO CLIFTON BRIDGE

Members considered a report which provided an update on the current condition of the riverbank between Scarborough and Clifton Bridges, further to the collapse reported to the Executive on 2 December 2008, and the costs of carrying out necessary repairs and stabilisation measures.

As agreed on 2 December, a complete survey had been carried out of the relevant length of the riverbank. This had provided information to establish deterioration since the previous survey in 2002, to determine the work required to repair or replace areas of the bank where required and to estimate the costs of these works. Details of the findings of the survey were set out in paragraph 14 of the report and a suggested programme of works to address these findings, including replacing the failed 40m length of wall, was set out in paragraph 15. Costs of replacing the wall were estimated at £10,000 per metre.

Members were asked to consider the following options:

Option 1 – do nothing and allow the river to continue to naturally scour the riverbank along this stretch.

Option 2 – fund a repair programme as outlined, over an agreed period commencing in 2009/10. This was the recommended option as it would address all the problems identified and provide the asset with an estimated life of between 25 and 100 years.

Having noted the comments of the Shadow Executive on this item, it was

RESOLVED: (i) That the report, and the fact that funding for the work for 2009/10 will be considered as part of the overall Capital Programme which will come to Executive on 16 February 2009 and to Full Council on 26 February 2009, be noted.

(ii) That it be noted that funding considerations for future years will need to be addressed as part of the future capital programme reviews.

REASON: For information, and to ensure that the matter is addressed within the capital programme in this and future years.

(iii) That an update report on general flood related matters be provided to the Executive, to include proposals from the Environment Agency for flood prevention measures in the City, application of the Local Levy, and the impact of climate change as factored into the Ouse Flood Risk Management Strategy.¹

REASON: To set the riverbank repairs in a broader framework and to inform future planning in respect of these issues.

Action Required

1. Schedule update report on Forward Plan for a future Executive meeting SH

176. HOUSING RENT INCREASE 2009/10

Members considered a report which asked them to agree an appropriate level of rent increase for the City of York, in the light of the rent guidelines issued by the Department for Communities and Local Government (CLG) for 2009/10.

To achieve rent convergence (i.e. similar properties charged similar rents regardless of owner) by the government's original deadline of 2011/12, an average increase in council rents of 7.7% would be needed. However, the CLG had proposed that the convergence deadline be extended this year to 2023/24, subject to review in future years. If the rent calculations were altered to take account of this, the average increase would be 6%.

Members were asked to consider the following options:

Option 1 – continue rent re-structuring with convergence in 2011/12 and increase rents by 7.7%. This would be against government guidance.

Option 2 – continue rent re-structuring with convergence in 2023/24 and increase rents by 6%. This was the recommended option, in line with government guidance and the recommendation of the CLG..

Option 3 – implement a rent increase of 2.5%, in line with other fees and charges. This would mean either extending the date for rent convergence beyond the recommended date, imposing higher increases in future years or reducing the working balance on the Housing Revenue Account.

Members noted that the additional income from the rent increase would not go towards improving services in York but would effectively subsidise rents in other parts of the country. Details of this 'negative subsidy' were circulated at the meeting and have been published on-line with the agenda for this meeting as an annex to the report on this item.

Having noted the comments of the Shadow Executive on this item, it was

RESOLVED: (i) That Option 2 be approved and that an average rent increase in York of 6% be agreed.¹

REASON: In accordance with Government advice, and to ensure a balanced Housing Revenue Account.

(ii) That the information provided at the meeting in respect of Housing Revenue subsidy payment be noted, and that the Executive record its concern that the Council is unable to invest this sum (totalling £26,440,000) in improving housing services in York.

Action Required

1. Implement the 6% rent increase

SB

177. ESTABLISHING A STAFFING COMMITTEE FOR CITY OF YORK COUNCIL

Members considered a report which presented proposals for establishing a Staffing Committee for the City of York Council, from the start of the next Municipal Year in May 2009.

Staffing matters were currently dealt with by a joint Urgency and Staffing Matters Committee. However, it was recognised that staffing matters and urgent business should ideally be dealt with in different ways, with staffing matters being diarised on a regular basis and dealt with by a larger group of Members. Hence the proposals for a separate Staffing Committee.

Members were invited to consider the following options:

Option 1 – establish a Staffing Committee by splitting the terms of reference for the Staffing & Urgency Committee, with a membership of ten on a 4:4:2 political proportional basis and regular diarised meetings every two months.

Option 2 – amend the proposals in option 1 with regard to the size of the committee, terms of reference or cycle of meetings.

Option 3 – maintain the status quo.

Members expressed the view that the objective was to establish regular dates for staffing matters, and this did not require the creation of an additional committee. The frequency of the meetings should be based upon necessity and upon advice from HR Officers.

Having noted the comments of the Shadow Executive on this item, it was

RESOLVED: That the existing Staffing and Urgency Committee remain, but that Officers timetable regular meetings to aid the planning of staff-related issues which need to come before the Committee.¹

REASON: To ensure that staffing matters are dealt with efficiently and effectively.

Action Required

1. Include regular meetings of the Staffing & Urgency Committee in the Corporate Diary KS

PART B - MATTERS REFERRED TO COUNCIL

178. MINUTES OF WORKING GROUPS

See also under Part A minutes]

Members considered a report which presented the minutes of recent meetings of the Social Inclusion Working Group (SIWG), the Local Development Framework Working Group (LDFWG) and the Young People's Working Group (YPWG).

Minutes of the following meetings were annexed to the report:

- SIWG – meetings on 19 November 2008 (Annex A) and 14 January 2009 (Annex B)
- LDFWG – meeting on 6 January 2009 (Annex C)
- YPWG – meeting on 15 January 2009 (Annex D).

Members were asked to consider in particular the recommendation in Minute 32 of the SIWG minutes at Annex B, that a total of four disability groups be invited to nominate representatives for appointment to the Group as non-voting co-opted members. It was noted that the current approved membership included only two co-opted members from each of the equality 'strands'. Approval of this recommendation would therefore require a recommendation to Council to increase the membership of the Group.

Having noted the comments of the Shadow Executive on this item, it was

RECOMMENDED: That the recommendation in Minute 32 of the Social Inclusion Working Group meeting on 14 January 2009 be approved and that the membership of the Group be increased accordingly, to include two additional non-voting co-opted Members representing the equalities disability strand.¹

REASON: In accordance with the advice of the Social Inclusion Working Group.

Action Required

1. Refer recommendation to Full Council meeting on 2 April 2009 KS

A Waller, Chair

[The meeting started at 2.00 pm and finished at 2.45 pm].

EXECUTIVE FORWARD PLAN

Table 1: Items scheduled on the Forward Plan for the Executive Meeting on 3 March 2009		
Title & Description	Author	Portfolio Holder
<p>Corporate Strategy Refresh</p> <p><i>Purpose of report: To submit to members the revised Corporate Strategy.</i></p> <p><i>Members are asked to: Consider and approve the content of the refreshed corporate strategy that is due for implementation in April 2009.</i></p>	Janna Eastment	Executive Member for Corporate Services
<p>Third Corporate Finance and Performance Monitor</p> <p><i>Purpose of report: Provision of the latest forecast of the council's financial and performance position.</i></p> <p><i>Members are asked to: agree proposed amendments to plans, mitigation for identified issues and financial adjustments (such as allocations from contingency and virements) which are reserved to the Executive.</i></p>	Peter Lowe	Executive Member for Corporate Services
<p>Third Capital Monitor</p> <p><i>Purpose of report: Provision the latest forecast of the Council's financial and performance position</i></p> <p><i>Members are asked to: Agree proposed amendments to the capital programme and financial adjustments which are reserved to the Executive.</i></p>	Louise Brandford-White	Executive Member for Corporate Services

Table 2: Items scheduled on the Forward Plan for the Executive Meeting on 17 March 2009		
Title & Description	Author	Portfolio Holder
<p>Comprehensive Performance Assessment</p> <p><i>Purpose of report: To provide members with a detailed briefing on the latest government performance framework.</i></p> <p><i>Members are asked to: Note the report's recommendations and comment.</i></p>	Peter Lowe	Executive Member for Corporate Services
<p>Improving the Council's Direct Communications</p> <p><i>Purpose of report: To provide further information and options for improving the council's direct communications</i></p> <p><i>Members are asked to: Comment on the contents of the report.</i></p>	Matt Beer	Executive Leader

Table 3: Items slipped on the Forward Plan with the agreement of the Group Leaders		
No items slipped, but the following item has been removed from the Forward Plan for the meeting on 16 February 2009:		
Title & Description	Author	Reason for removal
<p>Bids for Funding from the Council's Venture Fund</p> <p><i>Purpose of report: To provide Members with the views of the Venture Fund Panel on a number of bids which are requesting funding from the Venture Fund.</i></p> <p><i>Members are asked to: approve (where appropriate) the advance of funds from the Venture Fund.</i></p>	Ross Brown	There have been no Venture Fund bids this year.



Executive

16th February 2009

Report of the Director of Resources

Financial Strategy 2009-13

Summary

- 1 This paper presents the Financial Strategy 2009-2013, including the detailed Revenue Budget proposals for 2009/10. There is a separate report on the agenda covering the Capital Budget.

The proposals in this paper present a balanced budget for the Council for 2009/10 with the following key features:

- a. Revenue investment of £11.386m the funding for which will be achieved through:
 - i. Revenue savings. The Council has gone through a very rigorous and difficult exercise to propose revenue savings of £4.962m which increase the efficiency of the organisation but will have minimal impact on front line services
 - ii. An additional £2.760m from a City of York Council Tax rise of 4.5% resulting in a Band D Council Tax, for City of York Council only, of £1,075.03, an increase of £46.29
 - iii. Meeting £1.251m of one-off expenditure from general fund reserves
 - iv. Additional Formula Grant funding of £1.114m
 - v. A contribution from the collection fund surplus of £0.236m
 - vi. Other adjustments on corporate budgets and additional non-general grant totaling £1.063m.
- b. A net revenue budget of £116.895m, which will be funded by:
 - i. Council Tax income of £70.665m
 - ii. Government grant of £43.480m

- iii. Use of reserves, of £2.389m
 - iv. Collection Fund surplus adjustment of £0.236m
 - v. Unused contingency from 2008/09 of £0.125m
- c. Funding for pupil led aspects of education, primarily schools, of £89.243m to be met by the Dedicated Schools Grant;
- d. A comprehensive consultation exercise has been undertaken as part of the budget process. The recommendations in this report are based on a set of proposed growth and savings items which when amalgamated with the grant settlement and a 4.5% Council Tax increase produce a balanced budget. Other options that formed part of the consultation exercise are included at Annex 5. In considering whether or not to accept any of these additional proposals Members need to take due cognizance of the need to ensure that any amendments to the budget are balanced, that is savings and growth must either equal each other; or be corrected via appropriate transfers to or from reserves; or result in equivalent adjustments to the Council Tax levied by the Council; or reflect adjustments to the fees and charges levied.
- 2 The savings identified are likely to result in 9.1 fte posts being lost of which 2.5 fte are occupied, every effort will be made to redeploy the staff affected. However, these proposals will enable the Council to maintain and continue to improve its existing quality services (such as education and social care) whilst investing in core priorities and areas of need. Alongside this the Council has also been able to maintain public priorities such as; free national bus passes for the over 60's, free evening car parking for residents and enhanced waste recycling arrangements. It is useful to put this in the context of a Council Tax increase of approximately 89 pence per week and that in 2008/09 York had the third lowest Council Tax and lowest spend per person of any Unitary Authority.
- 3 In addition to known commitments, there are increasing volume and price/cost demands on services, particularly in social services and in waste where a landfill tax increase of £8 per tonne per annum will add around £0.5m to costs. The total non-schools growth allowed for in the proposed budget is £10.248m. A full list of these pressures is shown at Annex 3.
- 4 To help fund the rising budget pressures and keep Council Tax down, the non-Education budget proposals include efficiency savings and income generation proposals of £4.962m. A full list is shown at Annex 4.
- 5 Members should note that there are a number of potential expenditure pressures which may materialise in 2009/10, but which cannot at this stage be quantified with any certainty. It is proposed that a General Contingency of £0.6m is set to cover these eventualities. This level of contingency is proposed based on a risk assessment of all the as yet unquantified financial issues that face the Council next year. The contingency allows for just under 70% of the known issues to be funded should they arise. Possible calls on this contingency are detailed at Annex 2.

- 6 The budget provides for the use of reserves to fund one-off expenditure items totalling £1.251m. This use of reserves is based upon current projected underspending on the revenue budget for this year of around £1.4m. This represents prudent management of in-year resources with a view to ensuring that future pressures can be resourced. Provision for the impact of the economic downturn is also made within the sum on £1.251m.
- 7 The Medium Term Plan sets out the forecast expenditure plans for the Council, against the levels of projected grants and Council Tax. It is clear that the Council faces a number of significant pressures in coming years and the need to deliver efficiency savings will continue over the next few years, with a view to ensuring service quality is maintained and improved. A number of key assumptions are made within the financial plans, and these are set out later in this report. The Medium Term Plan has at its focus the need to deliver real efficiency and also provide provision for meeting priorities in the future.
- 8 The budget as set out continues significant investment in a range of Council priorities, and provides for affordable investment in a range of pressures and priorities facing the Council. Medium term planning has been enhanced through the revised strategies, which seek to ensure prudent and affordable financial planning over the longer term. The impact of the budget proposals is considered within the report, with specific reference to Council priorities, the economic downturn and consultation.
- 9 The strategy takes particular account of the economic downturn, this is important in terms of risk and also in terms of the Council making a positive contribution to dealing with the economic situation. In terms of risk various factors are considered:
 - Levels of income - e.g. car parking, treasury management
 - Additional funding – establishing a £400k credit crunch special one-off contingency and £40k on-going base budget.

Additional Information is included in the section on Budget Impact Assessment.

Financial Strategy 2009-2013

- A. Purpose and Scope of the Strategy
- B. Links with other Strategies
- C. Local and National Priorities
- D. Current National Issues
- E. The Financial Strategy's Objectives
- F. Development of the Financial Strategy
- G. Consultation
- H. Financial Context
- I. Revenue Budget 2009/10 - Detailed Analysis
- J. The Revenue Plan 2009-2013
- K. Impact Assessment

(note: the Capital Plan will be incorporated into the final Financial Strategy – this report is considered as a separate Agenda item)

A. PURPOSE AND SCOPE

- 10. The Financial Strategy sets out the framework of the Council's budget by detailing how available resources will be allocated between services, reflecting Council priorities, and providing the framework for the preparation of annual budgets. In particular it:
 - sets out the Council's medium term financial aims;
 - sets out the measures to be taken to ensure they will be achieved;
 - sets out the Council's approach to delivering improved services and value for money over the next few years;
 - describes the Council's arrangements for developing the medium term financial plan, including:
 - the identification and prioritisation of spending needs
 - the key financial influences on our medium term financial planning and the assumptions made in developing the plan
 - the challenges and risks associated with the plan and how we will deal with them.
 - sets out the Council's policy on reserves and balances.

The Financial Strategy covers all revenue and capital spending plans (capital report is covered as a separate Agenda item)

B. LINKS WITH OTHER STRATEGIES

11. The Council's financial strategy and plan is linked with and supports service priorities and the Council's other strategies and plans. These include:
- the Community Strategy
 - the Council's Corporate Plan
 - the Asset Management Plan
 - the IT Strategy and Work Programme
 - the Procurement Strategy
 - the Treasury Management Strategy
 - the HR Strategy and other related HR policies

C. LOCAL AND NATIONAL PRIORITIES

Our priority themes

12. The corporate strategy is currently undergoing a refresh process, which will ensure that the Council's priorities align to that of the city. To do this, the Council's priorities will be focused around the 7 themes of the Sustainable Community Strategy, which are described below.
- **A Healthy City**
We want to be a city where residents enjoy long healthy and independent lives. For this to happen we will make sure that people are supported to make healthy lifestyles choices and that health and social care services are quick to respond for those that need them.
 - **A Thriving City**
We will continue to support York's successful economy to make sure that employment rates remain high and that local people benefit from new job opportunities.
 - **A Sustainable City**
We aim to reduce our impact on the environment while maintaining York's special qualities and enabling the city and its communities to grow and thrive.
 - **An Inclusive City**
We will do our best to make sure that all citizens feel included in the life of York. We will help improve prospects for all, tackle poverty and exclusion and make services and facilities easy to access.
 - **A Safer City**
We want York to be a safer city with low crime rates and high opinions of the city's safety record.
 - **A Learning City**
We want to make sure that the local people have access to world-class education and training facilities and provision. This will help them to develop the skills and

aspirations they need to play an active part in society and contribute to the life of the city.

- **A City of Culture**

We want to inspire residents and visitors to free their creative talents and make York the most active city in the country. We will achieve this by providing high quality cultural and sporting activities for all.

13. The Council's medium term financial planning is driven by these priorities. By integrating the development of the budget and financial plan with these priorities we seek to ensure that resources have been allocated to deliver the corporate priorities, in a robust and sustainable manner. The Financial Strategy also seeks to make links with national priorities. In considering any proposals for investment the links to national priorities are considered. By planning over a number of years the Financial Strategy aims to ensure that Local and National priorities are delivered in the long term, and service improvement and realignment is planned in an effective manner.

D. CURRENT NATIONAL ISSUES

External Influences

14. As Council Tax provides for only 17.4% of the Council's gross revenue spending, most of the Council's resources come from central government and, consequently, our Financial Strategy is to some extent shaped by factors outside our immediate control. However, there are many facets to an effective Financial Strategy and the Council must ensure it proactively manages its resources with a view to ensuring robust financial planning that delivers Council priorities.

Comprehensive Area Assessment

15. The white paper 'Strong and Prosperous Communities' set out wide ranging proposals for support and improvement of local services. A key part of these proposals is a new performance assessment framework, the Comprehensive Area Assessment (CAA), which comes into operation from 1 April 2009.
16. CAA will focus on the delivery of outcomes that are the responsibility of the Council and our partner organisations including Police, Health, Fire and Rescue services and other Local Authorities. The process is based on two assessments, an Area Assessment and an Organisational Assessment.

Community outcomes, efficiency, partnership working and value for money are key measures in these assessments with a new set of national indicators measuring the performance of the Council and its partners against Government priorities.

The proposals are being piloted at this time in several councils across the country and final details of the CAA process will be published in the spring of 2009. The results of the first year's assessments will be published in November 2009.

Three year settlements for Formula Grant and Revenue Financing

17. In July 2005 the Government announced the introduction of a multi-year settlement process in order to give more stability and certainty to Local Authorities. The first full three-year settlement was announced in December 2007 and covered the 2008/09, 2009/10 and 2010/11 financial years.

The introduction of 3-year settlements is aimed to improve the ability to forecast the overall financial position for the Council. However there will remain significant uncertainties in long term planning, as the level of grant is only part of a complicated set of assumptions in long term financial planning.

Public Spending Plans and National Priorities

18. It should be recognised that the growth in public spending in recent years (primarily towards Health and Education) is unlikely to continue at the same rate. Public services are however under increased pressure from their customers for improved service provision. In addition, national targets for improved service delivery are becoming common, including electronic service delivery, planning, concessionary fares and recycling.

This financial strategy seeks to ensure national priorities are considered alongside local priorities.

Efficiencies

19. In October 2007 the Department of Communities and Local Government (DCLG) published a report 'Delivering Value for Money in Local Government'. The report highlights that public services have been set a target of achieving at least 3% net cash releasing Value for Money gains per annum, between 2008 and 2011. Collectively councils are expected to achieve £4.9 billion cash releasing efficiency by 2010-11.
20. These efficiencies have to be achieved through a greater focus on Value for Money and through a culture of innovation. Responsibility for identifying opportunities for efficiency gains is left to individual councils and it will be up to them to put in place the processes that they need to plan VFM projects, track delivery, measure achievement, and assure service quality. All councils' progress on efficiency will be monitored and challenged through a number of methods including Comprehensive Area Assessment (CAA) and a new performance framework consisting of 198 performance indicators which includes a new national VFM indicator.
21. The Council recognises the need to ensure VFM and this will be reflected in the new Corporate Strategy. To help deliver further VFM the Council has engaged an efficiency partner to work with the Council with a view to achieving improved efficiency and effectiveness.

Sustainability

22. Sustainability is a key measure of CAA. It is about long term social and economic benefits ensuring a strong healthy and just society as well as

environmental concerns. In order to ensure that the Council's services and actions promote sustainability the Council has developed a Sustainability Policy which contains principles and measures that are to be implemented over the coming years.

Local Area Agreements

23. Local Area Agreements (LAA's) are about improving local services through a 3-year agreement between the main public sector agencies working in an area and the government.
24. Local Public Service Agreements were developed by government as a means of raising performance and providing better public services in key areas. LPSA agreements focus on the performance of a selection of services, and set specific improvement targets for them to hit. The participating services are provided with up-front investment to aid achievement of this enhanced performance. For meeting the targets set or for making significant progress towards them, a reward grant is payable by government.
25. York's second LPSA ran from April 2005 to December 2008 and had a potential Performance Reward Grant (PRG) of £3,935,028. There were 12 areas for improvement under this second agreement, headed by specific Council departments, or as in the case with a number of targets, by Safer York Partnership. With all but one performance result in, projections show that we are likely to achieve £2.3m, or approximately 60%, of our available fund. The remaining result relates to Not in Education Employment or Training (NEET's) and will be available shortly. Once submitted this data will be subject to internal audit before a claim for the full amount of Performance Reward Grant can be made to the DCLG.

Significant Partnerships

26. In order to deliver more efficient services the Council continues to work with a range of partner organisations throughout the area. In some cases it has entered into a formal agreement with partners for the delivery of services and projects, examples include –
 - Safer York Partnership
 - Joint Commissioning with the Health Authority
 - Joint Agency Panel for Out of Authority Placements
 - Learning Disabilities Integrated Services
 - Community Asset Transfer, St Clements Hall
 - Yorkshire Purchasing Organisation
 - Waste PFI with North Yorkshire County Council

Area Based Grants

27. The Government has significantly increased Local Authorities' flexibility over the use of their main stream resources in recent years by moving at least £5 billion into non-ring fenced general grants over the Comprehensive Spending Review period. £4 billion of this amount has been moved into Area Based Grants. Area Based Grants are allocated on a 3 year basis to tie in with 3 year finance

settlements. The grants are non ring fenced and the grant determinations do not include any conditions for use. Local Authorities are therefore free to use the grants as they see fit to support the delivery of local, regional and national priorities in their areas. During 2009/10 the Council will receive Area Based Grants of £15.4m which is approximately double the amount received in 2008/09 due to the transfer in to the Area Based Grant of the Supporting People grant.

External Funding

28. The Audit Commission sees the achievement of external funding as a key part in the demonstration of Value for Money. External funding opportunities include European funding, lottery funding, and Yorkshire Forward funding. The Council must carefully appraise the role that external grant resources can play in meeting its objectives. Decisions about bidding for external grants must be taken in the context of the priorities in the Corporate Plan.

E. THE FINANCIAL STRATEGY'S OBJECTIVES

29. The Financial Strategy is designed to maintain financial stability and, as far as possible, avoid the need for large unplanned increases in Council Tax and unaffordable borrowing, whilst ensuring we have sufficient resources to achieve the corporate aims and priorities. To this end, it is proposed that the Medium Term Financial Strategy should ensure the following specific objectives:

Objective 1- Budgets are Prudent and Sustainable in the Long Term

This seeks to ensure that budgets recognise real cost pressures, and that no over reliance is placed upon any one-off savings, and/or use of one-off reserves. This will be achieved by ensuring:-

- adequate provision is made for inflation pressures, current economic conditions, pay awards, and new legislation
- the revenue budget is not supported by one-off savings, or any significant use of reserves
- effective budget monitoring to ensure early identification of issues and action planning

Objective 2- Financial Plans Recognise Corporate Priorities and Objectives

This seeks to ensure that financial plans link with corporate planning and priorities, and that there is provision within the Financial Strategy for growth/development funding on an ongoing basis. This will be achieved by ensuring:-

- additional investment and savings proposals make explicit reference to corporate priorities
- local and national targets are considered
- long term vision and objectives are considered within the report
- provision within financial planning figures for growth and contingency amounts based upon perceived risk,
- a review capital prioritisation process/option appraisal

Objective 3 - Significant risks are identified, and factors to mitigate against those risks are identified

Risk Management is crucial in long term planning, and it is essential that the Financial Strategy clearly identifies the associated risks, and that this is supported by an embedded risk management culture within the organisation. This will be achieved by:-

- risk management being embedded in corporate and service planning
- financial risks being specifically considered on an ongoing basis, and specifically reflected within the Financial Strategy
- targeting high risk areas when setting budgets and monitoring these areas closely throughout the year

Objective 4 - The Capital Programme is planned over a 5 year period, with "Unsupported" Borrowing minimised, other than where there are clear financial or economic benefits for the development of the City

This seeks to ensure that unsupported borrowing is minimised, thereby ensuring the capital programme is prudent and sustainable. This will be achieved by ensuring: -

- the development of a 5 Year capital programme
- the use of unsupported borrowing will be minimised
- where schemes demonstrating economic rather than financial benefits are funded by unsupported borrowing the associated revenue costs will be reported, considered and approved by Council, to ensure that they are affordable
- an adoption of an Invest to Save Strategy
- contingency funding is included within the capital programme
- a Corporate approach to external funding opportunities

Objective 5 - Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account

It is important that the Financial Strategy is realistic and that there is a corporate awareness of the constraints on Council funding. This will be achieved by ensuring:-

- specific reference within each financial strategy of constraints and current issues
- regular reporting to Executive on local government finance issues
- awareness of the financial position within the organisation through an effective communication strategy

Objective 6 - Council Tax increases will be kept below the Government's expected upper level of increase, and the broad anticipated increase for future years will be set out within the Financial Plans, recognising that these increases may be subject to change

The Government may in the future require authorities to set out planned Council Tax increases for the next three years. It is important in developing the financial plan that an assumed Council Tax increase is included, ensuring that financial plans do not place over-reliance upon excessive Council Tax increases. This will be achieved by ensuring that financial plans take account of this level of Council Tax increase, Government expectations on Council Tax increases, and in particular that target efficiency gains reflect the likely levels of Council Tax. However, it has to be recognised that additional burdens and demands can be placed upon local authorities, and that it may not always be feasible to achieve an increase in Council tax in line with the inflation rate.

Objective 7 - Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council

It is important to strike a balance between maintaining adequate reserves and contingencies and delivering priorities and achievement of value for money. This will be achieved by ensuring an annual review of reserves, linked to corporate priorities and treasury management implications.

Objective 8 - Value for Money and achievement of improved efficiency and service delivery underpin the Financial Strategy

Value for Money should be at the heart of everything the Council does, and the pursuit of improved efficiency and performance needs to be established as an ongoing underlying principle. This is being achieved through:-

- a corporate efficiency programme, linked to transformation through the Easy Programme
- a corporate approach to external funding
- embedded finance and performance reporting to Members
- benchmarking the costs and performance of our services

Objective 9 - The Financial Strategy supports the achievement of excellence in financial management and Use of Resources

A Financial Plan in isolation will achieve little. It needs to be supported by:-

- effective financial governance arrangements
- effective Corporate Governance embedding the principles contained within the CIPFA/SOLACE good governance framework, and the implementation and assurance of these principles through the Council's Single Improvement Plan/Business Model
- financial management that supports performance
- effective monitoring arrangements
- effective financial reporting

This will be achieved by:-

- implementation of the action plan in relation to the Use of Resources assessment. A highly visible Single Improvement Plan focused on core procedures and processes that an effective Council needs to have in place

- developing the financial culture within the Council
- financial reporting and documentation based upon stakeholder needs
- improved financial systems (General Ledger Upgrade)
- Training and Development - finance/non finance
- Integration of financial and non financial performance measures

These objectives are further explored throughout this report.

F. DEVELOPMENT OF THE FINANCIAL STRATEGY

30. As noted above, the development of the budget and medium term financial plan is driven by the Council's priorities. The Financial Strategy aims to help Members to determine priorities and forecasts the changes in demand for services, and the likely financial implications of changes in legislation. The Strategy also demonstrates the future cost of policies or proposals, and seeks to balance the demand for spending with the resources likely to be available. The Strategy provides a financial framework within which departments and individual managers can plan their services.
31. The financial strategy comprises a 5-year revenue plan and a 5-year capital plan. The plans will be reviewed annually and rolled forward by a year.
32. The process, from the start of the review of the financial plans through to the approval and allocation of budgets, will span the whole year and will engage regularly with senior Members and senior Managers throughout the Council. Ownership and understanding of the Financial Strategy is crucial in ensuring effective long term planning within the Council.
33. One of the key features of the budget process is the linkage between the corporate financial requirements and the operational needs and demands of the Council. This is done through the Service Plans that identify funding requirements for the revenue and capital budget, performance outcome expectations and risk assessments.

The Financial Strategy will be communicated to staff and other key stakeholders.

G. CONSULTATION

34. The Council's budget has been widely consulted on. The forms of consultation included the following
 - 1) the postal and web based survey of citizen's priorities for budget growth and savings
 - 2) Web-based survey amongst the council's business panel of c350 local businesses
 - 3) meetings of partners, the voluntary sector and the business community where an in depth analysis of the situation and options were presented
 - 4) EMAP meetings where budget proposals, options and details, including Service Plans, were presented

The main form of consultation was the postal and online survey of citizens' views.

These surveys had a total of 7,748 responses, around a 9% return. This is a good response rate for this type of survey and up almost 20% on the 2008 consultation.

H. FINANCIAL CONTEXT

- 35. Ever since York became a Unitary Council in 1996 its funding and spend position has been comparatively low compared to other the Unitary Authorities which were created at the same time. York has a comparatively low level of Council Tax, spend per head and receives one of the lowest grant per head settlements as the following three charts show.
- 36. In 2008/09 York had the third lowest Band D equivalent Council Tax of all 46 Unitary Council's, it had the lowest spend per head and received the 7th lowest Government Grant per head. Therefore York can be considered to be one of the lowest funded authorities in the country which is why decisions about the budget and the consequential impact on the council's priorities and services are difficult and important.

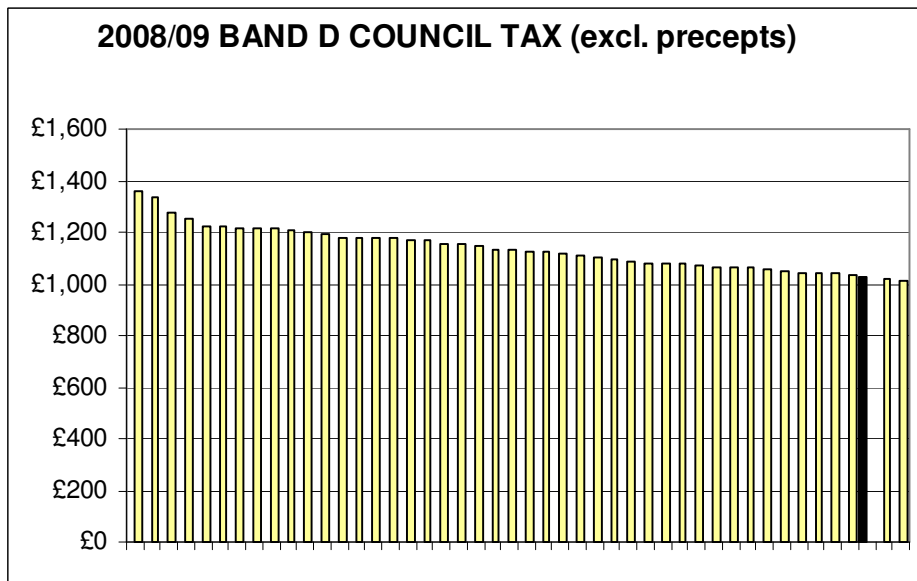


Chart 1 2008/09 Band D Council Tax – All Unitaries

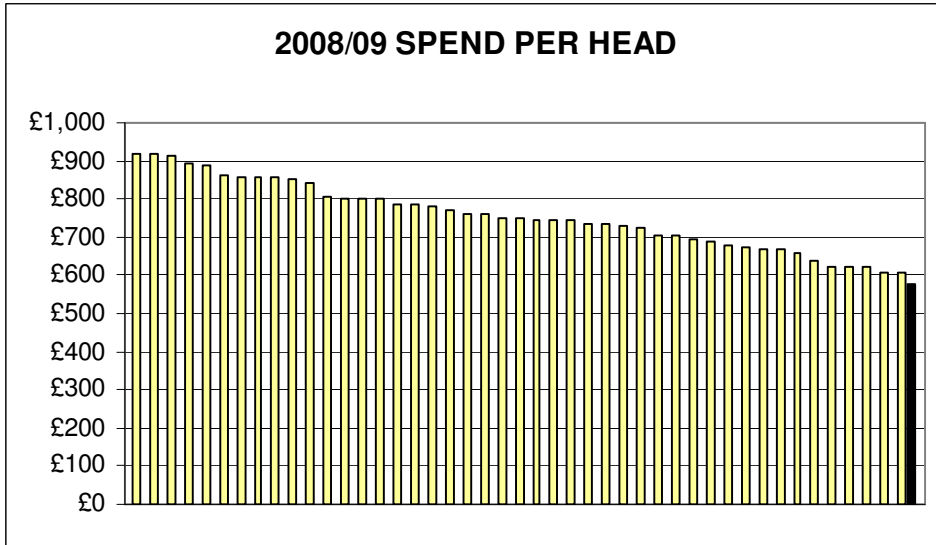


Chart 2 2008/09 Spend per Head – All Unitaries

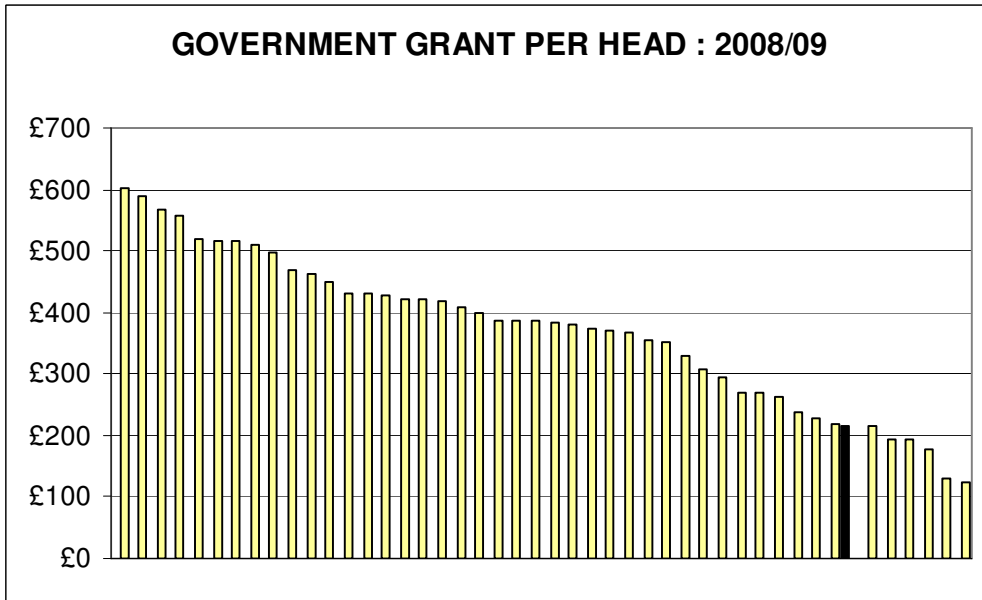


Chart 3 2008/09 Grant per Head – All Unitaries

I. THE REVENUE BUDGET 2009/10 - DETAILED ANALYSIS

Background

37. The base for the 2009/10 budget is the Council's net revenue budget for 2008/09 of £110.471m. The Medium Term Financial Strategy for 2009/10 (presented to the Executive in September 2008) estimated that to stay within the government's likely range for a 2009/10 Council Tax rise, meet all known expenditure pressures, and provide for service investment, the Council would be facing a budget gap for 2009/10 of around £6m after allowing for increased government grant and a Council Tax increase towards the upper end of the likely capping limit.
38. The provisional funding settlement for 2009/10 was published on 26 November 2008 and final details were published on 21 January 2009. This gave the Council a 2.74% increase in grant compared to a Unitary average increase of 3.4%. York did worse than average due to the fact that it is at the ceiling when it comes to grant increases and so it could not have got any more than 2.74%.
39. Members of the Executive will be asked to recommend the income and expenditure proposals in this budget paper for the approval of Full Council on 26th February 2009.

Expenditure Pressures & Budget Position

40. Annex 1, summarised in Tables 1 to 7, sets out the latest estimate of the Budget position for 2009/10, using the funding assumptions described in the earlier section and the savings and growth presented to EMAP meetings.

Expenditure Requirements	2009/10 £,000
Net Expenditure Budget for 2008/09	112,294
Less: One-off Funding for non-recurring items	-1,823
Starting Expenditure Requirements for 2009/10	110,471
Unavoidable and Corporate Non-Schools Expenditure Pressures	6,105
Directorate Growth Funded via Reprioritisation	2,292
Non-recurring growth from 2008/09	1,138
Contingency	600
One-off growth	851
Special one-off contingency for Corporate Credit Crunch	400
Total Expenditure Pressures	11,386
Total Expenditure Requirements for 2009/10	121,857

Table 1 – 2009/10 Expenditure Requirements

The corporate and directorate spending pressures and growth proposals are outlined in Annex 3 and summarised below:

Corporate Growth	£000
Corporate Pay and Prices inflation	2,590
Pay increments	882
Impact of Job Evaluation on employer's pension contributions	80
Treasury management	790
Energy Inflation	539
Full year effect of growth decisions in 2008/09	712
Replacement of one-off savings from 2008/09	147
IT Development Plan	350
Increase in Flood Levy	15
Total Corporate Growth	6,105

Table 2 – 2009/10 Corporate Growth

Price Inflation (£437k within the £2,590k)

Even with the increased level of uncertainty in the level of general inflation the severity of the expenditure pressures facing the Council for next year means that it is proposed that there is a general price inflation allowance of 2.5% on net controllable non-pay budgets.

Pay Inflation and Employers' Superannuation Contribution (£2153k pay, £80k superannuation allowance)

For many years the council has used 2.5% as an estimate for pay increases, however there is now widespread opinion that there will be downward pressure on pay awards in 2009/10 and as such the estimate has been reduced to 2.25%. The Council also employs a number of staff under different national conditions (for example Craft, Soulbury and Teachers). Where appropriate pay inflation for these employees has been included in line with current agreements and forecasts. In total pay awards are estimated to cost £2.153m.

An assessment of the increase in the employers contribution to the superannuation fund due to the changes from the introduction of the new pay and grading scheme has been made. It is estimated that the changes will mean a 0.125% increase in the employers contribution which is £80k per annum.

Pay and Grading Increments (£882k)

The council introduced its new pay and grading scheme in December 2008 and backdated any gains to 1st April 2008. No additional budgets to those already set aside (£2.6m ongoing plus much smaller contributions within school budgets and the HRA) are proposed in the 2009/10 budget with the exception of a contribution to the increased cost of increments of £882k. The full cost of increments will be in region of £2.1m but the remainder of this funding is contained in the funding model for the pay and grading project. However at the appeal submission deadline in early January 2009 occupants of 515 posts had submitted an appeal against their original score for their job. Depending on the outcome of those appeal hearings there could be a financial impact outside of the budgets held for the project.

The current funding model for this project contains £1.4m of pay protection costs for the 980 staff whose pay has been reduced. These pay protection costs will reduce by each year from a combination of staff leaving or who get promoted and being replaced by people who will go straight on to the lower grade and the agreed protection formula which reduces the amount of protection by 5% each year until the pay has reached its new lower level. The budget released by the protection fallout will be recycled on a 50/50 basis to fund the cost of successful appeals and make a contribution to the increased costs of increments.

The Council is still attempting to settle a number of equal pay claims that are outstanding. However these budget proposals for 2009/10 do not contain any requests for additional funding for this issue as it is hoped that the number of claims already against the council can be settled within the one-off funds already set aside for this issue. However if any new claims are received there is no funding left to deal with this situation and further reports will need to be brought to members if this situation arises.

Treasury Management (£790k)

The Council has to make provision within the revenue account to fund the interest and principal repayments on any borrowing it undertakes. Overall there is a growth proposal for £790k in the treasury management budgets mainly due to a reduction in the interest earned from investments and the additional cost of the Minimum Revenue Provision, these are partially being offset by less interest being paid on external borrowing.

The Minimum Revenue Provision (MRP) represents the minimum amount the Council must set aside to repay its debt, rather like the principal element of a mortgage repayment. This is calculated as a percentage of the Council's capital financing requirement. The capital financing requirement reflects the Council's underlying need to borrow for a capital purpose. Further detail on Treasury Management is included in a further report on this agenda.

Energy Inflation (£539k)

The Council's bi-annual contracts for energy have been re-negotiated and the price has had to increase to reflect the overall market increases that have occurred since the previous contracts were agreed.

Full year effect of growth decisions in 2008/09 (£712k)

Decisions taken as part of the 2008/09 budget have full year implications in 2009/10, these are shown in the table below.

Directorate	2009/10 £000
Neighbourhood Services	
Household Waste Site Management Contract	40
Air Quality Monitoring Contract	2
Pilot extension of recycling to terraced properties	80

Resources	
Audit Commission – Fee increase	10
Reduction in housing benefit admin grant	28
Housing and Adult Social Services	
Supporting People – retraction of grant	130
Homecare contracts increase	22
Increased number of complex learning disability cases	400
Total	712

Table 3 Full year effect of growth decisions in 2008/09

Replacement of one off savings in 2008/09 (£147k)

A number of savings proposals in the 2008/09 budget were only one-off and for 2009/10 these savings cannot be sustained and therefore they are proposed to be replaced by growth.

IT Development Plan (£350k)

The IT development plan has been reviewed and a new allocation for 2009/10 is proposed. This is a smaller allocation than in previous years but reflects what is estimated to be deliverable alongside some of the major IT replacements that are ongoing or planned, i.e. the new financial management system and the proposed replacement of the HR and Payroll system. This figure assumes a “slippage” of £100k, reflecting previous trends for under-spending and provides for the schemes as set in Annex 10.

Directorate Budget Growth and Investment

41. Service departments have identified a number of areas which require increased investment. Annex 3 lists growth proposals totaling £10.248m split between base budget of £8.997m and one-off of £1.251m. Within this, £2.292m represents recurring directorate pressures and in addition, as summarised in Annex 6, £1.251m is one-off growth that it is proposed to meet from reserves. It should be noted that in addition to this £1.251m there is an amount of £1.138m which was approved in 2008/09 but is for continuing one-off commitments in 2009/10.

Directorate Pressure	Proposed Ongoing Funding	One-off's funded from Reserves	Amounts Uncertain Funded from Contingency
Neighbourhood Services	£000	£000	£000
York Community Pride	20		
Wheeled Bins & Recycling	90		
Landfill Tax			400
Kerbside Recycling	210		
Noise Patrol	19		
Street cleaning LPSA	50	11	
Safer York Partnership	10		

York Ward Budget	15		
Towthorpe HWRC		20	83
City Strategy			
Street Lighting Energy	384		
Concessionary Fares	375		
Building Control	0		111
Land Charges	100		
Parking Income			150
Highway Maintenance	150		
Street Light Columns	30		
Access York			200
Highway Drainage Repairs		200	
Highways DC		42	
Waste PFI project management		110	
Subsidised Bus Services	130		
Speed Limit Enforcement		90	
Highways repairs and renewals	125		
LCCS			
Legal Fees	50		
Fostering	70		
External Placements	71		
Temporary Toilets	9		
Archive Services		62	
Barbican Security		120	
0.5fte coordinating transition team post	19		
HASS			
Reprovision of residential care	200		
Corporate			
Revenue contribution to capital programme (note 9)	125		
No dividend from YPO one-off shortfall in income		136	
Asbestos survey		60	
Credit Crunch Funding	40		
Corporate Credit Crunch Reserve		400	
	2,292	1,251	944
Contingency Proposed			600

Table 4 - Directorate Growth recurring and one-off plus contingency items

Easy@ York Programme

42. In addition to the Directorate growth above the easy@york programme will also require further repayable advances from the Venture Fund for its work to continue into phase 2. The first phase of the easy@york programme has already delivered significant service improvements and realisable efficiency savings totaling £322k per annum. The second phase of the programme was due to run until 2010/11, in-line with the move to the new HQ, so that the team could manage

the redesign of face to face contact in a new customer centre. Following the delay to the HQ project, it is now necessary to extend the easy@ork programme until 2012/13 so that the face to face service can be effectively established.

43. As we enter a period of substantial change, with the Efficiency Programme, Admin Accom and easy@york all running alongside each other, the extension of easy@york gives us opportunity to support the organisation through these changes and undertake more transformation and efficiency work, working in collaboration with our efficiency partners Northgate Kendric Ash to drive out both improvements and savings.
44. Annex 11 sets the detailed financial plan. In short the cost of increasing the duration of the programme is being met by extending both the original phase 1 base budgets and the savings made as part of phase 2 for a further 2 years. Additional savings are also to be made by reducing the ongoing support costs of the technical solution by bringing it in house. There will initially be a deficit of £627k in 2009/10 and £626k in 2010/11 whilst we are spending more than we are saving. This will be borrowed from the Venture Fund and as the programme continues, savings will outweigh costs and the Venture Fund will be fully repaid by 2015.

Note:- The section on the balances of reserves in this report assumes the advances to the easy programme have been made.

Funding Position

Government Settlement - 2009/10

45. The government has committed itself to longer term financial settlements linked to the comprehensive spending review (CSR) cycle. The CSR 07 announced in September 2007 covered the three year period 2008/09 to 2010/11.

Annex 1, summarised in Table 5, shows how these changes in funding affect the overall funding position for the Council.

Funding Requirements	2009/10 £'000
Existing Funding	112,294
Removal of one-off funding for non-recurring exp.	-1,823
One-off use of collection fund surplus	-200
Starting Funding for 2009/10	110,271
Funding Changes in 2009/10	
Increase in Formula Grant	1,114
Contribution from Collection Fund Surplus	236
Use of reserves	1,251
Unused contingency from 2008/09	125
Non –recurring growth from 2008/09	1,138
Revised Funding for 2009/10	114,135
Additional Council Tax Income Required	
• From Increase in Council Tax of 4.5%	2,760
Net Funding Available	116,895

Additional Funding in 2009/10	6,624
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Table 5 Funding Available 2009/10

Budget Position Summary

46. The above has highlighted both corporate and departmental expenditure pressures and new funding that the Council will be receiving in 2009/10 the following table shows the budget position at this stage.

	£000
Corporate Expenditure Pressures	6,105
Departmental growth requirements	2,292
Contingency	600
Non recurring growth from 2008/09	1,138
One-off growth	1,251
Total Expenditure Pressures	11,386
Additional Government Grant	1,114
Additional council tax income at 4.5%	2,760
Net Collection Fund Surplus	36
Non recurring growth from 2008/09	1,138
Use of reserves	1,251
Unused contingency from 2008/09	125
Total Additional Funding	6,424
Budget Gap	4,962

Table 6 Budget Position Summary

Savings and Income Generation

47. To address this budget gap directorates have put forward savings proposals of £4.762m and corporate efficiency savings of £0.2m have also been identified. Annex 4, summarised in Table 7, details the £4.762m of individual savings and income generation proposals submitted by each service department. Other proposals which were rejected are shown in Annex 9.

	2009/10 £'000
Housing Services	0
Adult Social Services	1,361
Leisure and Culture	191
Children's Services	929
City Strategy	617
Economic Development	70
Chief Executives	399
Resources	692
Neighbourhood Services	503
Net Total of Savings	4,762
Corporate Savings	200
Total savings	4,962

Table 7 - Saving Proposals

48. The savings proposals above, if accepted will reduce the establishment by 9.1 fte posts of which potential redundancies of 2.5 fte's may have to be made, the remainder of the posts are vacant. It is not possible to calculate a cost in terms of redundancy or early retirement as staff maybe redeployed into other posts. Comments from the Head of Human Resources on the implications of these proposals in terms of posts lost and possible redundancy situations are detailed later in this report.

Council Tax and the Collection Fund

49. The existing components of the current (2008/09) Band D Council Tax for a City of York resident are shown in the Table 8. It should be noted that these figures exclude parish precepts which are an additional charge in some areas.

	£
City of York Council	1,028.74
North Yorkshire Police Authority	193.37
North Yorkshire Fire Authority	58.56
TOTAL	1,280.67

Table 8 - Make Up of 2008/09 Council Tax

The recommendation made in these papers is that from April 2009 the City of York Council's (CYC) element of the Council Tax will rise by 4.5% to £1,075.03. Such an increase would yield £2.760m in additional income for the Council.

50. The Collection Fund is the ring fenced account where all Council Tax is credited. This account can either be in surplus or deficit at the year-end, depending on whether the authority has managed to collect more or less than it originally anticipated and the growth in property numbers. If there is a surplus, the funds are used to reduce the Council Tax. If in deficit, a higher Council Tax must be set and the taxpayer must fund the shortfall. All major precepting authorities share in any surplus or deficit on the fund, York's share of the surplus is 80.46%.
51. For a number of years, due to high collection rates and the buoyancy of the housing market, York's Collection Fund was in surplus. However in 2005/06 this was not the case and hence no surplus was available for distribution. During 2008/09 the position has improved slightly and as a result a one-off contribution towards the council's budget of £36k is being made.

Fees and Charges Proposals

52. Detailed proposals for fees and charges were included in each directorates budget EMAP papers in January 2009 and as such are available in the Members Library. However since the Housing and Social Services EMAP there has been a slight change to the recommendations so these are included at Annex 8 for approval. The vast majority of proposals are in line with a recommended increase of between 2.5% to 3.0%.

Use of One-Off Funding to Support One-Off Expenditure Items

53. Table 9 shows the position on all of the un-earmarked General Fund reserves which, it is anticipated, will decrease from an estimated £10.932m at the start of the 2009/10 financial year to £8.110m by the end of 2010/11. In the longer term the Council's budget should not rely on one-off funds to support recurring expenditure, but it is good financial practice to use such funds to support one-off expenditure. It should be noted that the figures below include an estimated underspend on the 2008/09 budget of £1.4m and the release of Venture Fund money to the easy@york project of £627k in 2009/10 and £626k in 2010/11.

It is assumed in the budget projections in this paper that all of the net one-off expenditure for 2009/10 totalling £2.389m, will be funded from Revenue Reserves (net of the use of the Collection Fund surplus) reducing the available balance on the general fund to £5.477m.

	2008/09 Projected Outturn £'000	2009/10 Budget £'000	2010/11 Budget £'000
General Fund	7,803	5,427	5,477
Venture Fund	2,883	3,144	2,387
Neighbourhood Services	246	246	246
Total	10,932	8,817	8,110
CPA/Prudent Minimum Reserves	5,309	5,521	5,686
Headroom in Reserves	5,623	3,296	2,424

Table 9 - Projected General Reserves

54. Under current CPA guidance, a recommended prudent level of reserves for this Council should be 5% of the net non-schools revenue budget. For 2009/10 this would be equal to 5% of £113.930m, or approximately £5.696m. However in line with best practice the council is looking to move away from this blanket figure to a targeted calculation taking into account identified risks and known commitments. In considering what level of general purpose balances that should be held, rather than those held for earmarked purposes, it has been determined that, as a minimum, the prudent level must:
- i. Provide sufficient cover to match the highest peak values for net departmental overspends over the last three financial years (£1.910m);
 - ii. Be sufficient to fund the Council's contribution to the Bellwin scheme relating to the costs of two major disasters in a financial year (£0.760m);
 - iii. Cover a shortfall in Council Tax income of approximately 0.5% (£0.360m);
 - vi. Cover 2% of the Council's net revenue budget (£2.279m).

The total of the above is that the prudent minimum level of reserves is

calculated at £5.309m compared to the former CPA guideline figure of £5.697m.

For calculation purposes, the overall general reserves comprise the general fund reserve, the Venture Fund reserve and the Neighbourhood Services reserve. Details of these are also shown in Annex 7.

General Contingency

55. In order to meet any unforeseen or currently unquantifiable costs which may arise during the financial year, the Council sets aside a contingency amount in the budget. This is a prudent way to ensure that unforeseen costs do not result in any substantial overspends against budget, which would impact on Council reserves or require in-year cuts to be made. Since decisions to release contingency funds are reserved to the Executive it also allows a clear and transparent decision to be made about the release of contingency funds based on information provided in reports to the Executive. Due to the uncertainty of size and nature of the issues and indeed whether some of them will happen at all, the level of funding provided is less than the total potential demands.
56. The General Contingency for 2009/10 will need to be set at a level to allow the Council to cope with some potentially significant financial issues, which are at this stage not fully quantifiable. Details of possible calls on the contingency are set out at Annex 2 and summarised in Table 10.

2009/10	One Off £'000	On Going £'000
City Strategy	0	0
Concessionary Fares	0	111
Parking Income	0	150
Access York	200	0
Neighbourhood Services	0	0
Landfill Tax	0	400
Towthorpe HWRC	0	83
Total	200	744

Table 10- Summary of Potential calls on Contingency

In the context of the estimates provided above and the difficulties of costing some of the proposals it is recommended that Members set a contingency for 2009/10 of £600k.

Adopting Changes to the Proposals

57. Details of service budgets and plans were provided to members as part of the EMAP papers for consultation. Included in those papers were a number of items identified as to be proposed to the Executive and some identified for consultation. The recommendations in this report are based on a set of proposed growth and savings items which, when amalgamated with the grant settlement and a 4.5% Council Tax increase, produce a balanced budget. This balanced budget takes no account of the items listed as to be consulted

upon.

58. The savings and growth options which have been the focus of the comprehensive consultation exercise, including the EMAPs, are shown at Annex 5. If they were all accepted then there would be a budget reduction of £1.102m.

At Executive or Full Council members are invited to move amendments in order to either

- a. include some of the growth and savings options listed as being consulted upon
- b. to make amendments to, delete or enhance the list of budget options that are proposed
- d. to alter the Council Tax level, taking account of the information about possible capping and allowing for the fact that each 0.5% reduction in Council Tax requires a further £338k of budget to be identified.

Members also need to take due cognisance of the need to ensure that any amendments to the budget are balanced, that is savings and growth must either equal each other; or be corrected via appropriate transfers to or from reserves; or result in equivalent adjustments to the Council Tax levied by the Council; or reflect adjustments to the fees and charges levied.

Housing Revenue Account (HRA)

59. There is a separate budget report for the HRA which is attached at Annex 12. The result of all the adjustments outlined within the report is an in-year surplus of £509k. Together with the projected brought forward working balance of £7,547k and after making a contribution to the capital programme, this leaves a working balance of £8,056k on the account.
60. This surplus is broadly in line with that forecast in the HRA business plan. The HRA surplus needs to remain on the account to be reviewed once the HRA business plan is updated to reflect both the budget detailed in this report and the 2008/09 outturn position. Members are reminded that the HRA surplus is needed to fund expenditure in future years.

Dedicated Schools Grant and the Schools Budget

61. For schools funding through the Dedicated Schools Grant (DSG), 2009/10 is the second year of a DCSF three-year budget period. For 2009/10 therefore the DSG allocation for York will be based on the December 2007 announcement, updated for changes in pupil numbers.
62. The DSG is ring-fenced for funding the provision of education for pupils in schools (maintained, PRUs, PVI nurseries or externally purchased places). As such it covers funding delegated to individual council maintained schools through the LMS Funding Formula and funding for other pupil provision which is retained centrally by the council (e.g. SEN, Early Years, PRUs etc.). It is distributed

according to a formula that guarantees a minimum per pupil increase for each authority (2.9% in 2009/10). Additional funding is then allocated based on Ministers' priorities. For 2009/10 personalised learning has been identified as a priority.

63. The council itself cannot use the DSG for any purpose other than schools block funding, although with the permission of the Schools Forum limited contributions can be made to the following areas:
- Combined budgets supporting Every Child Matters objectives where there is a clear educational benefit.
 - Prudential borrowing, where overall net savings to the Schools Budget can be demonstrated.
 - Some SEN transport costs, again only when there is a net Schools Budget saving.
64. There are also strict limits (Central Expenditure Limits [CEL]) on the amount of the DSG that the council can retain to fund pupil costs outside mainstream schools e.g. SEN, Out of City Placements, Early Years, PRUs, Behavioural Support etc.
65. The headline figures from the DSG settlement show that for 2009/10 York's increase in DSG is estimated at £3.108m (+3.61 %) giving a sum of £3,939 per pupil (+3.63%). For 2009/10 this includes additional funding (above the minimum 2.9% per pupil) of £879k that has been allocated to York for Personalised Learning at KS3 and in primary schools.
66. Despite these increases though, York's actual funding level is still at the lower end nationally, 23rd lowest (out of 149 LAs) by the end of the 3-year period. This means that if York received the national average funding in 2009/10 there would be an extra £279 for every pupil or £6.306m in total. This would be enough to give an extra £278k to every secondary school and £59k extra to every primary school. This is also the equivalent of an additional 168 teachers or 306 additional classroom assistants.

Funding Available within the DSG

67. The funding available includes an initial estimate of the 2009/10 DSG allocation of £89,243k less an estimated deficit carry forward from 2008/09 of £300k (based on the 2nd budget monitor for 2008/09 reported to EMAP in December). This estimate will be updated once the provisional results of the annual schools and early years census are known later this month.

Balancing the Dedicated Schools Grant

68. There is still a budget gap within the Schools Budget of £29k at the time of writing this report. Further work will be undertaken in conjunction with the Schools Forum at its meeting on 30 January to identify options for bridging this gap. At its budget meeting on 16 February the Executive will be updated on the outcome of the discussions with and decisions/comments of the Schools

Forum.

Precepts

69. In addition to the Council Tax to be charged by the City of York, the overall charge must include the precepts from the Police Authority, Fire Authority and Parish Councils. Due to the timing of this report these precepts are not yet available but will be included in the report which is considered by full Council on the 26 February.

- The Police Authority will be meeting on 9th February 2009 to determine its precept and council tax charge
- The Fire Authority will be meeting on 11th February 2009 to determine its precept and council tax charge.

As Table 11 demonstrates in 2008/09 these increases resulted in a total Band D Council Tax for York of £1,280.67.

	Increase (£)	2008/09		2009/10	
		Increase (%)	Council Tax	Council Tax	Increase (%)
CYC	46.68	4.75	1,028.74		
Police	7.97	4.30	193.37		
Fire	<u>2.52</u>	<u>4.50</u>	<u>58.56</u>		
Total	57.17	4.67	1,280.67		

Table 11 - Headline Council Tax Figures for City of York Area

There are 31 parish Councils within the City of York Council area all of which have now set their precepts for 2009/10 at an average rate of 4.2%, however there are a wide range of variations in individual increases.

National Non Domestic Rates (NNDR)

70. In April 2008 the two NNDR multipliers were 46.2p in the pound for normal properties and 45.8p in the pound for smaller properties (based upon the total rateable values of all properties held by a single owner). From April 2009 these multipliers will increase to 48.5p (5%) and 48.1 p (5.02%) respectively.
71. During the consultation meeting with the business community concern was expressed that as a city York did not benefit from growth in its business community through the payments made by companies via NNDR. The NNDR income which the council collects is remitted in full to the Treasury, which redistributes amounts to Local Authorities as part of the RSG settlement process.

J. THE REVENUE PLAN 2010-2013

72. The medium term revenue plan is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council. The financial forecast is set out below and the individual components of it are discussed in more detail in the following sections.

RESOURCES	2010/11	2011/12	2012/13
	£m	£m	£m
Increase in Grants and Council Tax	4.00	3.20	2.90
Corporate Efficiency Savings	3.25	5.15	7.15
Service Savings	0.00	0.00	0.00
TOTAL RESOURCES AVAILABLE	7.25	8.35	10.05
INDICTIVE ALLOCATIONS			
Cash Increase in budgets (Pay/prices) 2% pa	2.20	2.20	2.20
Treasury Management	1.00	1.00	1.00
IT Development	0.40	0.40	0.40
Capital Programme	0.75	0.75	0.75
Recycling and Waste	0.40	0.40	2.00
Concessionary Fares	0.30	0.30	0.30
Contingency Sum	0.80	0.80	0.80
Other unknown pressures/priorities	1.40	2.50	2.60
	7.25	8.35	10.05

Table 12 – Revenue Plane 2010-2013

Increase In Grants and Council Tax

73. This assumes increases grant funding of just over £1m per annum, and Council Tax increases as follows:-

2010/11	4%
2011/12	3%
2012/13	2.5%

Clearly these forecasts are merely for planning purposes, but they are based upon the broad objective that the medium term an should not be based upon excessive council tax rises. Ultimately it will be for members to consider the balance between Council Tax and spending pressures, but an effective plan should promote the development of choices, rather than making an assumed high level of Council Tax.

Corporate Efficiency

74. At the heart of the Council's medium term plan is the Corporate Efficiency Programme. This seeks to transform how the Council delivers services and

ensure we can meet financial pressures without the need for service reductions/cuts.

75. The Corporate Efficiency Programme sets a 3 year target of £15m net real efficiency gains. Recognising that there will be a natural "build up" of these efficiencies, the plan sets lower levels of savings in earlier years.
76. Crucially, at this stage there are no service based targets set. Instead, all Directorates will need to embrace fully the Corporate Efficiency Programme with a view to the Council responding as one organisation, delivering transformation across the Council, and achieving real efficiency in service delivery.
77. The plan is dependent upon the efficiency targets being met. Should the targets not be met, the Council will be forced to consider individual Directorate savings targets.

Cash Increase

78. Rather than make assumptions about pay and prices, a new approach is planned for coming years. This will set pre-determined cash increases for individual Directorates. This will aid long term planning, will ensure costs are controlled, and require Directorates to self manage all non-exceptional budgetary pressures (exceptional major items will still be able to be considered for corporate growth as set out below). Each Directorate will know well in advance how much their cash increase will be and will need to manage accordingly. An increase of 2% is assumed, recognizing both the general trend on pay and prices at present, but also the need to keep cost pressures to manageable levels.

Provision for Major Pressures and Corporate Issues

79. The plan makes provision for the following major items in the future:-

Treasury

80. For a very long time the Council has had good Treasury Management performance. In recent years this has become excellent with our borrowing rates being among the lowest in the country and loans almost always being taken out at market low points. Investments have outperformed market benchmarks and cash flow has been very strong, although more could still be done in terms of the timeliness of income collection. This performance and the interest earned is now built into our interest and borrowing budgets and we have to achieve it in order to meet our budget expectations. With the global economic situation there is risk that this will not be achievable and the reliance on continuing with this level of performance over future years cannot be guaranteed.

Capital Programme

81. The capital programme which is funded partly from capital receipts includes a number of on-going commitments such as highways maintenance, bridge maintenance and disabled facilities grants. The latest estimate of capital receipts which has taken into account the current economic climate, indicates a significant shortfall in resources over the next 5 years if current commitments are to be

maintained. In order to ensure the programme is fully funded it is necessary to make annual revenue contributions to the capital programme. It is suggested that for 2009/10 £250k (half being specifically for highways maintenance and half for general schemes) is made and then around £500k - £600k per annum for the next 4 years, subject to annual review and in particular assessment of the economic situation.

Waste Management

82. There are significant cost pressures facing the Waste Management budget over coming years. Landfill Tax is currently increasing by £8 per tonne per annum and the introduction of Landfill Allowances limits the amount of biodegradable municipal waste that the Council can dispose using landfill. On current forecasts the Council will not achieve the Landfill Allowance Trading Scheme (LATS targets) at some point in the future probably 2010/11 or 2011/12 and will have to then buy LATS permits or pay fines of £150 per tonne. This is a consequence of the Landfill Allowance falling significantly to 20,640 tonnes by 2020. On current estimates this could potentially cost the Council £11.5m over the following four years leading up to the implementation of the waste PFI solution. The Council needs to refine its LATS strategy during 2009/10 to identify all cost effective options to minimise the need to buy permits or pay fines. The Council also needs to start putting aside significant resources from the start of 2010/11 onwards in order to fund the waste management or LATS costs that will be incurred in the following 4 years and to build up a base budget to fund York's share of the waste PFI solution.

Concessionary Fares

83. The total cost of this budget is now approaching some £5m. A 5% increase year on year is some £250k.

Contingency Sum

84. A sum of £800k is included for each of the next 3 years, for pressures that will affect the Council, in line with recent practice of providing such a contingency for cost pressures that are not easily quantifiable when the budget is set

Provision for other Pressures/Priorities

85. This reflects the need for provision to meet both unknown cost pressures, and also to provide an element of funding that will be able to be targeted at Council priorities.

It is planned that this funding will be allocated very carefully according to Council priorities, and any general "Pressures" will wherever possible need to be self managed by Directorates within their overall cash increases.

Deficit on the Pension Fund

86. The triennial valuation shows that whilst the overall deficit has reduced slightly and the term for recovery until there is no deficit has reduced to 21 years, there is still a substantial deficit of over £95m. This in itself is a key risk for the authority

as the valuation was at a time when stock markets were high compared to the current significant global financial problems and the new contribution rate of 18% is based on an assumption of strong investment returns which now look very questionable. Unless there is a substantial improvement from the current position the next triennial valuation (or possibly even an interim one) may require a substantial increase in the contribution rate. Each 1% increase in the rate costs over £710k per year.

An Aging Population

87. Current estimates envisage that the client base for the social care will have increased from 4,892 in 2002/03 to 6,353 by 2008/09. The impact of this growth in the client base will be further magnified should historic increases in the average cost per client also continue. Alongside this a number of actions have been taken to control social care costs. In order to maintain a balanced budget into the future it is imperative that these actions are successfully monitored and delivered. Adult Social Services face a number of significant challenges and changes, mainly related to personal choice and funding agenda and the procurement of services. The Council's response to these issues and the changing demographics is critical to its future financial stability.

K. IMPACT ASSESSMENT OF THE BUDGET PROPOSALS

88. The budget set out aims to tackle a variety of issues. Clearly it aims to be prudent and to set medium term plans which are set out in the report. However, a financial plan is more than just about the numbers, it is about how resources are allocated and what impact that allocation has upon a range of issues. The following sections bring together how this budget has contributed to the following:-

- Council Priorities
- Feedback from consultation
- Economic downturn
- Sustainability
- Equalities

Council Priorities

89. The budget proposals contained within this report will support the achievement of the Council's overall objectives in many ways, specific initiatives include;
- Proposed one-off investment of £400k and continuing investment of £40k per annum issues that arise due to the economic downturn ("Thriving City)
 - Investment in increased recycling (Sustainable City)
 - Investment in elderly residential care, fostering and external placements of children and subsidized bus services (inclusive City).
 - Increased spend on highway maintenance, street cleaning and Safer York Partnership (Safer City).
 - Cuts in administration and embarking on an ambitious efficiency programme (Effective Organisation).

Feedback from Consultation

90. The Council has consulted on its budget through various forms including a postal questionnaire to every household, face to face sessions and budget forum. The feedback from the consultation is shown in detail at Annex 9 and the top 5 proposals for savings and increased spending that received the most support are shown in table 13 below.

Top Priorities for Making Savings	% Support
Reduce the amount the Council spends on administration	72.2
Generate new income from the Yorkshire Wheel (subject to planning)	42.70
Concessionary bus passes for the over 60's to start at 9.30am	40.0
Increase the charges for adults on personal development courses	36.30
Reduce financial support to external organizations in economic development and tourist support	32.40
Top Priorities for Increased Spending	
Maintain highway and footpath maintenance at current levels	45.8
Increase payments to elderly residential care providers to maintain level of places	34.90
Ensure there is enough money to meet the increasing costs of children in care	31.20
Extend Kerbside Recycling throughout the City	29.40
Continue to support current levels of subsidised bus services	29.0

Table 13 Summary of consultation feedback

91. The budget proposals included in this report if accepted are addressing the following:-
- General Administration reductions of £880k across the council. This figure will increase significantly over the next three years as further work on the efficiency programme continues.
 - Increases in the fees for adult learners
 - Reductions in financial support to external organisations in economic development and tourism
 - Maintaining highway and footpath maintenance plus making an additional £125k contribution to this are
 - Ensuring there is enough funding for children looked after with investment of £141k
 - Extending kerbside recycling throughout the City of York Council
 - Continuing to support the current level of subsidised bus travel with investment of £505k.

Responding to the Economic Downturn

92. The financial strategy addresses the economic downturn in a number of ways. Within the separate report on the Capital Programme and referred to within this report, the impact of declining capital receipts is considered. This has major implications for the Council and in order to provide for a balanced capital

programme and to limit the extent of borrowing, the Council will need to make prudent revenue provision to support the capital programme.

93. The revenue budget also considers the impact on a range of budgets and this includes car parking and land charges, where income is likely to suffer. The budget for Treasury Management also considers the impact of reduced interest rates. Additional funding of £40k has been provided as an ongoing sum for the impact of the Credit Crunch and a one-off special contingency of £400k is being recommended to be considered during the year.
94. The Council's Executive recently commissioned consultation with those in the city who best understand its economic landscape, are working to ensure its continuing prosperity or work with communities and individuals whose economic position is most precarious. As a result of this, a range of actions were proposed and supported by the Executive in response to the aims of supporting business, boosting confidence and supporting those most vulnerable. These actions include:-
- Match funding with others including Norwich Union and York Professionals to establish an enterprise fund for new business start ups.
 - Funding to support a programme of enterprise training in schools in partnership with the North Yorkshire Business and Education Partnership for all Year 9 students in the city.
 - Support to sustain the activities the activities of the City Centre Partnership – maintaining dialogue with the Retailers Forum and engage with city centre traders and retailers to enable them to develop a collective voice on city centre issues.
 - Production of a booklet to assist residents to live in York on a budget.
 - Investment to provide 3 Credit Union community savings points in those communities where they are most needed.
 - To assist the liquidity of those providers of services to the Council. The authority recently committed to ensure that non-limited companies would receive payment within 10 days of receipt of invoice rather than within 30 days.
 - Review by the Head of Property Services and Director of Resources to identify what support may be provided by businesses within the Council's own property portfolio to alleviate the effects of the credit crunch.

The full extent and impact of the economic downturn will not be know for some time yet, so the issue will be constantly monitored throughout 2009/10 and the Council will endeavor to respond wherever possible or practicable to any events as they arise.

Sustainability

95. The Council is making further investment in kerbside recycling in an effort to keep landfill to a minimum and is also continuing to support the joint waste PFI project with North Yorkshire County Council. The project's relocation to a new building is still ongoing and any solution will involve the most environmentally friendly features as possible.

Equalities

96. A desktop Equalities Impact Assessment of the specific proposals contained within the budget has been carried out and a number of areas have been highlighted. These will be referred back to the individual directorates concerned for fuller assessment.

Specialist Implications

97. The following implications apply to this report:

Financial

98. These comprise the body of the report.

Human Resources (HR)

99. Any HR implications will be managed in accordance with established council procedures. As part of this process consultation with affected staff will be undertaken to ensure they have every opportunity to find suitable alternative employment with the council.

Risk Management

100. Attached at Annex 13 is a schedule of risks connected to the budget, these will be monitored regularly throughout the year.

Legal

101. The council has a legal requirement to set a balanced budget on an annual basis. This year the budget must be set by March 7, although given the timing of York's first Council Tax collection on 1 April and the necessary time to print and distribute bills the Council actually needs to set its budget by February 26 at the latest if it is to avoid significant additional cash flow and interest costs of between £250k and £400k. The proposals contained in this report would, if adopted by the Executive and Full Council, enable this duty to be met.

Crime and Disorder

102. None other than the growth and savings proposals in this report.

Information Technology (IT)

103. This report proposes the funding in full of £350k of the IT development plan.

Property

104. None in this report

Statutory Advice From the Director of Resources/ Comments

105. The Local Government Act 2003 places responsibilities upon the Council's Chief Finance Officer to advise the Council on the adequacy of its reserves and the robustness of the budget proposals including the estimates contained in this document. This section also addresses the key risks facing the Council in relation to current and future budget provision. The following paragraphs give my views on the budget, reserves and general robustness of the process.
106. The proposals in this budget give a balanced budget for 2009/10 and give consideration to the 2010/11 and 2011/12 financial years. The Council has taken many steps to try to put itself on a firmer long term financial position, with longer term planning and improved budget monitoring. Full scrutiny of the budget proposals for 2009/10 has taken place and I believe that a proper risk assessment of a range of issues has been conducted.
107. Notwithstanding the positive steps which continue to be taken, there remain a range of significant pressures for the future. The major challenge facing the Council in coming years will be to secure savings from real efficiency gains (i.e no deterioration in service quality) and for cost pressures to be managed effectively. In doing so, the Council will also need to provide for additional investment in unavoidable costs and priorities. In addition, looking ahead over the next year the economic situation is clearly a major issue. The Council has sought to recognise this in a number of ways within this budget, however clearly it is a very volatile position and any major deepening of the recession could bring with it significant implications for the Council.
108. There are no proposals contained within this report to use balances to fund recurring items of expenditure. It is particularly important that the reserves are reviewed once the 2008/09 outturn is known and a new strategy for reserves developed. This should provide for reserves/contingency not just for general revenue reserves, but also seek to identify reserves for the capital programme and a range of other issues. Best practice recommends that minimum and maximum levels should be set for all established reserves and these should be reviewed at least every 6 months. In coming months a comprehensive reserves policy will be brought to Council for consideration.
109. This is particularly important as there is potentially great pressure in future years and there will be a need to support aspects of the Admin Accom project from the Venture Fund from 2010/11 onwards. The decision on the adequacy of the level of reserves is linked to the general robustness of the budget process and the Council's systems of budgetary control and risk management. These need to ensure that the Council will not be exposed to any unforeseen major financial problem requiring the use of reserves to resolve. It should not be assumed that the Council has significant reserves – as can be seen from the tables in this report, the future calls on those reserves are potentially putting the Council in a position whereby reserves may approach minimum levels. In a normal situation

this may not be a cause for concern, however given the economic downturn there may be a need to revise our policy on reserves and increase minimum levels in the near future. This will be further considered in a fuller review of reserves in the coming months.

110. With regard to the robustness of the budget, I consider that the estimates in the budget are sound and that the proposals to achieve a balanced budget are achievable. The overall package, which includes a contingency sum of £0.6m, is a realistic approach in dealing with the financial pressures facing the Council next year. I would draw Members attention to the earlier comments on the medium term position and the actions required now to start preparing for these challenges. However, there will be a need for very tight cost control and regular monthly monitoring and whilst in recent years the Council has a history of under-spending, I believe that the revenue budget set for 2009/10 is a demanding one which will require each Directorate to ensure close and effective monitoring.
111. The Government have announced that they will again consider capping councils who, they feel, are raising Council Tax levels excessively. The capping criteria they use are often based on budget growth and Council Tax increases. The Government have talked about average increases needing to be well below 5% and in the past have clearly meant maximum rises of 5%, but they do not publish the criteria they will use until after we will have set our budget. Based on their actions in the past I believe that in 2009/10 the maximum Council Tax rise that York should consider is the 4.5% in this report.
112. I would highlight that this is a maximum figure and whilst this report currently does assume an increase of 4.5% Members may wish to consider further options to bring this increase down, in order to reduce any risk of the possibility of being capped this year. In reaching their final decision members need to consider that if the Council were capped it would bring with it reputational damage and potential costs of re-billing which are estimated at £170k.
113. Whilst this report does highlight a range of major cost pressures in the future, I believe the Council is taking steps to manage these. Crucial to this is effective medium term planning and awareness of the issues facing the Council throughout the organization. Key to tackling these pressures will be the need for the Council to embrace a major period of transformational change, through the Corporate Efficiency Programme and [easy@york](#) programme. If the Council fails to respond to these challenges, it will face a need for service cuts.

Recommendations

114. Members are asked to consider the appropriate levels of Council Tax that they wish to see levied by the City of York Council for 2009/10. In doing so they should pay due regard to factors such as:
 - a. Expenditure pressures facing the Council in 2009/10 as detailed at Annex 1;
 - b. The impacts in 2009/10 of the growth requirements and savings proposals outlined in Annexes 3 and 4;
 - c. Medium term financial factors facing the Council as outlined in the report.

- d. The levels of reserves projected to be held at the 31 March 2009, 2010 and 2011 (Annex 7);
 - e. Significant future pressures identified.
 - f. The statutory advice from the Director of Resources.
 - g. The need to ensure that any adjustments to these proposals are self balancing within the requirements laid down by the Director of Resources as the Council's Responsible Financial Officer.
115. In light of these considerations Members are asked to recommend to Council approval of the budget proposals as outlined in this report, and set out in detail within the Financial Strategy in particular:-
- a. The net revenue expenditure requirement for 2009/10 of £116.895m, as set out in Annex 1;
 - b. The housing revenue account proposals outlined in Annex 12;
 - c. The dedicated schools grant proposals outlined in the report;
 - d. The revenue growth proposals of £8.997m on-going for 2009/10, plus one-off growth of £1.251m, outlined in Annex 3, plus an additional £1.138m relating to one-off growth proposals brought forward from 2008/09;
 - e. The revenue savings proposals of £4.962m for 2009/10 outlined in Annex 4;
 - f. In terms of the Council's reserves to agree the use in 2009/10 of £2.389m of revenue reserves as outlined in Annex 6;
 - g. Use of unused contingency of £0.125m brought forward from 2008/09
 - h. Use of prior year Collection Fund surplus of £0.236m
 - i. The fees and charges proposals in Annex 8.
 - j. The IT Development Plan proposals as shown in Annex 10.
 - k. An advance from the Council's Venture Fund of £627k in 2009/10 and £626k in 2010/11 to be made to phase 2 of the [easy@york](#) project as outlined in Annex 11 which will enable the project to continue until 2014/15.
116. The effect of approving the income and expenditure proposals included in the recommendations would result in an increase in the City of York element of the Council Tax of 4.5%. It is intended that the total Council Tax increase including the parish, Police and Fire Authority precepts, will be agreed at the full Council meeting on 26 February 2008.

Contact Details

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Director of Resources

Report Approved **Date 11/2/09**

Specialist Implications Officer(s) Human Resources
Name

Title
Tel No. Extension

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers

Medium Term Financial Strategy - Executive
2nd Finance and Performance monitoring report - Executive
EMAP reports January 2008
Government Grant settlement papers
Appendix 1 - Financial Strategy

Annexes to Appendix 1

- 1 Summary of Budget
- 2 Contingency Items
- 3 Growth and Reprioritisation
- 4 Saving Proposals
- 5 Alternate Savings Proposals
- 6 Use of Reserves
- 7 Estimated Reserve Balances
- 8 Fees and Charges (in Member Library)
- 9 Public Consultation on Budget Proposals
- 10 IT Development Plan
- 11 easy@york programme
- 12 Housing Revenue Account budget report
- 13 Risk Assessment

Summary of Budget

	2009/10 £'000
Net Expenditure Budget Brought Forward	112,294
Removal of one-off funding for non-recurring expenditure from Reserves	-1,823
STARTING EXPENDITURE REQUIREMENT	110,471
<u>Unavoidable Expenditure Pressures</u>	
Corporate Pay (2.25%) and Price Inflation	2,590
Pay Increments	882
Impact of Job Evaluation on LGPS Employer Contributions	80
Treasury Management	790
Energy Inflation	539
Full year effect of growth decisions in 2008/09	712
Replacement of one-off savings from 2008/09	147
IT Development Plan	350
Increase in Flood Levy	15
<u>Additional Budget Pressures Identified</u>	
Recurring (Annex 3)	2,292
Non-Recurring (Annex 3)	851
Non-Recurring Growth brought forward from 2008/09	1,138
Contingency	600
Special one-off contingency for Corporate Credit Crunch	400
TOTAL EXPENDITURE PRESSURES	11,386
<u>Reduced Costs / Additional Income</u>	
Corporate Efficiency Savings	-200
Directorate Savings (Annex 4)	-4,762
TOTAL EXPENDITURE REDUCTIONS	-4,962
REVISED PROJECTED BUDGET REQUIREMENT	116,895
<u>FUNDING</u>	
Existing Funding	-112,294
Removal of one-off funding for non-recurring expenditure from Reserves	1,823
One-off use of Collection Fund surplus	200
Starting Funding for 2009/10	-110,271
<u>Funding Changes in 2009/10</u>	
Increase in Formula Grant	-1,114
Use of Reserves (Annex 6)	-1,251
Use of Reserves to fund non-recurring growth approved in 2008/09	-1,138
Unused Contingency from 2008/09 brought forward	-125
Adjustment for prior year Collection Fund Surplus	-236
Increased Council Tax (4.5%)	-2,760
REVISED FUNDING FOR 2009/10	-116,895

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Contingency Items

<u>City Strategy</u>		2009/10 £'000
Ref	Brief Description	
CSUN2b	Continuation of national concessionary fare scheme: The assumptions for the increase in concessionary fares assumes no trip growth. An increase of 2.5% would cost £111k and is shown as contingency	111
CSUN3	Shortfall in Parking Income: due to reduced demand at short stay and standard stay car parks.	150
CSPG6	Access York Phase II Bid Preparation: Subject to the approval (Feb 2009) of a preliminary bid already made, a full Major Scheme Bid would be required relating to Outer Ring Road improvements and city centre transport measures.	200

Total 461

<u>Neighbourhood Services</u>		2009/10 £'000
Ref	Brief Description	
NSW_G6b	Landfill Tax will increase by £8 for every tonne of municipal waste taken to landfill in 09/10 and 10/11 to £40 and £48 tonne respectively. Assuming that kerbside recycling is expanded to all suitable households by the end of 2010, estimates of performance are as follows – 62,480 tonnes disposed of at landfill in 09/10, 60,150 tonnes in 10/11 and 31,160 tonnes in 11/12. The additional budget is estimated at £500k, £962k and £1,468k in over the next 3 years.	400
NSW_G10	Towthorpe HWRC: There is no base budget for security staff costs and the site's isolated location makes it vulnerable. The high cost of scrap metal has exacerbated this, with gangs targeting the site every night. Security is currently provided but has resulted in a forecast 08/09 overspend of £83k. Additional security measures will be put in place in 09/10 and unbudgeted security staff will be withdrawn. If further security is still required these measures will be funded from contingency, with a maximum cost of £83k.	83

Total 483

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Detailed Growth and Reprioritisation

City Strategy		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
CSUN1	Street Lighting Energy Price Increase : The current revenue budget for energy for street lighting is inadequate because of recent energy price inflation. The additional costs of energy from 01.11.2008 resulted in an increase of 67% compared to previous budget.	384	
CSUN2	Concessionary Fares: The additional funding required covers inflation (+£309k) and additional costs of NYCFP services (+£305k). This is offset by reduced on-going costs of supporting services (-£213k) and additional grant from Dept of Transport (-£26k).	375	
CSUN5	Deregulation of Land Charges: Changes introduced by new government regulations require Local Land Charges fees to be set on a cost recovery basis only from 01.01.2009. The current Land Charge service budgets make a surplus of £196k.	100	
CSUN6	Waste PFI Procurement Budget: Latest projections show CYC's contribution to the project to be £260k in 09/10 which is £110k greater than the current budget set aside.		110
CSCH1	Inflation on Highway Maintenance: Redress the impact of high levels of inflation on routine maintenance coupled with the adverse impact on revenue of the decline in capital expenditure, putting more pressure on revenue budgets to maintain more roads in poor condition. Average inflation for the Highway Term Maintenance Contract was 8.25%, significantly higher than the assumed 2.5% allocation.	150	
CSCH3	Revenue Support to Capital Programme: To maintain the current level of capital highway maintenance (£1,250k) additional revenue contributions are necessary.	125	
CSCH4	Subsidised Bus Services: Full year cost of continuing support for current level of subsidised bus services agreed to be funded at Executive in July 2008.	130	
CSLP1	Replacement of structurally unsound street lighting columns: Current surveys show that up to 120 columns need to be replaced annually. This budget will support that replacement programme.	30	
CSLP4	Highways Development Control: Provision of a Senior Highways Development Control Officer to cope with existing high service pressures and anticipated continued demand from several key imminent regeneration sites.		42
CSLP7	Highways Drainage Repairs: Additional investment to continue the repairs to infrastructure where flooding regularly occurs.		200
CSLP10	Enforcement of Speed Limits: The road safety partnership. 95 Alive, is currently considering whether the introduction of speed cameras (fixed or mobile) would be an appropriate means of addressing speed/safety issues in York/N Yorks. Report of preliminary findings due at end of 08/09 on whether to pursue a partnership approach to speed cameras.		90
Total		1,294	442

<u>Housing and Adult Social Services</u>		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
HSIG3	Re-provision of residential care as supported living: A number of residents currently living in residential care schemes could be offered community based housing and support, offering residents increased independence and choice. (2010/11 £405k)	200	
Total		200	0

<u>Learning & Culture</u>		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
LG01	Racecourse Temporary Toilet Provision: as per report to Executive when the lease extension was agreed. One-off funding was provided in 08/09 for a pilot but this is to make that funding permanent.	9	
	Archive Service : Additional Staffing – funded from reserves in 09/10, expected to be funded from service savings from 10/11		32
	Archive Service: one-off start-up funding to exploit additional income streams		30
	Barbican : Cost of holding the building whilst consideration of future options is undertaken.		120
Total		9	182

<u>Children & Young People's Services</u>		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
CG01	Legal Fees: An ongoing overspend on legal fees due to an increase in the number of complex court cases involving York children, together with a general increase in the cost of cases resulting from a national trend for courts to call in more expert witnesses.	50	
CG02	Fostering Costs: the Looked After Children population continues to increase, from 166 at the end of 07/08 to 194 at the end of 1 st qtr 08/09. Of these, currently 130+ children are placed with foster carers. This has led to more children being placed through expensive Independent Fostering Agencies as there are not enough places available with York foster carers.	70	
CG03	External Placements: Based on all current and projected placements there is significant pressure on the external children's homes and residential special school placements budget for children with complex needs.	71	

CG04	Transition Team Co-ordinator: to establish a permanent 0.5 fte co-ordinator of the newly formed multi-agency transition team to manage the performance and to ensure closer co-ordination of transitions for young disabled people. The other 0.5 fte is being funded by HASS	19	
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Total 210 0

Neighbourhood Services

Ref	Brief Description	2009/10	
		£'000	£'000
		On-going	One-Off
NSW_G14	Towthorpe HWRC Health & Safety Work: To comply with requirements it will be necessary to make a number of improvements at the site. Work to include upgrading security fencing, site lighting and improving staff welfare facilities.		20
NSNM_G3	Extend York Community Pride Fund: 3 yr funding for YCP Fund comes to an end in March 09. Funding is used to fund :- £5k for York Cares, £2.5k contribution to York Pride Awards and £17.5k for the York Pride Challenge Fund. Overall funding will reduce by £5k.	20	
NSNPS_G6	2008/09 LPSA2 reward grant funded 3 fte posts in Neighbourhood Pride Service (previously funded through LPSA2). If funding is not provided a reduction in street cleansing would be required.	50	11
NSCCS_G1	Maintain current levels of operation of Safer York Partnership. Partnership has not been in receipt of either inflationary uplift or increase in grant since 1998, whilst at the same time workload has increased substantially.	10	
NSNM_G1	Your Ward budget growth to cover printing and delivery costs: The base budget for printing and delivery does not cover the costs which have increased over time.	15	
NSW_G2	Wheeled Bins and Recycling Container replacement fund: The revenue provision is currently under funded. The budget is for replacing damaged/lost plus provision for new developments. The current budget is £110k, whilst 08/09 spend is expected to be £213k due to increased demand and a 25% increase in costs.	90	
NSW_G8	Roll out of kerb side recycling to all households and measures to improve the recycling performance of the current infrastructure. Total cost of roll out is estimated at £230k but it may not be possible to target all households.	210	
NSEHTS_G1	Night Time Noise Patrol Service: An additional £43k is required to sustain current level of service. £19k would mean that the service would be restricted in the number of hours or period of operation.	19	

Total 414 31

<u>Corporate Budgets</u>		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
	Revenue Contribution to the Capital Programme	125	
	Loss of YPO dividend – one-off shortfall in income		136
	Asbestos Survey		60
	Credit Crunch Funding	40	
	Special contingency for Corporate Credit Crunch		400
Total		165	596

<u>Unavoidable Expenditure Pressures</u>		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
	Pay Increase for APT&C (2.25%) and Price Inflation	2590	
	Pay Increments	882	
	Impact of Job Evaluation on LGPS Employer's Contributions	80	
	Treasury Management	790	
	Energy Inflation	539	
	IT Development Plan	350	
	Increase in Flood Levy	15	
	Full year effect of growth decisions in 2008/09	712	
	Replacement of one-off savings in 2008/09	147	
	CONTINGENCY FUND	600	
Total		6,705	0

	TOTAL GROWTH	8,997	1,251
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Detailed Savings Proposals

Chief Executive		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
CXDM	De-Minimus Savings: reductions in various admin budgets, all under £10k each	26	5
CXLS1	Reduction in Democracy Services printing budget, due to prudent financial management and efficient systems	10	
CXLS2	Delete vacant part-time Democracy Officer post (0.6fte)	15	
CXLS3	Delete 1 fte Contract Payroll Administrator post: following the loss of an external payroll contract post is no longer required (vacant)	24	
CXMS1	Internal Communications: HR holds a budget for internal communications undertaken by Marketing & Communications. It directly funds News and Jobs, News in Depth and the Staff Survey. It is proposed to cease production of the two newsletters, whilst the Staff Survey is a CPA requirement.	12	
CXMS2	Member Services: Delete 0.6 fte Member Services post (currently vacant)	11	
CXMS4	Marketing & Communications Reshuffle: The existing establishment has 3 media & publications officers, 2 full-time, 1 four days per week. Restructure would replace these with 1 x Communications Manager, 1 x Communications Officer & 1 x Communications Asst (Clerical). The lower graded posts provide the savings.	21	
CXMS5	Property Services – Strategic Business & Design: A targeted increase of 2% will lead to a saving of £30k as the same income can be earned with a lower level of resources	30	
CXMS6	Easement Income – Property Services: Anticipated additional income from wayleave consent	150	
CXMS7	Income from Ambulance Station site: the station can stay on the Hungate site until the new facility is complete, so providing additional income. Once empty the building will be demolished and could possibly be used for additional car parking, providing further income	22	
CXHS1	Corporate Trade Union Facility Time: HR holds a budget to reimburse directorates for the cost of releasing trade union stewards for union duties. This is a statutory obligation and cannot be stopped. However, the reimbursement could stop, with directorates being required to release representatives without reimbursement.	54	
CXHS5	Training Budget: Corporate training budget totals c. £100k, with a proportion covering fixed costs such as operating the Training & Development Centre. The proposed reduction will impact on Staff Development and Member training initiatives	19	
Total		394	5

City Strategy		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
CSLS1	Reduction in demand for bus tokens	30	
CSLS2	Additional Income from new Park & Ride contract: New service, starting Feb 2009 delivers additional income of £210k	200	
CSLS3	Venture Fund: the loan taken out in 02/03 to fund the creation of the Street Environment Service and DEDS restructure has been repaid	59	
CSDM1	Winter Maintenance – Weather Forecasting: Reduced cost of tender to provide weather forecasting information	7	
CSDM2	Reduction in supplies and services: savings identified in various minor admin budgets	5	
CSMS1	Increase in RESPARK charges: A proposed increase of £3 for a household permit. No proposed increase for small cars/low emission vehicles. An increase of 10p for a visitor permit.	10	
CSMS2	Reduction in Press advertising of planning notices: in light of increased use of on-line planning services, the government is proposing to remove the obligation to publicise planning applications in the local newspaper	30	
CSMS3	Increase in Planning Fees: the government has stated that fees need to rise by 40% to offset the loss of Planning Delivery Grant and provide sufficient income for Development Control. A 25% increase took effect 01.04.2008 and a further 15% is anticipated from 01.04.2009	28	
CSHS1	Car Park income: Proposal to increase off-street standard stay charges by 20p non-resident & 10p resident. Also to increase standard on-street charges by 20p to £1.70 per hour	50	
CSHS2	Parking Services – reduce establishment by 2 fte's: There has been a rise in compliance and as a result the number of penalty charge notices has reduced considerably. There are currently vacancies within the service so does not involve redundancies	48	
CSHS4	Concessionary Fare Tokens: proposal to withdraw the option of accepting bus tokens as an alternative to the bus pass. A residual £15k will remain to provide tokens to the registered disabled, and the value of these will increase by £30 to £50.	60	
	Anticipated additional dividend from Yorwaste	90	
Total		617	0

Economic Development

		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
CSMS6	Withdraw reception facilities at 20 George Hudson Street: Economic Development fund a full time reception service at 20 GHS for the building. As services have vacated the building there is less need for this and alternative entry arrangements could be made e.g. CCTV/telephone operation. This may involve a redundancy	15	
CSHS7	Reduction in Science City York Budget: the Council makes annual payments to the core costs of Science City, now established as a company by guarantee. This has complemented funding available from Yorkshire Forward. Due to changes in funding contracts, the government's business support simplification programme and a developing regional dimension to business support, it is proposed that the support to Science City is cut.	30	
CSHS8	Reduction in council support to Visit York: The Council makes annual payments to the core costs of Visit York, through a Service Level Agreement. The agreement is for 3 years but the Council can review its budget commitment annually. Any budget cut in contribution will impact on the performance of the company, requiring Visit York to amend their service delivery of consider efficiency savings within the organisation	25	
Total		70	0

Housing and Adult Social Services

		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
HASS5	Increase the existing vacancy factor by 1%. The vacancy factor is only applied to services where staffing is not backfilled with agency staff when vacancies occur, so does not cover front line services	85	
HASS7	A 1% efficiency against premises, supplies and services budgets. A minor base budget exercise has also been undertaken to drive out further efficiencies	200	
HASS15	Currently only 65% of disability related benefits are taken into account and 35% are disregarded in lieu of an individual assessment of Disability Related Expenditure. This proposal suggests 80% is taken into account in future. This will result in an increased charge for approx. 600 disabled adults currently in receipt of non-residential services.	180	
HASS16	Additional income received from admin fees for housing capital grants	10	

HASS12	Occupancy in CYC homes has been relatively high over recent years and as a result the income budget has regularly been over achieved	100	
HASS2	Contracted services that are no longer required	42	
HASS9	Reduce Residential & Nursing budget – the demand for Mental Health placements have not been at the budgeted level and this saving reflects a budget reduction to mirror activity	75	
Various	Full year effect of previously agreed savings, including home care efficiencies	669	
Total		1,361	0

Learning & Culture

Ref	Brief Description	2009/10	
		£'000	£'000
		On-going	One-Off
LS01	Staff vacancy factor: increase by 2% to 4% for non-front line staffing budgets	18	
LS02	Arts Service Level Agreements Reductions: the saving reflects previous decisions to reduce the annual payments to Yorkshire Film Archive and Guildhall Orchestra	4	
LS03	North Yorkshire Culture Participation Withdrawal: cease participation in North Yorkshire Culture including all work to generate 2012 related events in York	4	
LS04	Book Purchasing Team efficiencies: full year effect of saving introduced in 208/09	4	
LS05	Museums Client Budget Reduction: The Council maintains a small budget to fund its obligations within the partnership with York Museums Trust. It is expected that most of the legal work associated with setting up the Trust will be completed this year so it should be possible to reduce this budget to the minimum level to comply with the Council's obligations	10	
LS06	Allotment Income Increase: a 5% increase in rents, resetting allotment rents so that a more equitable rent is paid by all tenants and a standardisation of concessions at 60%	9	
LS07	Racecourse income increase: rental from the additional days racing. CYC receives 10% of gate receipts above the core 15 race days – 2 extra race days are planned for 2009	11	
LS08	Bustardthorpe Rate Savings: Bustardthorpe changing rooms are due to transfer to a community association. The rate liability will transfer to the club who will then be eligible to claim DDR	2	

LS09	Grounds Maintenance Cost reductions: a Value for Money audit is to take place on the current cost of ground maintenance undertaken by Neighbourhood Services. A target could be set for reduction either through retendering or other cost reduction, or by a reduction in service levels.	20	
LS10	Waterworld Rates Saving: it is proposed that as the new operator (Nuffield Health) is a charitable organisation they should take over responsibility for the business rates and claim mandatory relief. As part of this arrangement they will increase the rent payment to the council by 50% of the rate relief received	59	
LS11	Yearsley Pool Energy Savings: savings to be made by buying steam from Nestle made possible by the increased energy efficiency of the building following last year's refurbishment	30	
LS12	Business Support Rationalisation: the Leisure and Culture review is likely to lead to proposals that would reduce the requirement for business support staff by about 0.5fte	10	
LS13	Marketing Support review: The Leisure and Culture review is likely to lead to proposals that would cease buying in marketing support from Marketing & Communications and replace it with a rationalised service providing public information about cultural and learning opportunities	10	

Total 191 0

Children & Young People's Services

Ref	Brief Description	2009/10	
		£'000	£'000
		On-going	One-Off
CS01	Staff vacancy factor: increase by 2% to 4% for non-front line staffing budgets	150	
CS02	Group Manager 0-10 yr olds – General Office Efficiencies: a review of budget headings shows that savings can be made to reflect small changes in activity levels and procedures	22	
CS03	Placement & Disabilities Pay Protection: Requirement for pay protection following the closure of a children's home some years ago has now ceased	24	
CS04	Placement & Disabilities General Office Efficiencies: a review of budget headings shows that savings can be made to reflect small changes in activity levels & procedures	7	
CS05	Adoption Agency – Cancel Subscription: Based on the anticipated level of adoption activity, a saving can be made by cancelling the current agency subscription	15	
CS06	Sharing Care Co-ordinator – Delete 0.5 fte post (vacant)	25	
CS07	Adoption Allowances : cease the payment of a number of high cost discretionary allowances	3	
CS08	Children's Rights Services – General Office Efficiencies: a review of budget headings shows that savings can be made to reflect small changes in activity levels & procedures	6	

CS09	Looked After Children IT Budget Reduction: used to fund access to computers for Looked After Children – would reduce home access to PC's	16	
CS10	Sustainable Reduction in number and Costs of Looked After Children: through a systematic approach to the reduction of Placement with Parent Regulations; targeted prevention informed by recently commissioned research into the patterns and trends of high risk groups; the introduction of a permanency monitoring group to ensure that care plans of those children in the system are expedited. All in the context of the national requirements set out in <i>Care Matters</i> to improve the quality of care and outcomes for those children and young people already in the system.	90	
CS11	Sustainable Reduction in Number of Out of City Placements: Reduce reliance on this placement type in favour of enhanced and improved local services by :- working with partners (PCT) to reach a shared responsibility for commissioning placements; greater support for children living at home with complex needs (Short Breaks); enhanced provision for EBD and supporting the sustainable return of young people back to York from external placements	42	
CS12	Integrated Children's Centre Efficiency Savings: savings can be made on accommodation and admin overheads as existing services are transferred in to the new children's centres	50	
CS13	Education Welfare Service General Office Efficiencies: a review of budget headings shows that savings can be made to reflect small changes in activity levels and procedures	3	
CS14	Special Educational Needs Service General Office Efficiencies: a review of budget headings shows that savings can be made to reflect small changes in activity levels and procedures	16	
CS15	Adult Education Centre Relocation: savings from the rationalisation of admin support following the relocation of some adult education provision to the Central Library	6	
CS16	Residential Provision Full Cost Recovery: Cease to provide free provision to residential home (adult education). Would mean either residents paying full cost, HASS paying cost or provision ceasing	5	
CS17	Registration Charges Increase: increase the registration fee for non-accredited adult education provision from £7 to £15	5	
CS18	Musical Instruments Purchase Budget Reduction: availability of funding for buying instruments within the Wider Opportunities grant means that it is possible to reduce the main instrument purchase budget without affecting the service	4	
CS19	Music Teachers' Salary Cost reductions: a review of duties and responsibilities will allow some new appointments (due to staff turnover) to be made on non-qualified teacher salary rates	14	
CS20	Increase Charges to Schools (Arts & Culture): A 30% increase in charges levied to schools for project work	12	
CS21	Children's Trust Unit Office Efficiency Savings: a review of budget headings shows that savings can be made to reflect small changes in activity levels and procedures	2	

CS22	Pre-School Learning Alliance Service Level Agreement: To reduce the value of the SLA with pre-school learning alliance to £20k	5	
CS23	Young People's Service – Administrative Support: Delete 1 fte post (vacant)	15	
CS24	Young People's Service – Reduce Youth Service training budget by 35%	20	
CS25	YorKash Fund Reduction: Fund is currently made up of £25k CYC base budget plus £90k and £55k from Youth Opportunities Fund and Youth Capital Fund respectively. The external funding is confirmed at least until 31.03.2011 so the base budget could be removed without real detriment	25	
CS26	Access Services – Delete 0.5 fte Access Officer post (vacant)	10	
CS27	Finance Team Efficiencies : It is expected that the new Financial Management System (FMS) (April09) will streamline financial processes and remove the need for a number of manual workarounds currently in place. At this point it is difficult to be precise over exact savings but this proposal assumes the equivalent of a 0.5 fte finance post could be saved from Oct 09	7	
CS28	School Business Service Charges to Schools: a 5% increase in charges for the traded school business service plus £7k of additional business being generated. In addition an extra £10k should be deliverable from the school cash flow interest charges.	26	
CS29	Central Support Service Charges to Schools: Increase the level of recharge (HR, Legal, Payroll etc) by 5%	22	
CS30	ICT Client Recharge to Broadband: increase the level of recharge of staff time to the Broadband Service. This would increase the charge by £13k to £43k	13	
CS31	Schools Broadband Contract: a new corporate broadband contract is due to start early in 2009. The current cost model assumes a 2.5% increase in the charges made to schools. An additional 2.5% increase from April 09 would generate a further £8k	8	
CS32	Management Information Service (MIS) – Reduce one post from term time only to 30 hours per week	1	
CS33	MIS Income Generation: introduce new charges to schools for the provision of discretionary services	5	
CS34	Planning Officers Salary Recharge to Capital: an increased recharge of Planning Officers' time to the Children's Services Capital Programme. Achievable due to increased size of the programme over the following 3 years	12	
CS35	Strategic Management – LCCS Development Fund: Reduce to fund by 50% to £25k. This would still leave enough to fund the graduate trainee post	25	
CS36	Educational Development Service – Schools Buyback Service: a 5% increase in the charges made to schools for the EDS service	4	
CS37	External Consultants Budget Reduction: Reduce the budget for buying-in external consultancy by £50k. The School Improvement Service uses consultants to help vulnerable schools with self-evaluation, Ofsted preparation and other specialist support.	50	

CS38	Beacon Status Costs: in 09/10 & 10/11 some advisors time can be charged to the Beacon grant for work done on spreading best practice. A saving can be made by not back-filling this work but absorbing it into the existing team. It is then intended to review the EDS structure with the saving being delivered in future years by restructuring the team	20	
CS39	14-19 Strategy Manager – Fund from DCSF Grant: there is currently a budget of £15k to fund the 14-19 strategy. This was used towards funding the Strategy Manager's post. DCSF funding has now been confirmed until the end of 10/11 and can be used to fund this post. The position will then need to be reviewed if the funding is not continued.	15	
CS40	School Development Grant Reprioritisation: reduce spending in areas of service currently funded by the retained part of School Development Grant to enable this grant to support core EDS activity. This is possible as the scope of the retained grant has been widened. The main impact of this will be felt in schools as discretionary allocations of funding will be reduced.	85	
CS41	Governance Buyback & Clerking Service Charges Increase: A saving of £2k can be achieved by increasing charges for governance buyback by 5%. Also, the charging scheme for the clerking service is currently under review and a new scheme will be designed to increase income by a further £1k above cost increases.	3	
CS42	Newly Qualified Teacher (NQT) Training Budget: the majority of the NQT budget was transferred to ISB in 08/09 with a small amount retained centrally to support training. This saving would remove training budget completely meaning that schools would have to pay directly for NQT training from delegated budgets	21	
CS43	Training & Development Unit Management Responsibilities: saving could be made from mid 09/10 by realigning responsibilities within the TDU and Advisory Service. The equivalent of a 0.5 fte post would be removed.	15	
CS44	PFI Residual Budget: remove the small residual budget for additional costs outside of the contract	4	
CS45	Repair & Maintenance Buyback; Remove the small deficit on the budget and make the buyback cost neutral	1	

Total	929	0
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Neighbourhood Services		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
NSL_S2	Increasing licensing activity for Licensing Act 2003: the Licensing Act 2003 covers the licensing of sale of alcohol, provision of entertainment and late night refreshment. The Act became operative in Nov 2005 at which time the budget was established. As time progresses a clearer picture is emerging as to income and expenditure on the service	16	
NSCREM_S1	Crematorium – Increase Memorialisation & Miscellaneous Fees and Charges by 5%: increase in respect of sale of memorials, medical referee fees, scattering of ashes, exhumations, carrying service, internments and Dringhouses Cemetery fees by 5%.	4	
NSREG_S1	Increase in discretionary fees at the Register Office: CYC can increase certain fees relating to the services provided by the Register Office. These include various ceremony fees, and costs relating to the speed of certificate production. Part of the saving will also be achieved from an anticipated over recovery of income against base budget	14	
NSW_S5	Increase in rent of Harewood Whin, off set by bio-gas: The rent goes up year on year for Harewood Whin, but the budget has not been increased. However over recent months there has been a downturn in the revenue achieved from the bio-gas. This is a net saving	10	
NSW_S7	Trade waste fees and charges (Hazel Court HWRC): Aligning base budget to actual level of income	18	
NSW_S8	MRF processing: adjusting base budget to reflect free processing of kerbside collected recyclate	29	
NSW_S9	Residual waste disposal: Adjusting base budget to reflect reduction in residual waste being sent to landfill net of commercial waste tonnage variation	115	
NSW_S11	Contractually reduce the opening hours of the Material Recovery Facility (MRF) at Hessay: reduce budgeted operating hours as extended hours are not required as part of the current operations	24	
NSA_S1	Staff Advertising: reduce the staff advertising budget: costs would have to be met from individual service area savings on salaries due to vacant posts	15	
NSEH&TS_S1	Delete 0.5 fte filing clerk post in Environmental Health & Trading Standards. This would involve a redundancy	8	
NSW_10	Household Waste Recycling Centre Permits: it is estimated that the introduction of permits will generate income and disposal savings to fund an admin post with the remainder being a saving	30	
NSSEO_S1	Delete 1 fte Street Environment Officer (vacant post)	29	

NSNPS_S5	Silver Street toilet income: toilets are scheduled to open in May 2009. Charges will be for all users except disabled and will be consistent with Union Terrace (increased to 40p) and a charge will be made for male customers. This assumes that there will be some reduction in the use of facilities	49	
NSNPS_S6	Increase charges at Union Terrace toilets from 30p to 40p. This assumes that there will be some reduction in the use of facilities	10	
NSW_S13	Reduce the agency budget to cover sickness in Waste & Neighbourhood Pride Service: As sickness continues to reduce the budget can be reduced accordingly	30	
NSW_S3	Reduce budget for waste minimisation: Remove communications budget aimed specifically at waste minimisation	10	
NSCREM_S2	Increase Cremation Fee by 6.4%: would raise fee by £36 making the cremation fee £599	44	
NSW_S12	Reduce Waste admin by 0.5 fte (vacant post)	12	
NSEHTS_S2	Reduce Environmental Health & Trading Standards Budget by £36k: The specific budget area is yet to be decided, as currently unknown outcomes of court cases will determine where the saving can be achieved in the next financial year	36	

Total 503 0

Resources

Ref	Brief Description	2009/10	
		£'000	£'000
		On-going	One-Off
RSDSx	De-Minimis Savings: Within IT&T – Asset Management Project under budget (£7k) Looking after Children project under budget (£8k) and corporate printing savings (£2k)	17	
RSMS2	Improved efficiency of processing Council Tax and Housing Benefit: in the past the benefits service have made significant use of agency staff to deal with backlogs and peaks in demand especially at year end. Due to work done as part of easy@york the service has reduced backlogs and will implement new processes that will enable the service to deal with peaks in demand within existing resources resulting in a reduction in the level of agency staff required.	25	
RSMS4	Review Council Tax 25% Single Person Discount entitlement: working with a credit reference agency undertaking a data matching exercise to identify potential multi-person households where the 25% discount may not need to be reviewed and/or cancelled.	50	
RSMS5	Improve recovery of Benefits Overpayments: undertake a review of Housing and Council Tax Benefit overpayments that have recovery either suspended or pended and either recover from ongoing benefit entitlement or issue invoice.	60	

RSMS6	Anite: the new Corporate Electronic Data & Records Management System (EDRMS) offers the potential to migrate from one of the current document management providers releasing the associated maintenance costs	30	
RSMS7	Additional IT&T Sales income: additional service sales by expanding the use of the existing Corporate Remote Access system	10	
RSMS8	Voice and Data Network consolidation: anticipated savings to be achieved through the consolidation of various council contracts into a single managed service. These include IT&T's current Voice & Data Network, Urban Traffic Management Control and the Corporate Broadband contract	10	
RSMS9	Saving from Insurance reserve: an additional £50k pa to be given up from the insurance reserve on an annual basis. Made possible through better management of the insurable risk in the Highways area. Since the introduction of Highway Safety inspections in Sept 2000 the repudiation rate for highways claims has risen to over 90% compared to an average of 65% for the rest of England. A further benefit of the effective management of claims has been the reduction in premiums paid to external insurers which fell by £250k pa at last tender.	50	
RSMS10	Staff Turnover saving: Currently there is no vacancy provision within the Resources budgets. Based on previous experience there are reductions in employee costs net of recruitment costs which suggest that a target of £51k is reasonable for 09/10	51	
RSLs1	Increase in Benefits Subsidy due to efficiency improvements: improved performance in the administration of Housing & Council Tax benefit, including a lower incidence of local authority error overpayments.	82	
RSLs2	Oracle Licences: The Integrated Social Services System (ISIS) will be decommissioned this financial year with a consequent reduction in the requirement for associated Oracle licenses	10	
RSLs3	Technical Integration: expansion of the internal resource skills base has identified savings when compared to the costs relating to the buying in of this specialist technical skill set.	100	
RSLs4	Server Maintenance Contracts (Care Packs): transfer of maintenance responsibilities to the in-house staff would remove the costs of external service provision.	10	
RSLs5	IT&T Lease Savings: Lease buyouts completion resulting in ongoing savings	123	
RSLs6	Resources Development Fund: following a review this budget is no longer required	60	
	Full year effect of 2008/09 Savings	4	

Total	692	0
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<u>Corporate Efficiency Savings</u>		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
	Transport Review Project	200	
Total		200	0
TOTAL SAVINGS PROPOSALS		4,957	5

Items for Consultation

<u>Chief Executive</u>		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
CXMS3	Delete 1 fte Scrutiny Post (vacant). This could have an impact on resources if the scrutiny review leads to a change in the structure of scrutiny	21	
CXDM3	Cease providing a vehicle for Member planning site visits: members would be required to use their own vehicles	3	
CXDM4	Removal of Freepost Service within Electoral Registration: removal of freepost service for both Rolling Registration application forms and Postal Vote application forms. This would result in a drop in number of new residents registering to vote via Rolling Registration, thus leading to an inaccurate Register of Electors and new residents being disenfranchised. Fewer electors applying for postal votes, possible leading to lower turn-outs.	2	
CXHS3	Reduction in Asset and Property Management Establishment: there is a 0.5 fte vacancy in the Property Manager post and therefore there would be no redundancy costs involved. The loss of this post would have significant impact upon APM's ability to generate capital receipts, manage the commercial portfolio and contribute to the effective management of the Council's property assets, creating the risk of compromising the capital programme and underachieving revenue targets.	23	
CXDH2	Cease Subscription to Disabled Go: the subscription provides free detailed access information for disabled people across the UK. Disabled Go is a national disabled access guide that researches every venue in person and on site. The York element of the guide is one of the most popular with upward of 10,000 hits per year. The site helps promote York to disabled visitors	8	

<u>City Strategy</u>		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
CSHS3	Reduce Highway Maintenance Budgets: The saving of 6.25% would have to be met by reducing budgets across a range of highway maintenance services to reduce the impact. The greatest impact will be on Repair and Renewal schemes to carriageways (including back lanes) and footways, slurry sealing to carriageways and footways, asphalt repairs and some other maintenance activities	244	

CSHS5	Withdraw support to selected subsidised bus services: review of bus services and proposals to withdraw support to least used / most highly subsidised services	55	
CSMS5	Park & Ride Designer Outlet Office: the new P&R contract allowed for a new office at the Designer Outlet to provide services to passengers, such as travel advice, sale of tickets etc. The cost of the building is being funded from the LTP whilst the running costs (£70k) are to be funded from the additional licence fee.	70	
CSHS1b	Car Parking Income: increase in charges of 20p at short stay car parks	95	
CSHS2	Cease development of new RESPARK Schemes: there is a budget of £19k to develop and implement new RESPARK schemes: Fewer residential areas are now accepting such schemes when voting and there has been a significant reduction in the requests for new scheme to be implemented	19	

Housing and Adult Social Services

		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
HASS11	Reduction in a range of non statutory services, including respite care, day care and transport to elderly and disabled people and their carers	162	

Learning & Culture

		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
LS14	Leisure Grants Cash Freeze: Freeing all leisure grant budgets and therefore grant allocations (inc Theatre Royal) at 2008/09 levels	10	
LS15	Library Opening Hours Reduction: A general, as yet unspecified, reduction in opening hours across the service which would be targeted at times of lowest public use	10	
LS17	Discretionary Rate Relief Budget: Reduce the budget so that each award is scaled down by around 50%	30	

Children & Young People's Services

		2009/10	
		£'000	£'000
		On-going	One-Off
Ref	Brief Description		
CS60	Contribution to Youth Offending Team: Reduce the contribution from the Children & Families Service by £17k	17	

CS61	Voluntary Sector Service Agreements: Reduce the Young People's Service Voluntary Sector Service Agreements budget. The service commissions youth work provision from 7 voluntary sector providers, mainly in rural parts of the city	30	
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<u>Neighbourhood Services</u>		2009/10	
		£'000	£'000
Ref	Brief Description	On-going	One-Off
NSNM_S1	Reduction in ward committee local improvement schemes budgets	60	
NSNM_S2	Reduction in target hardening budget	13	
NSSEE_S1	York Pride Budget is a discretionary budget used to carry out tangible improvements in each ward, using an annually recurring dedicated budget of £180k, shared between Neighbourhood Pride Campaigns and the 22 wards, based on population per head. A 10% reduction of the budget would reduce it by £18k to £162k per annum	18	
NSW_S2	Cease supplying black sacks to properties not on wheeled bins	30	
NSNPS_S1	Reduce Barrow Operatives in Neighbourhood Pride Service: take 3 operatives out of service and reduce the frequency of rounds. This could involve redundancies	60	
NSSEE_S2	Remove the Environment Enforcement Team, consisting of 2 fte: this team was recently established and is responsible for fly tipping and littering. This would result in a redundancy	52	
NSEHTS_S3	Remove the Noise Patrol Team: the team requires additional funding via growth bid but if this is not accepted the team may no longer be viable and therefore base budget of £50k could be put forward as a saving. This would involve 2 redundancies	50	

<u>Resources</u>		2009/10	
		£'000	£'000
Ref	Brief Description	On-going	One-Off
RSMS3	Reduction in number of cashiers: Opportunity to reduce staff numbers in cashiers if alternative cash collection methods are brought forward, such as use of automated kiosks. Since this option has not been agreed as per the IT development plan this option is not recommended	20	

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Use of Reserves – One-Off Funding

Non-Recurring Growth Pressures		2009/10
Ref	Brief Description	£'000
CSUN6	Waste PFI Procurement Budget: Latest projections show CYC's contribution to the project to be £260k in 09/10, which is £110k greater than the current budget set aside	110
CSLP4	Highways Development Control: Provision of a Senior Highways Development Control Officer to cope with existing high service pressures and anticipated continued demand from several key imminent regeneration sites	42
CSLP7	Highways Drainage Repairs: Additional investment to continue the repairs to infrastructure where flooding regularly occurs	200
CSLP10	Enforcement of Speed Limits: The road safety partnership, 95 Alive, is currently considering whether the introduction of speed cameras (fixed or mobile) would be an appropriate means of addressing speed/safety issues in York/N Yorks. Report of preliminary findings due at end of 08/09 on whether to pursue a partnership approach to speed cameras.	90
	Archive Service: Additional Staffing – funded from reserves in 09/10, expected to be funded from service savings in 10/11	32
	Archive Service : one-off start-up funding to exploit additional income streams	30
	Barbican: cost of holding the building whilst consideration of future options is undertaken	120
NSW_G14	Towthorpe HWRC Health & Safety Work: To comply with requirements in will be necessary to make a number of improvements at the site. Work to include upgrading security funding, site lighting and improving staff welfare facilities.	20
NSNPS_G6	2008/09 LPSA2 reward grant funded 3 fte posts in Neighbourhood Pride Service (previously funded through LPSA2). If funding is not provided a reduction in street cleaning would be required.	11
	Loss of YPO Dividend – one-off shortfall in income. The Yorkshire Purchasing Organisation is going through some structural changes which are impacting on its financial position and therefore it has declared that it will not be issuing a dividend in 2009/010	136
	Asbestos Survey – further critical work is required in identifying asbestos in council buildings.	60
	Corporate Credit Crunch reserve	400

Non-Recurring Growth funded from Reserves 1,251

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Estimated Reserves Balances

	2008/09 £000	2009/10 £000	2010/11 £000
General Fund Reserve			
Balance at 1 April	(11,386)	(7,803)	(5,427)
Less: Already Committed To Annual Budget	1,992	2,389	-
Carry Forward Underspend from Previous Years	1,513	-	-
Agreed spend to Invest for Efficiency	1,000	-	-
Supplementary Estimates granted in year	1,519	37	-
Revised General Fund Reserve	(5,362)	(5,377)	(5,427)
Add: <u>Other Adjustments</u>			
NDR Rebates	(50)	(50)	(50)
Additional LABGI grant received	(691)	-	-
Transfer funds from Insurance reserve	(300)	-	-
	(1,041)	(50)	(50)
Net Underspend on General Fund	(1,400)	-	-
Estimated General Fund Reserve at 31 March	(7,803)	(5,427)	(5,477)
Trading Activities Reserve			
Balance at 1 April	(439)	(246)	(246)
Less: Use of Reserves	100	-	-
Forecast loss in year	93	-	-
Estimated Trading Activities Reserve at 31 March	(246)	(246)	(246)
Venture Fund			
Balance at 1 April	(2,729)	(2,883)	(3,144)
Add: Repayments	(154)	(888)	(44)
Less: Advances	-	627	801
Estimated Venture Fund Balance at 31 March	(2,883)	(3,144)	(2,387)
Total Revenue Reserves at 31 March	(10,932)	(8,817)	(8,110)
Estimated Minimum Reserves Threshold	5,309	5,521	5,686
Headroom in Reserves	(5,623)	(3,296)	(2,424)

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STANDARD CHARGES FOR RESIDENTIAL CARE HOMES AND NON-RESIDENTIAL CENTRES

Type of Service	Current Charge 2008/09 £	Proposed Charge 2009/10 £
Residential Homes (weekly charge)		
Elderly Persons Homes	457.74	469.14
Residential Respite Care for Adults – Mental Health (22 The Avenue)	659.63	676.13
Residential Short Breaks for Adults with Learning Disabilities (Flaxman Avenue)	1,148.98	1,177.68
Discretionary Charges		
Personal Home Care	15.35 per hour	15.75 per hour
Day Care	6.60 per day or session	6.75 per day or session
Transport	1.75 per day	1.80 per day
Laundry*	3.50 per load	3.70 per load
Warden Call**	4.10 per week	4.20 per week
Meals at Day Centres	2.40 per meal	2.45 per meal

* Laundry only provided as part of an existing package of care

** Warden Call includes Mobile Warden visiting service

HOUSING FEES & CHARGES

Service		Current Charge 2008/09 £	Proposed Charge 2009/10 £	
Administration of Private Sector grants	York repair grant	500	500	
	Security grant	200	200	
	DFG	15% of eligible works	15% of eligible works	
	Home Appreciation Loan	12% of eligible works	12% of eligible works	
Houses in Multiple Occupation Licences	Band A	550	564	
	Band B	663	680	
	Band C	745	764	
	Band D	805	825	
	Fit & proper person check	22.5	23	
Garages	Normal	Council tenant	5.51	5.65
		Private	5.51 + .83 VAT	5.65 + .85 VAT
	High Demand	Council tenant	6.61	6.78
		Private (local connection)	12.58 + 1.89 VAT	12.89 + 1.93 VAT
	Low Demand	Private (no local connection)	16.22 + 2.43 VAT	16.63 + 2.49 VAT
	All tenures	2.79	2.86	
Aerials & Alarms				
Basic Aerial		0.16	0.16	
Upgraded Aerial		nil	0.46	
Burglar Alarms		1.19	1.22	
Victimisation Alarms		1.10	1.13	
Cookers				
2009/10 budget assumes a 2.5% increase on existing charges for gas & electric cookers. No new cookers are rented.				

The remainder of the Fees and Charges can be found in the relevant EMPA reports filed in the Members' Library

Budget Consultation Feedback

The council's budget has been widely consulted on. The forms of consultation included the following

- 1) the postal and web based survey of citizen's priorities for budget growth and savings
- 2) Web-based survey amongst the council's business panel of c350 local businesses
- 3) meetings of partners, the voluntary sector and the business community where an in depth analysis of the situation and options were presented
- 4) EMAP meetings where budget proposals, options and details including Service Plans were presented

There was no significant consultation feedback to report from the EMAPs. In terms of the meeting involving partners, the voluntary sector, the business community etc the event was very well received and much positive feedback was given mainly about the opportunity it gave to gain greater understanding of the issues and the style and content and the clear presentation of the issues. The main consultation feedback issues were a general support for community focussed services, understanding and support for the need to raise Council Tax above inflation and support for ending travel tokens as part of the move to a national free bus pass.

The low number of responses from the business panel were not sufficient to have any quantitative validity. However, qualitatively they reflected the views expressed in the citizen's survey

The main form of consultation was the postal and online survey of citizen's views. The information in this report is based on a total of 7748 responses, around a 9% return. This is a good response rate for this type of survey, and up almost 20% on the 2008 consultation .

Members are in no way bound by the consultation as it is not a referendum, but is a process to gather opinion and aid informed decision making. Members are reminded that none of the consultation options are included in the budget proposals in this report and that the aim is for members to propose the ones they wish to approve, whilst ensuring that the overall budget still balances.

It should be noted when considering the results that the % represents the % of respondents who placed that issue in their top 3 for savings, for protecting services from cuts and for investment (and **not** the actual % in favour or against a particular option).

Top priorities for making savings (highest first)

- 1) Reduce the amount the council spends on administration (**72.2%**)
- 2) Generate new income from relocating the Yorkshire Wheel to North Street (subject to planning permission) (**42.7%**)
- 3) Concessionary bus passes for the over 60s to be used from 9.30am instead of 9.00am (**40.0%**)

- 4) Increase the charges for adults on leisure/personal development courses **(36.3%)**
- 5) Reduce financial support to external organisations which support the council in the areas of economic development and tourist support **(32.4%)**

There was a significant gap between these five options and the next four:

- 6) Increase the costs of car parking **(20.1%)**
- 7) Target the provision of travel tokens to the most vulnerable, to make up for the shortfall in government grant **(16.6%)**
- 8) Increase the fees that the council charges for services like public toilets, pest control, trade waste disposal and cremation, by more than the rate of inflation **(11.4%)**
- 9) Reduction in swimming pool opening hours **(7.2%)**

The remaining four options were all selected by less than 5% of respondents: reduce frequency of street cleaning; reduce maintenance of parks and open spaces; reduce spend on road maintenance; reduce support to elderly for care services.

Top priorities for protecting from cuts (highest first)

Unsurprisingly, these tend to be a mirror image of the ranking for savings:

- 1) Reduce the level of council support available to elderly people for a range of care services such as respite care, day care and transport **(53.3%)**
- 2) Reduce the amount of money spent on repairing and maintaining roads and footpaths **(43.3%)**
- 3) Reduce the frequency of street cleaning **(35.1%)**
- 4) Reduce the maintenance of parks and open spaces **(29.4%)**
- 5) Increase the costs of car parking **(22.3%)**
- 6) Reduction in swimming pool opening hours **(21.4%)**
- 7) Increase the fees that the council charges for services like public toilets, pest control, trade waste disposal and cremation, by more than the rate of inflation **(19.6%)**
- 8) Concessionary bus passes for the over 60s to be used from 9.30am instead of 9.00am **(17.2%)**

All of the other five options were selected by 10% or less respondents: target travel tokens to most vulnerable; increase charges for adult courses; generate income by relocating Yorkshire Wheel; reduce support to external organisations; reduce spend on administration

Top priorities for spending (highest first)

- 1) Maintain highway and footpath maintenance at current levels, allowing for inflation **(45.8%)**
- 2) Increase payments to private elderly residential care providers to ensure there are enough places to meet demand **(34.9%)**

- 3) Ensure that there is enough money to meet the increasing costs of children in care **(31.2%)**
- 4) Extend kerb-side recycling throughout the city **(29.4%)**
- 5) Continue to support current levels of subsidised bus services **(29.0%)**
- 6) Ensure that there is enough money to do repairs and maintenance in elderly people's homes **(27.7%)**
- 7) Invest more in improving highway drainage **(23.0%)**
- 8) Support for local businesses dealing with the impact of the 'credit crunch' **(19.5%)**
- 9) Continue to invest in weekend night time noise patrol services **(16.4%)**

The remaining four options were all selected by less than 10% of residents. These were: free parking for Minster Badge holders from 5.30pm; provide annual firework display; invest in education/advice on waste minimisation; free parking for environmentally-friendly vehicles.

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CORPORATE IT DEVELOPMENT PLAN 2009/10

New Bids Submitted For 2009/10																					
Option	Ref.	Description	Scheme Type	Risk Score	Res Wks	Guide Capital	Contingency	Lifetime Cost	Annual Ongoing Cost (£)			First Year Costs (£)			Cumulative Costs (£)						
									Total	Gen. Fund	HRA	Total	Gen. Fund	HRA	Cum IT Weeks	All Funds Ongoing	HRA Ongoing	Gen. Fund Ongoing	All Funds Fst Year	HRA First Year	Gen Fund First Year
Projects Needing Funding																					
	09COR04	Citrix Upgrade	Upgrade	143	52.0	475,600	0	860,830	172,166	165,279	6,887	139,572	133,989	5,583	52.0	172,166	6,887	165,279	139,572	5,583	133,989
	09HASS04	iWorld Server Upgrade	Upgrade	135	1.5	60,270	0	87,527	17,505	8,403	9,103	17,505	8,403	9,103	53.5	189,671	15,989	173,682	157,077	14,686	142,391
	09LCCS01	Replacement of Primary School MIS	Procurement	122	4.0	59,000	0	69,325	13,865	13,865	0	11,008	11,008	0	57.5	203,536	15,989	187,547	168,085	14,686	153,400
	09NS01	Automated Housing Repairs Appointments	Extension	111	19.0	71,434	0	133,720	26,744	26,744	0	20,563	20,563	0	76.5	230,280	15,989	214,291	188,648	14,686	173,963
	09COR05	Desktop Replacement Programme	Procurement	110	0.0	44,000	0	65,408	9,344	8,970	374	6,440	6,182	258	76.5	239,624	16,363	223,261	195,088	14,943	180,145
	09CEX02	Connecting Electoral Registration to the LLPG	Extension	100	9.0	6,545	0	13,315	2,663	2,663	0	2,209	2,209	0	85.5	242,288	16,363	225,924	197,297	14,943	182,354
	09CEX01	Legal Case Management System	New System	93	9.5	55,170	3,235	99,575	19,915	19,915	0	10,493	10,493	0	95.0	262,202	16,363	245,839	207,790	14,943	192,847
	09COR02	Corporate EDMS Extension	Extension	92	156.0	182,000	116,000	395,850	79,170	76,003	3,167	21,308	20,455	852	251.0	341,372	19,530	321,842	229,098	15,796	213,302
	09HASS01	Choice Based Lettings	Other	89	3.0	30,000	0	60,250	12,050	2,410	9,640	11,051	2,210	8,841	254.0	353,422	29,170	324,252	240,149	24,637	215,513
	09LCCS03	Maintenance Of The Family Information Service System	Funding	86	0.5	0	0	42,500	8,500	8,500	0	8,500	8,500	0	254.5	361,922	29,170	332,752	248,649	24,637	224,013
	09COR01	Encryption Software	Procurement	83	9.0	85,000	0	184,875	36,975	35,496	1,479	31,981	30,702	1,279	263.5	398,897	30,649	368,248	280,630	25,916	254,714
3	09CSTR02	York Transport Multi Modal Model	New System	82	4.0	0	0	16,080	3,216	3,216	0	3,216	3,216	0	267.5	402,113	30,649	371,464	283,846	25,916	257,931
	09COR03	Model Office	Pilot	70	0.0	10,000	0	21,750	4,350	4,176	174	3,763	3,612	151	267.5	406,463	30,823	375,640	287,609	26,066	261,545
	09CSTR01	Mobile Working in Building Control	Extension	67	5.5	25,080	0	37,969	7,594	7,594	0	5,502	5,502	0	273.0	414,057	30,823	383,234	293,110	26,066	267,044
2	09NS02	Mobile Data Capture for Regulatory Services.	New System	52	2.0	17,000	0	39,975	7,995	7,995	0	7,995	7,995	0	275.0	422,052	30,823	391,229	301,105	26,066	275,031
				Totals	275	1,121,099	119,235	2,128,949	422,052	391,229	30,823	301,105	275,039	26,066	2,602.5	422,052	30,823	391,229	301,105	26,066	275,039

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ANNEX 11**Easy Project Financial Plan**

The tables attached at Annex 11a show the financial impact of extending the Easy at York programme. Table 1 shows the model approved by Executive at the 15th January 2008. Table 2 shows the latest projection based on proposals submitted in this report. Table 3 highlights the variance.

Overall the Easy Programme is projected to generate a surplus of £509k, however in financial years 2009/10 and 2010/11 the programme has a funding shortfall for which approval is sought for temporary funding from the Venture Fund. Interest on the Venture Fund loan will need to be paid and has been incorporated into the financial plan..

The Programme costs consist of staff resources, accommodation, training and publicity. These have increased by £2,361k due to an additional year of costs, and as a result of staff resources being made available from other Services from existing budgets, some of which are included for the whole period of the programme. IT costs relate to software and hardware required to deliver improved systems. A contingency of £212k (10%) was originally included in the financial plan to allow for changes in the technology costs but this is no longer considered necessary. In the proposed plan provision for additional costs has now been taken into account when setting the revised IT costs.

Phase 2 support and maintenance costs appear to have reduced. This is due to a change in presentation with all phase 1 residue costs and savings being shown as a net amount on one line. There have also been changes in the maintenance profile due to the extension of the programme.

The savings from implementing Phase 2 have slipped, but over the period projected to 2015 there has been a small increase of £123k, making efficiencies of £2,105k over the 7 year period of the financial plan.

Existing budgets of £1,825k primarily relate to the staff resources being funded from other Services referred to above.

The ongoing budgets and expenditure from the Phase 1 programme are now fully reflected in this financial plan, and mainly comprise of the on going maintenance and support costs and prudential borrowing repayments. Over the 7 year period of the financial plan these costs will reduce contributing further efficiencies.

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Easy@York Phase 2

Table 1

ORIGINAL APPROVED PROGRAMME

	07/08 £'000	08/09 £'000	09/10 £'000	10/11 £'000	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000	TOTAL £'000
Programme Costs		883	944	296					2,123
IT Costs		460							460
Contingency		88	94	30					212
Support & Maintenance		100	100	106	100	100	486	486	1,478
Interest on Venture Fund									
Total spend		1,531	1,138	432	100	100	486	486	4,273
Savings		(82)	(300)	(350)	(350)	(300)	(300)	(300)	(1,982)
Existing Budgets			(196)						(196)
Residue from Phase 1	(989)						(614)	(614)	(2,217)
Total Funding	(989)	(82)	(496)	(350)	(350)	(300)	(914)	(914)	(4,395)
Net Costs	(989)	1,449	642	82	(250)	(200)	(428)	(428)	(122)
Cumulative	(989)	460	1,102	1,184	934	734	306	(122)	

Table 2

LATEST PROPOSED PROGRAMME

	07/08 £'000	08/09 £'000	09/10 £'000	10/11 £'000	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000	TOTAL £'000
Programme Costs		1,037	1,173	1,200	404	224	223	223	4,484
IT Costs		134	265	100					499
Contingency									
Support & Maintenance		20	56	112	111	111	112	112	634
Interest on Venture Fund			15	60	48	28	5		156
Total spend		1,191	1,509	1,472	563	363	340	335	5,773
Savings		(12)	(293)	(390)	(390)	(340)	(340)	(340)	(2,105)
Existing Budgets		(256)	(324)	(270)	(240)	(245)	(245)	(245)	(1,825)
Residue from Phase 1	(1,386)	5	193	(186)	(186)	(186)	(245)	(361)	(2,352)
Total Funding	(1,386)	(263)	(424)	(846)	(816)	(771)	(830)	(946)	(6,282)
Net Costs	(1,386)	928	1,085	626	(253)	(408)	(490)	(611)	(509)
Cumulative	(1,386)	(458)	627	1,253	1,000	592	102	(509)	

Table 3

DIFFERENCE

	07/08 £'000	08/09 £'000	09/10 £'000	10/11 £'000	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000	TOTAL £'000
Programme Costs		154	229	904	404	224	223	223	2,361
IT Costs		(326)	265	100					39
Contingency		(88)	(94)	(30)					(212)
Support & Maintenance		(80)	(44)	6	11	11	(374)	(374)	(844)
Interest on Venture Fund			15	60	48	28	5		156
Total spend		(340)	371	1,040	463	263	(146)	(151)	1,500
Savings		70	7	(40)	(40)	(40)	(40)	(40)	(123)
Existing Budgets		(256)	(128)	(270)	(240)	(245)	(245)	(245)	(1,629)
Residue from Phase 1	(397)	5	193	(186)	(186)	(186)	369	253	(135)
Total Funding	(397)	(181)	72	(496)	(466)	(471)	84	(32)	(1,887)
Net Costs	(397)	(521)	443	544	(3)	(208)	(62)	(183)	(387)
Cumulative	(397)	(918)	(475)	69	66	(142)	(204)	(387)	

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Housing Revenue Account (HRA)

- 1 Local Authorities are required, by legislation, to keep a HRA. The Local Government and Housing Act 1989 stated that items of income and expenditure only relating to Council housing must be contained within the account. Thus the terms “ring fenced” or “landlord account” are now referred to, as transfers between the HRA and General Fund are normally prevented.
- 2 The Act also outlined the arrangements whereby subsidy is allocated on a “notional” HRA. This account is based on the Governments assessment of what local authorities should charge in rents and spend on management and maintenance, rather than what they actually do charge and spend.
- 3 Authorities have a duty to ensure that the HRA balances, to keep the budget under review and to take all reasonable steps to avoid a deficit.

HRA Negative Subsidy

- 4 The two major sources of funding HRA expenditure have been Government Subsidy and rent income. Following the removal of the payment of rent rebates through the HRA there is now a net surplus on the notional HRA as the rent income now exceeds the subsidy payable by the Government for HRA expenditure on management, maintenance, etc. This results in a “negative” subsidy payable by the authority to the Government of £6,575k for 2009/10. This compares to £5,349k for 2008/09.

	2008/09 Estimate £'000	2009/10 Estimate £'000
HRA subsidy payable (including MRA)	18,941	18,887
Less Notional Rent Income from council tenants	(24,290)	(25,462)
Equals Negative Subsidy payable	(5,349)	(6,575)

HRA Borrowing and Debt Repayment

- 5 From 1 April 2004 authorities can determine for themselves what capital investment is required and have the freedom to borrow (within prudential principles) to deliver housing services. Some supported borrowing continues and the interest charges for the elements used to fund HRA capital expenditure is paid from the HRA and refunded

through subsidy. Prudential borrowing which takes place over and above the (supported) capital financing requirement is “unsupported” in that the authority must find the means of paying back interest and principal from within its own resources. There are no proposals to undertake prudential borrowing for HRA purposes in 2009/10.

- 6 Previously authorities were required to make a revenue provision to repay 2% of net HRA debt and this was funded through HRA subsidy. Authorities are no longer compelled to make this provision and any voluntary contribution will not be paid by subsidy. Guidance suggests it is advisable to make a voluntary contribution and as a result since 2004/05 a provision of 2% has been made on outstanding HRA debt. This will continue in 2009/10.
- 7 The result of all the adjustments outlined within this report is an in-year surplus of £509k. Together with the projected brought forward working balance of £7,547k and after making a contribution to the capital programme, this leaves a working balance of £8,056k on the account.
- 8 This surplus is broadly in line with that forecast in the HRA business plan. The HRA surplus needs to remain on the account to be reviewed once the HRA business plan is updated to reflect both the budget detailed in this report and the 2008/09 outturn position. Members are reminded that the HRA surplus is needed to fund expenditure in future years.
- 9 A review of the operation of both the HRA and the current subsidy system is currently being undertaken by the department of Communities and Local Government (CLG). This review is looking at all aspects of housing finance, however it is not expected that there will be any impact on the HRA in 2009/10. The current subsidy system will remain in place until 2010/11.

BUDGET 2008/09 £'000	FORECAST MONITOR 2 £'000		BUDGET 2009/10 £'000
		Expenditure:	
		Repairs & Maintenance	
4,853	5,203	Jobs General	5,011
904	924	Projects	1,010
248	233	Estate Improvements	254
105	105	Decoration Allowance	108
47	47	Rechargeable Repairs	47
<u>6,157</u>	<u>6,512</u>		<u>6,430</u>
		General Management	
86	85	Neighbourhood Pride Unit Recharge	87
55	55	Tenant Support and Information	48
57	57	City Strategy Recharge	58
183	123	Property Services Recharge	125
36	36	Leisure Services Recharge	37
1,295	1,253	HASS Recharge	1,379
129	130	Head of Housing Services	132
2,534	2,438	Housing Operations	2,590
559	507	Asset Management	570
29	28	HRA Training	30
<u>4,963</u>	<u>4,712</u>		<u>5,056</u>
		Special Services	
742	724	Sheltered Housing	834
56	89	Energy Costs	89
435	422	Single Homeless Hostel	449
663	663	Temporary Accommodation	700
184	183	Discus Bungalows	185
0	0	York Independence Bungalow	0
366	326	Grounds Maintenance	375
210	184	Caretaking Costs	215
19	21	Cleaning Costs	19
39	48	Lifts	40
3	7	Communal Aerials	5
6	5	Contribution to Energy Efficiency	6
0	0	Storage	0
<u>2,723</u>	<u>2,672</u>		<u>2,917</u>
		Rents etc.	
5	11	Rent & Rates	6
0	0	Water	0
158	154	Insurance	162
1	0	RTB Legal Fees	1
<u>164</u>	<u>165</u>		<u>169</u>
		Provision for Bad and Doubtful Debts	
96	66	Council Housing	101
<u>96</u>	<u>66</u>		<u>101</u>
		Housing Subsidy	
5,349	5,357	HRA Subsidy (negative)	6,576
<u>5,349</u>	<u>5,357</u>		<u>6,576</u>
		Capital Charges	
8,542	8,542	Depreciation	8,542
22	4	Debt Management	5
<u>8,564</u>	<u>8,546</u>		<u>8,547</u>
<u>28,016</u>	<u>28,030</u>	TOTAL EXPENDITURE	<u><u>29,796</u></u>

BUDGET 2008/09	FORECAST MONITOR 2
-24,473	-24,548
-131	-130
-428	-411
<u>-25,032</u>	<u>-25,089</u>
-273	-296
-246	-257
-35	-43
<u>-554</u>	<u>-596</u>
-9	-18
-84	-64
-81	-86
-476	-474
-2	-1
-98	-68
0	0
-87	-90
<u>-837</u>	<u>-801</u>
-12	-12
-11	-15
-47	-41
<u>-70</u>	<u>-68</u>
-273	-279
-441	-459
-76	-76
-40	-40
-39	-40
<u>-869</u>	<u>-894</u>
-3	-3
<u>-3</u>	<u>-3</u>
<u>-27,365</u>	<u>-27,451</u>
<u>651</u>	<u>579</u>
1,171	1,159
-7	-7
-300	-500
373	373
787	787
-3,391	-3,391
<u>-716</u>	<u>-1,000</u>

Income:

Rents

Council Housing	-26,002
Single Homeless Hostel	-139
Temporary Accommodation	-403
<u></u>	<u>-26,544</u>

Non Dwellings Rents

Council Garages	-290
Council Shops	-251
General Rents	-35
<u></u>	<u>-576</u>

Charges for Services and Facilities

Fees & Charges - Council Housing	-9
- Legal Fees	-84
- RSL management fee	-85
- Sheltered Housing	-524
- Temporary Accommodation	-2
Cookers - Council Housing	-60
- Temporary Accommodation	0
Leaseholder Admin Charge	-87
<u></u>	<u>-851</u>

Contribution Towards Expenditure

- Sheltered Housing	-12
- Single Homeless Hostel	-11
- Rechargeable Repairs	-42
<u></u>	<u>-65</u>

Supporting People Income

- Single Homeless Hostel	-273
- Temporary Accommodation	-441
- Tenancy Enforcement	-44
- Mediation Face-to-Face	-31
- Tenancy Support Worker	-39
<u></u>	<u>-828</u>

Transfer from General Fund

Amenities Shared by the Whole Community	-3
<u></u>	<u>-3</u>

TOTAL INCOME

-28,867

NET COST OF SERVICE

929

Loan Interest	1,173
Mortgage Interest	-5
Revenue Cash	-300
Voluntary Debt Repayment	401
Capital Expenditure financed from Revenue	708
Contribution to/(from) MRR	-3,415

(SURPLUS) / DEFICIT IN YEAR

-509

(SURPLUS) / DEFICIT BROUGHT FORWARD

-7,547

(SURPLUS) / DEFICIT IN YEAR

-509

(SURPLUS) / DEFICIT CARRIED FORWARD

-8,056

-6,547
-716
-7,263

RISK ASSESSMENT AND SENSITIVITY ANALYSTS

Risk	Likelihood	Seriousness	How we will manage the risk
Non achievement of income targets	Medium	High	<ul style="list-style-type: none"> • See sensitivity analysis below for high risks areas
Fluctuations in inflation, Government Grants and changes in legislation	Medium	High	<ul style="list-style-type: none"> • Reviewed through the Financial Strategy and monitored throughout the year. • Any changes in legislation fully considered • Ensure that the minimum level of reserves is maintained to mitigate against risks
Budgets are overspent	Medium	High	<ul style="list-style-type: none"> • Robust budget setting process • Regular monitoring with corrective action • Develop a culture of awareness • Ensure budget holders have ownership of their budgets • Effective project planning and management • Ensure sufficient contingency sums •
Savings are not achieved	High	High	<ul style="list-style-type: none"> • Regular budget monitoring to identify issues at an early stage • Where savings are not achieved alternative savings must be identified • Incorporation of a contingency sum within the budget • Establishment of reserves to mitigate against non achievement of savings
Reserves are inadequate	Medium	High	<ul style="list-style-type: none"> • Minimum levels of reserves are set and reviewed each year with consideration given to budget risks • Reserve balances are reported to cabinet on a quarterly basis and any breaches of minimum levels are highlighted
Changes in usage and demand	Medium	High	<ul style="list-style-type: none"> • Regularly monitor income •

RISK ASSESSMENT AND SENSITIVITY ANALYSTS

Risk	Likelihood	Seriousness	How we will manage to risk
Affects revenue streams			<ul style="list-style-type: none"> • Review trends • Take appropriate action to mitigate downward trends • Ensure income budgets are not too demanding
Budget does not reflect corporate priorities	Low	High	<ul style="list-style-type: none"> • Ensure corporate involvement in the budget process • Early consideration of budget pressures and changes in legislation. • Regular reporting to CFSG • Approved scoring criteria for prioritising capital and revenue bids.
The capital programme is not affordable	Low	High	<ul style="list-style-type: none"> • All schemes are monitored through the 10 year Capital Development Reserve • Capital contingency reserve provides a balance to mitigate against overspends on capital schemes • Budget growth prided to increase revenue contributions to capital • Schemes are monitored and reported on a regular basis
Poor planning with decisions being made without proper consideration/consultation	Low	High	<ul style="list-style-type: none"> • Develop a long term Financial Strategy • Set out a clear budget timetable • Regular updates to members • Effective consultation process
Budget does not consider the full impact of sustainability	Medium	Medium	<ul style="list-style-type: none"> • The Council has developed a sustainability policy which contains principals and measures that are to be implemented over the coming years
The Budget does not assess equalities impact on its population and community groups	Medium	Medium	<ul style="list-style-type: none"> •

RISK ASSESSMENT AND SENSITIVITY ANALYSTS

Risk	Likelihood	Seriousness	How we will manage the risk
There are insufficient resources to meet the needs of asset management	High	High	<ul style="list-style-type: none"> • A specific budget has been allocated to asset management over a 10 year period • All schemes are prioritised • The Council is undertaking a review to rationalise its assets • A budget has been established to demolish unused assets • A revised asset management strategy is being developed

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Executive

16 February 2009

Report of the Director of Resources

Capital Programme Budget – 2009/10 to 2013/14

Summary

1. This report presents the current position of the 2009/10 – 2013/14 capital programme following this years Capital Resource Allocation Model (CRAM) process. A three year capital programme was set for 2008/09 to 2010/11 in line with the minimum requirement however to facilitate long term planning and highlight the medium term funding pressures faced, the capital programme budget has moved to a five year timeframe setting out the capital spending plans of the Council up to 2013/14.
2. This report considers the current capital receipts position of the Council and how best the existing receipts position and other resources can be used to achieve the Councils objectives.

Background

3. This report is part of the suite of reports outlining the Council's spending and funding plans for future years and as such should be read in conjunction with the Revenue Budget report and the Treasury Management Strategy and Prudential Indicators report, both of which are on this agenda. These reports are inter-related and take account of the recommendations made in this report.
4. The current 3 year capital programme was approved by Council on 21st February 2008 to run between 2008/09 and 2010/11. Following Monitor Two, approved by the Executive on 20 January 2009, the capital programme for 2008/09 – 2010/11 stands at £189.094m financed from £156.409m of external funds and £32.685m of capital receipts. The capital receipt projections over the next 3 years forecast a capital receipts surplus of £3.804m by 31st March 2011 including the application of the reclassified PFI funds of £4.032m. The figures used in this table were calculated at 2 December 2008. Table 1 summarises the funding position on the capital programme from 2008/09 as at Monitor 2.

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	Total £m
Gross Capital	60.537	59.803	47.954	12.274	8.526	189.094

Programme						
Funded by:						
Supported Borrowing	7.463	9.354	10.282	0.000	0.000	27.099
Grants and Contributions	34.653	36.356	24.988	0.000	0.000	95.997
Prudential Borrowing	3.580	1.137	7.796	12.274	8.526	33.313
Total Non Corporate Funding	45.696	46.847	43.066	12.274	8.526	156.409
Funding to be Financed from Capital Receipts	14.841	12.956	4.888	0.000	0.000	32.685
Expected Capital Receipts	(7.740)	(12.560)	(6.572)	0.000	0.000	(26.872)
Receipts b/fwd (surplus)/deficit	(9.617)	(2.516)	(2.120)	(3.804)	(3.804)	(3.804)
Receipts c/fwd (surplus)/deficit	(2.516)	(2.120)	(3.804)	(3.804)	(3.804)	

Table 1 – Capital Programme Funding and Receipts Position

5. The make up of the current approved 2008/09 – 2010/11 capital programme can be summarised in to 3 key elements:
 - Fully Funded (by Government Departments) - £113.603m
 - Political Imperatives - £63.598m
 - Rolling Programmes - £4.870m
 - Small schemes with CYC funding - £7.023.

6. The fully funded schemes make up the majority of the capital programme and include the:
 - Local Transport Plan (£19.84m)
 - Department for Children, Schools and Families (DCSF) (£67.48m)
 - Housing Revenue Account Business Plan (£23.98m).

7. The political imperative schemes are made up of 4 major projects and account for £63.593m, the majority of which are funded from capital receipts. These schemes, some of which have already started are summarised below highlighting the budgeted spend between 2008/09 and 2012/13:
 - York Pools – £8.524m (£6.490m from capital receipts)
 - Administrative Accommodation - £39.898m (£11.302m capital receipts)
 - West Side of York Secondary School Review - £13.808m (£5.143m capital receipts)
 - Museums - £1.363 (£1.363m from capital receipts).

8. There are currently 6 rolling programme schemes funded entirely from capital receipts, costing £4.870m over the next 3 years. These include:
 - Highways Resurfacing and Reconstruction £3.223m

- City Walls £0.220m
- Property Repairs Backlog £0.502m
- Disabled Support Grant £0.3m
- Community Equipment Loans Store £0.315m
- Special Bridge Maintenance £0.300m

9. The above analysis illustrates that the majority of the Councils capital receipts are already committed to schemes that could not easily be reduced or reprioritised.

Consultation

10. The CRAM process invited bids from the departments asking them to put forward their main capital priorities as identified by their asset management plans which are aligned to the Councils Corporate Strategy. Whilst the capital programme as a whole is not consulted on, the individual scheme proposals and associated capital receipt sales do follow a consultation process with local Councillors and residents in the locality of the individual schemes.

Analysis

Capital Receipts Position

11. As highlighted in paragraph 4 Table 1 the overall capital programme as reported to the Executive on 20 January 2009 was in a surplus position of £3.804m. The Executive approved the use of £4.032m reclassified PFI funds as part of the 2007/08 Capital Programme Outturn report to reduce the current and future year deficits caused by back to back build and disposals.
12. As part of the CRAM process officers from Property Services carried out an assessment of the Councils assets that are surplus to requirements. Following a number of years of rationalisation of Council assets, that allowed property and buildings to be freed up for reinvestment, officers have at this time been unable to identify any additional assets that are surplus to requirements.
13. In addition, officers have carried out a detailed review of all approved asset sales to ensure the projected sale value and timings are reasonable. This exercise has resulted in a number of revisions to the asset values resulting in a decreased capital receipts surplus position of £2.466m.
14. The decrease is attributable in the main to the removal of the Barbican Auditorium and downwardly revisions of a number of individual assets to reflect the state of the property and development market.
15. The overall surplus position of £2.466m is based on asset sales of £25.563m being achieved in the years set out in Table 2. As part of the detailed assessment of the current approved asset sales which considered the reasonableness of receipts being received at their budgeted value and at the projected completion date

officers considered the associated risk of each individual asset. This assessment aimed to establish if the receipt in question could potentially be received later than currently estimated or at a value less than budgeted. For each asset a classification which represented the risk (1. 'considerable certainty achieved', 2. 'sale progressing' and 3. 'at risk'.) was assigned for both the value and completion date. Table 2 summarises the value of the receipts currently approved that property services officers have categorised into the respective yellow and red risk classifications.

	Risk Colour	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	Total £m
Forecast Receipts		5.932	8.359	11.272	0.000	0.000	25.563
Value of receipts at risk – timing only	Sale progressing	3.000	5.125	0.000	0.000	0.000	8.125
	At risk	0.344	0.000	0.000	0.000	0.000	0.344
Value of receipts at risk – value only	Sale progressing	0.000	0.000	0.000	0.000	0.000	0.000
	At risk	0.000	0.000	0.000	0.000	0.000	0.000
Value of receipts at risk – value & timing combined	Sale progressing	0.000	0.000	0.000	0.000	0.000	0.000
	At risk	1.000	2.500	11.272	0.000	0.000	14.772
Total value of receipts at risk	Sale progressing	3.000	5.125	0.000	0.000	0.000	8.125
Total value of receipts at risk	At risk	1.344	2.500	11.272	0.000	0.000	15.116
Combined Total value of receipts at risk		4.344	7.625	11.272	0.000	0.000	23.241

Total value of receipts not at risk	Considerable certainty achieved	1.588	0.734	0.000	0.000	0.000	2.322
Total Value of receipts		5.932	8.359	11.272	0.000	0.000	25.563

Table 2 – Forecast Receipts and associated risks

16. Table 2 highlights that £15.116m of capital receipts currently allocated to fund the existing approved capital programme are projected to be received over the course of 2008/09 – 2010/11 but, are considered to be ‘at risk’ from a timing or value perspective. The highest level of capital receipts in a single year are expected in 2010/11 at a level of £11.272m. All of these asset sales are considered to be in the ‘at risk category’.
17. In addition £8.125m of capital receipts projected to be received over the next two years have been classified as ‘sale progressing’. It should be noted that although these sales are progressing, sufficient certainty is not associated with each disposal for them to be classified as ‘considerable certainty achieved’.
18. Officers currently project that these asset sales will be achieved, however consideration will need to be given to funding the capital programme from additional revenue contributions or to decreasing the capital programme to a level which funding permits if the asset sales are not realised. The timing of the largest value of capital receipts in 2010/11 will allow time for officers to give consideration to alternative options if the asset sales in this year are not realised.
19. It is the Director of Resources view that given the current economic position, it would not be prudent to plan to allocate any further capital receipts to new schemes. The Director of Resources considers that the £2.446m “surplus” referred to earlier in this report should not be allocated, and should be treated in effect as a form of contingency against some of the currently assumed capital receipts not being achieved.
20. Schemes with earmarked funding sources will be monitored on a scheme by scheme basis with funding surpluses or shortfalls not being included in the main programme funding position.

The 2009/10 CRAM Process

21. The CRAM process invited bids from the departments asking them to put forward their main capital priorities. The CRAM process ensures that all bids received for capital funding address the aspirations of the Corporate Strategy with each proposal addressing at least one corporate priority. The capital schemes put forward for consideration are derived from the service and area asset management

plans which look at the capital needs and requirements of the service. All schemes that have progressed through for further consideration in this report have demonstrated through the CRAM process that they directly contribute toward the achievement of the Corporate Strategy.

22. A total of 65 bids were received (including individual housing scheme bids). Of these bids, 40 are fully funded from external sources, 6 are rolling programme bids, with the remaining 19 bids seeking additional discretionary resources over and above those already approved in the Capital Programme. In total, requests that would increase the capital programme by £128.725m (£91.745m excluding Highways R&R optimal bid) have been made, requiring an additional £49.282m of capital receipts.

Summary of Bids

23. The request for £49.282m is distorted by a number of bids. Annex A sets out all the bids made along with narrative describing each individual bid.
24. By removing the Highways R&R Halting Deterioration Proposal call on receipts (£29.078m), the total call on capital receipts over and above what is currently approved in the programme stands at £20.204m. In addition, the Access York Phase 1 scheme (Total scheme cost £24.085m with a capital receipts requirement of £3.030m) will allow the disposal of Askham Bar park and ride site, which on the assumption of it being a back to back sale will contribute to the funding of the project. Any cost of the new scheme over the amount that could be financed from the receipt will be met from LTP funding. Removing the capital receipts requirement of this project on the assumption the receipt is attributable to fund this scheme (as without it the asset will not be available for disposal), the projected call on capital receipts will be £17.174m.
25. The 2009/10 – 2013/14 CRAM process has introduced a ranking system using high, medium and low classifications to assign a level of priority to individual scheme bids. Two key assumptions form the basis of this ranking methodology, firstly the need for rolling programmes remains a high priority in the same way they were on their original inception into the programme and secondly, that any schemes that are legislative requirements will be ranked as high. Using this methodology the Capital Asset Management Group (CAMG) has categorised the bids which have requested new or additional funds beyond the level which is currently approved and the results are set out in Table 3. The figures in the table are the Council funding requirement and in many cases not the total cost of each scheme.

Rolling Programme Scheme	09/10 £000	10/11 £000	11/12 £000	12/13 £000	13/14 £000	Total £000	Rank
Disability Support Budget (Soc Serv)	10	20	130	140	150	450	High
Community Equipment Loans Service (Soc Serv)			105	105	105	315	High

Highways Resurfacing and Reconstruction (City Strat)	250	500	1,250	1,250	1,250	4,500	High
City Walls Rolling Repair (City Strat)	23	23	90	78	78	292	High
Property Repairs Backlog 09/10 only (Chief Execs)	385					385	High
Bridge Maintenance (City Strat)	75	100	200	200	200	775	High
Property Repairs Backlog 10/11 – 13/14 only (Chief Execs)		300	300	300	300	1,200	Med
Sub Total	743	943	2,075	2,073	2,083	7,917	
New Schemes requiring CYC receipts funding	09/10 £000	10/11 £000	11/12 £000	12/13 £000	13/14 £000	Total £000	Rank
Disabled Facilities Grant (Housing)	422	475	475	475	475	2,322	High
Crematorium Mercury Abatement (Neighbourhood Services)		840				840	High
Millfield Lane Community Sports Centre (Leisure)	200					200	High
St Clements Hall Refurbishment (Chief Execs)	144					144	High
York Explore Centre Phase 1 (Leisure)	200					200	High
Public Footpath, Rawcliffe No 1 - Riverbank slip (City Strat)	81					81	High
EcoDepot Security Gate/Reception (Neighbourhood Services)	222					222	High
River Bank Repairs (Chief Exec)	400					400	High
Contingency (Corporate)	300					300	High
Sub Total	1,969	1,315	475	475	475	4,709	
Replacement of Lighting Columns (City Strat)	100	200	200	200	200	900	Med
River Bank Repairs (Chief Execs)	717	516	537			1,770	Med
St Georges Field Car Park Maintenance (City Strat)	190					190	Med
War Memorial Gardens (Leisure)	35					35	Med
Mansion House- Security Improvements (Chief Execs)	28					28	Med

Manor School Demolition (Chief Execs)	1,000					1,000	Med
York Explore Centre Phase 2 (Leisure)		500				500	Med
Sub Total	2,070	1,216	737	200	200	4,423	
Parkside Commercial Centre - Demolition (Chief Execs)	60					60	Low
Mansion House – External Repairs (Chief Execs)	65					65	Low
Sub Total	125	0	0	0	0	125	
Total	4,907	3,474	3,287	2,748	2,758	17,174	

Table 3 – Summary of Bids Requesting Capital Receipt Funding

Detailed Bid Analysis of High Priority schemes

26. Details of the bids ranked as ‘high’ in the table above are set out in the following paragraphs with the schemes judged to be of the highest priority within this classification being discussed first. For each bid a summary is provided along with the consequences of not proceeding with the scheme.

Rolling Programme Bids

Disability Support Budget (£450k) - High

27. This scheme provides discretionary assistance for disabled customers who need financial help. The grants help disabled people and parents with disabled children to adapt their homes to continue living there and maintain their independence. The assistance helps with the shortfall between the cost of the eligible works and the mandatory disabled facilities grant to purchase a more suitable property where it is more cost effective and relocation expenses. This budget has not seen any inflationary increase and given the relationship with the Mandatory DFG budget there is a need to increase funding for this area to meet the demand.

Community Equipment Loans Service (£315k) - High

28. This scheme enables people with complex and disabling conditions to be safely cared for in their own homes avoiding unnecessary admissions to Hospital or Nursing care. It provides support to carers to enable them to continue to care for their partner/relative. In addition it contributes to the costs of specialist Occupational Therapy assessments (£15k) and funds the purchase and maintenance of major items of equipment to aid daily living (£90k).

Highways Resurfacing and Reconstruction (£4,500k) - High

29. A programme for the resurfacing and reconstruction of the City's roads and footways has been established to halt deterioration of the assets and maintain them in the best condition possible with the anticipated level of capital funding available. Although the proposed allocations in this rolling programme bid are insufficient to fund the long term maintenance of the highway infrastructure they are considered to be the minimum required based on what is affordable. This bid seeks to maintain the historic level of funding over the five year budget period over and above the Local Transport Plan settlement.

City Walls Rolling Repair (£292k) - High

30. This bid continues the rolling programme, established in 1991, of essential repair and restoration to the City Walls. The bid will pay for works which will ensure the continued structural integrity and stability of the Walls and hence public access and enjoyment of this unique asset. In 2009-10 the programme will form Phase 2 of the assessment and restoration of the section of wall adjacent to Monk Bar Garage and will continue the restoration of areas where the York stone flags and copings on the walkway have failed.

Property Repairs Backlog (09/10 only) (£385k) - High

31. The current 3 year capital programme of £0.6M (£0.2M for 2009/10) for urgent repair works is inadequate for level of urgent and essential works required as shown by the 2007/8 performance indicator for the value of repairs backlog which is now in excess of £20.5M (£3.6M excluding schools). These repairs are needed to carry out Health and safety work only to Council buildings to safeguard delivery of services. The bid is for work on land and buildings which have been identified for retention only through the Service and Area Asset Management Planning. This bid is for one year only to supplement the amount already allocated as there is need for additional capital for the proposed works. It is the intention to submit an annual capital bid from now on to cover new urgent repairs identified during each year.

Bridge Maintenance (£775k) - High

32. A programme of bridge restoration work was compiled from detailed Principal Inspections carried out before 1998. Since then a limited number of schemes have been completed with funding provided through this budget until it ceased some years ago. There are schemes remaining from the original programme and further General Inspections since 1998 have identified additional work to the highway structures. The Principal Inspections commenced in 2008/09 will provide a future programme of work to be funded from this capital bid. It is proposed to restore and waterproof Melrosegate Bridge, over the Sustrans cycle track, in 2009/10.

New Bids

Disabled Facilities Grant (£2,375k) - High - Rank 1

33. This scheme allows payment of mandatory disabled facilities grants in line with statutory and Council policies (Housing Grants, Regeneration and Construction Act 1996 as amended and Grants policy - June 2008). The DFG rolling programme enables disabled people to remain at home and maximise their independence.
34. The non-funding of this scheme could prevent the Council fulfilling its legal duties. By not funding the scheme additional pressure will be placed on existing stretched resources and the ability to deliver timely and quality services will be a risk leading to an increase in complaints. Failure to provide this statutory service could leave the Council open to legal challenges. There will be a detrimental impact on other services resulting in additional financial burden in areas such as nursing and residential care. The DFG service has been assessed on the Council risk register as having a gross score of 25 and a net score of 21, which means the failure of the service has been categorised as having a catastrophic impact, as vulnerable and disabled customers are put at risk by living in dangerous conditions.

Millfield Lane Community Sports Centre (£200k) - High - Rank 3

35. This bid is a contribution towards one part of a two part project which will see over £1M invested in community and school sports facilities in the Acomb North/ Poppleton area. This is the council's contribution to a project which includes land purchase, ground works (to create new grass pitches) and construction of changing rooms. This is a partnership between Manor school, the Football Foundation and City of York Council which is costed at £550k. The second part of the project will provide a club house, and pitch extension and improvement on Poppleton Juniors FC's land further out along Millfield Lane costing £500k.
36. The projects together will provide significantly improved community and school pitches, training facilities and changing accommodation. Active York have identified a shortage of quality junior playing fields in the West of the city. This project will not only provide new pitches but will raise the quality of existing ones and the ancillary facilities will make them attract a broader range of users. It will also ensure that Manor school can cater for the level of community use their new site will attract.
37. Without this scheme the school will have restricted community use as the school has been designed with only 1 set of changing rooms which is sufficient for PE teaching but not for community club use by adults and juniors at the same time. This bid will ensure that the school can host local competitions and best use can be made of their excellent new facilities by the community. Any scope for the further expansion of Poppleton Juniors FC rests on the success of this bid and the partnership funding it will bring in. Without this funding the local area will not get the additional pitches which are much needed by Poppleton Tigers and the local community as a whole and which have been identified within the city's open spaces assessment.

38. This scheme also requests that the use of funding from prudential borrowing of £170k be granted. The £170k would be repaid by the assigning of a long term lease to the school over a duration of 15 years once the site has been acquired.

St Clements Hall Refurbishment (£144k) - High - Rank 3

39. The scheme is to refurbish and convert a redundant church hall to provide a high quality community resource which will improve the quality of life for people who live in the Micklegate area and also for disadvantaged groups elsewhere in York. The scheme is in response to the Council's approved policy (October 2007) on the Community Management and Ownership of Council Property Assets. A Community Asset Fund was set up by Central Government to encourage schemes such as this and a successful bid has been made to this fund. The total cost of the scheme which meets the identified community needs is just under £1.1m and the government has made an award of £977k (the maximum size of any award is £1m). The Council therefore need to contribute the balance of the cost to ensure a viable scheme can be delivered. The Council will be retaining ownership of the building and will be granting a 99 year lease to the St Clements Hall Preservation Trust on completion of the works so that they can manage and run this community facility.
40. If this contribution is not made by the Council then the external funding will not be provided as the government will consider that any reduced scheme will no longer meet the outcomes which were identified in the original bid. Insufficient funds would therefore mean no viable scheme could be delivered and so:
- the Council would be left with a dilapidated building with no funds to repair
 - the building would be a health and safety risk
 - the community would not have use of a valuable resource
 - the reputation of the Council with the Government to adequately resource and deliver schemes may be affected.

York Explore Centre Phase 1 (£200k) - High - Rank 3

41. This scheme is for the transformation of York Library into an Explore Centre (in line with strategy set out in the 2005 Library Scrutiny report and as part of the cultural quarter development) in partnership with Adult and Community Education and is phase 1 of 3 phases. Phase 1 is the transformation of the ground floor and creation of 3 learning rooms and a café. The service has realised £100k through the sale of old stock and has just received £200k in external funding which must be spent in 2009/10. Capital match funding of £200k is sought to maximise the existing £300k of available funding. Officers in LCCS are working with architects and conservation officers to prepare a plan for the building that offers the transformation to an explore centre whilst retaining its architectural integrity.
42. Not proceeding with the scheme will seriously jeopardise the partnership with the external funding organisation which may lead to the withdrawal of the offer. This funding is crucial to the success of transforming York Library into an Explore

Centre which will enable the Council to complete phase one which will deliver real visible improvement and 1 million visitors a year.

43. Failure to progress with the scheme would severely limit the Council's ability to provide community based learning in the city centre and damage the long term strategy of developing explore centres. Usage of York Library would continue to decline. Increased use at Acomb explore centre clearly demonstrates that there is a great need for spaces where the community can come together. This has led to a wider range of people using the centre and supports inclusion strategies, particularly in respect of people with learning difficulties and disabilities. In addition, provision of ESOL programmes in the city centre has proved popular.

Public Footpath, Rawcliffe No 1 - Riverbank slip (£81k) – High - Rank 6

44. The failed bank is on the outer radius of a bend in the river and is subject to the classic erosion scenario. Eddy currents from recessed bank profiles/lack of tree protection have assisted the bank to erode sufficiently to expose a slippage plane in the clay and allow it to slump. The path is temporarily closed for safety reasons. The authority has a duty to maintain the path, if necessary, by repairing the riverbank. Council engineers recommend the riverbank be rebuilt by installing a 13m long gabion wall extending beyond the initial 6m long collapse to pick up further bank slippage. Gabion life should be at least 30 years. Expected construction time is 6 weeks (in dry summer if possible). The repair is estimated at £81k which includes construction costs, reinstatement, welfare, fees and licenses. Members should be aware that 15m downstream of the mooring the path is also showing signs of erosion and could also be lost within next 5 years. Planting rows of willow spalls directly in the slippage may control future erosion rate and stabilise the bank.

River Bank Repairs - (£400k) – High - Rank 6

45. In 2002 the Council's Engineers undertook a survey of the riverbanks of the Ouse and Foss Basin, detailing a programme of works over a 10 year period. From that survey three main areas were identified as requiring stabilising work in 5 years time; east bank between Scarborough Bridge and Clifton Bridge, east bank between Lendal mooring and Marygate Landing and Foss Basin island. These works are required now. Scarborough to Clifton Bridges section has suffered collapse in places with large holes appearing which have been fenced off. New areas of collapse could happen at any time and it has been fortunate that no known injuries have been sustained by the public, especially as the cycle track runs close by. Lendal mooring to Mary Gate is a continuation of the piling work undertaken earlier at Lendal mooring, which a lack of funds prevented completing. This stretch is severely undermined by erosion and work is required urgently to avoid collapse and damage to visitor moorings. Foss Basin island is in danger of collapse which could take the lock and sluice with it and drain the Foss.

Eco Depot Security Gate (£222k) – High - Rank 6

46. The Scheme is intended to provide a new build permanent security gate house and Reception at the point of entry to the EcoDepot site. This will seek to address a concern raised by Neighbourhood Services Departmental Management Team and highlighted in the recently commissioned Freight Transport Association report in respect to security and safety of our staff, visitors and the site.
47. The scheme will provide a permanent purpose built structure at the point of entry to the EcoDepot site. This will enable the proper and safe management of pedestrian and vehicle traffic onto the site for our staff and visitors. Failure to provide this facility could result in a significant safety or security breach and has potential to harm the reputation of the business or risk prosecution by the Health and Safety Executive.

Contingency Fund (£300k) – High – Rank 9

48. Consideration should be given to creating a corporate capital contingency budget. This would be in effect approved by Council but would then be managed by the Executive. It would allow for small ad hoc schemes to be dealt with by the Executive, and allow for any minor items of an urgent nature to be approved in year.

Proposals to Fund the Programme – General Fund

49. The funding requirement from council resources for the period 2009/10 – 2013/14 for all schemes ranked as high (including rolling programme schemes) is £10.586m. Table 4 sets out the consolidated high rank schemes.

Rolling Programme Scheme	09/10 £000	10/11 £000	11/12 £000	12/13 £000	13/14 £000	Total £000	Rank
Disability Support Budget (Soc Serv)	10	20	130	140	150	450	High
Community Equipment Loans Service (Soc Serv)			105	105	105	315	High
Highways Resurfacing and Reconstruction (City Strat)	250	500	1,250	1,250	1,250	4,500	High
City Walls Rolling Repair (City Strat)	23	23	90	78	78	292	High
Property Repairs Backlog 09/10 only (Chief Execs)	385					385	High
Bridge Maintenance (City Strat)	75	100	200	200	200	775	High
Sub Total	743	643	1,775	1,773	1,783	6,717	

New Schemes requiring CYC receipts funding	09/10 £000	10/11 £000	11/12 £000	12/13 £000	13/14 £000	Total £000	Rank
Disabled Facilities Grant (Housing)	422	475	475	475	475	2,322	High
Millfield Lane Community Sports Centre (Leisure)	200					200	High
St Clements Hall Refurbishment (Chief Execs)	144					144	High
York Explore Centre Phase 1 (Leisure)	200					200	High
Public Footpath, Rawcliffe No 1 - Riverbank slip (City Strat)	81					81	High
EcoDepot Security Gate/Reception (Neighbourhood Services)	222					222	High
River Bank Repairs (Chief Exec)	400					400	High
Contingency (Corporate)	300					300	High
Sub Total	1,969	475	475	475	475	4,709	
Total	2,712	1,188	2,250	2,248	2,258	10586	

Table 4 – Schemes Ranked as High Priority by CAMG

Crematorium Mercury Abatement (Neighbourhood Services)		840				840	High
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Crematorium Mercury Abatement (£840k) - High - Rank 2

50. In addition, to table 4 above, the 2009/10 to 2013/14 CRAM process also identified that the Crematorium Mercury Abatement scheme is a high priority. This scheme is to install mercury abatement equipment to the crematorium to meet legislative requirements. By 31 December 2012 mercury emissions must be reduced from UK crematoria by 50%. The equipment removes gaseous mercury from flue gases as well as a range of other pollutants.
51. The risk of not proceeding with this scheme are that the authority would face prosecution or being served with a direction to comply if abatement is not undertaken by the due date. There are further risks of delaying work, as there are believed to be only 4 engineering firms capable of undertaking the work, and to date very few authorities have undertaken the work to comply. This may cause

market capacity problems in the run up to the compliance date and cause costs to inflate.

52. It is proposed at this stage to defer the bid of £840k for the Crematorium. Options to fund this scheme in future years could be to use prudential borrowing at revenue cost of £106k per annum for 10 years. Officers need to carry out further work to establish if additional revenue income could be generated to help offset the growth pressure placed on revenue budgets. A second alternative would be to fund the scheme via a leasing agreement, although this funding method as it stands at present would not be as cost effective as prudential borrowing (leasing would cost £108k per annum) it would have potential VAT benefits (the capital expenditure would not count against the Councils partial VAT exemption limit).
53. A separate report will be brought to Members in respect of approval of the Mercury abatement scheme in the future.
54. The additional funding requirement for fully externally funded schemes for 2009/10 to 2013/14 is £46.372m. These external sources of funding are from borrowing, government grants or other external contributions. They support schemes which are ongoing in the capital programme or where bids have been made to external suppliers. Table 5 sets out the additional funding that has been added to the capital programme for 09/10 to 13/14.

Additional external scheme funding	2009/10 External Growth £000	2010/11 External Growth £000	2011/12 External Growth £000	2012/13 External Growth £000	2013/14 External Growth £000	Total External Growth £000
Highway Resurfacing & Reconstruction (Structural Maint)	1,482	1,605	1,605	1,605	1,605	7,902
Local Transport Plan (LTP - Integrated Transport)	-1,482	-1,606	3,485	3,485	3,485	7,367
Road Safety			42	42	42	126
Modernisation of Local Authority Homes	55	131	1,378	1,412	1,358	4,334
Repairs to Local Authority Properties	-759	-937	701	729	689	423
Assistance to Older & Disabled People	-25	-27	300	300	300	848
Housing Grants & Associated Investment (Gfund)			1,000	1,050	1,100	3,150
MRA Schemes	798	1,134	5,976	5,466	6,591	19,965
Disabled Facilities Grant (Gfund)	-221	-274	375	375	375	630
Milfield Lane Comm Sports Centre	350					350
York Explore Centre	300					300
St Clements Hall Refurbishment	977					977
	1,475	26	14,862	14,464	15,545	46,372

Table 5 – Additional External Scheme Funding

55. The funding requirement of £10.586m over the next 5 years as seen in table 4 is to be funded from council resources.
56. As capital receipts are not readily available to fund the capital programme going forward, an alternative funding source needs to be found if the Council is to continue to be able to support annual ongoing capital schemes such as Highways Maintenance, Bridge Maintenance and Disabled Facility Grants. Without additional funding the Capital Programme over the 5 year period is potentially significantly in deficit, alternatively there will need to be significant reductions in the annual capital programmes. Based upon current projections, revenue contributions to capital will need to increase on an annual basis over the next 5 years to ensure the Capital Programme is sustainable.
57. Revenue contributions will be needed to ensure the Highways R&R programme is not reliant on capital receipts funding. Table 6 therefore shows a separate revenue contribution line to highlight the funding need of the Highways R&R scheme. In addition Table 6 shows the revenue contribution required for the capital programme excluding Highways R&R starting at a level of £125k per annum in 2009/10 rising to £500k per annum. This results in funding of £8.750m being available over a 5 year time frame.
58. If this alternative source of funding were to be accepted, it would provide the required funding needed to ensure the Capital Programme is sustainable and the Council is able to continue providing current levels of funding for Highways Maintenance, Bridges and the Disabled Facilities Grant schemes. Clearly the overall position will need to be reviewed on an annual basis and the capital receipts will need to continue to be tightly monitored to update the latest position regarding capital receipts.
59. The proposal to use the revenue contributions to fund the new schemes is made on the assumption that the current level of projected receipts of £25.563m is achieved as set out in table 2. Clearly if the projected level of receipts is not achieved action will be required to overcome the resulting funding shortfall. This action could take the form of either increasing revenue contributions to meet any capital receipts shortfall or reducing the capital programme schemes funded by capital receipts. The ability to contribute revenue funds over and above the level currently being proposed as part of this report would have a significant impact on revenue budgets and would potentially place pressure on other Council service areas. A third option would be to consider not progressing with some of the new proposals and using the revenue contributions allocated to the funding of new schemes to fund the existing approved schemes instead.

	09/10 £000	10/11 £000	11/12 £000	12/13 £000	13/14 £000	Total £000
General Revenue Growth	125	500	500	500	500	2,125
Highways Revenue Growth	125	250	250	250	250	1,125
Base Brought Forward	0	250	1,000	1,750	2,500	5,500
Revenue Contribution Carried Forward	250	1,000	1,750	2,500	3,250	8,750

Table 6 – Funding from Revenue Contribution

60. Table 7 sets out the mechanism by which this would work.

	09/10 £000	10/11 £000	11/12 £000	12/13 £000	13/14 £000	Total £000
Revenue Contribution Carried Forward	250	1,000	1,750	2,500	3,250	8,750
Projected Capital Spend	2,712	1,118	2,250	2,248	2,258	10,586
In year deficit (revenue implications to be covered from treasury management budget)	2,462	118	500	(252)	(992)	1,836

Table 7 – Revenue Funding Proposal and in year implication on Treasury Management Budget

61. Table 7 highlights that the revenue funds built up over 5 years are not sufficient to cover the funding requirement of the programme resulting in an overall shortfall. The budget being set is based on the assumption that the overall position will continue to be monitored with a view to bringing it in balance in the medium term.
62. It is proposed that in addition to revenue contributions being used to fund the capital programme consideration is given to utilising any in year revenue under spends to support the capital programme in future years thus enabling the overall capital funding deficit to be reduced. This position will be monitored, on an ongoing basis, with a view to ensuring the overall 5 year position is broadly in balance.

63. Any short term shortfall in funding will be met from prudential borrowing. The revenue implications of any in year shortfall due to timing differences will be borne by the treasury management budget.

Housing Revenue Account (HRA)

64. The HRA element of the proposed housing capital programme is requesting a revenue contribution of £111k from HRA balances for 2009/10. Members do as with all the above bids have the option of funding from available resources or reducing the proposed schemes.
65. The HRA funding position for 2010/11 onwards is not yet known. Indicative figures for 2010/11 suggest that sufficient funding will be received to enable the delivery of the programme to the size as set out in this report. No indicative figures for further years have been released or can be estimated as a review of the funding formula is currently taking place for 2011/12 onwards. The proposed programme put forward in this paper is made on the assumption that a similar level of funding to that currently being received will be granted. Funding at a level lower than that of present will require a scaling back of the currently proposed programme of works.

Summary of Analysis

66. The outcome of the proposals outlined in paragraph 20-63 above are illustrated in Table 8 which sets out the proposed capital budget for each directorate over the next 5 years and in detail in Annex B.

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Total £000
Chief Executives	2,456	200	0	0	0	2,656
Children's Services	30,848	20,181	0	0	0	51,029
City Strategy	8,130	7,825	6,672	6,660	6,660	35,947
City Strategy (Admin Accommodation)	5,926	10,187	12,274	8,526	0	36,913
Housing	8,721	9,121	10,205	9,807	10,888	48,742
Leisure & Heritage	6,294	1,100	0	0	0	7,394
Neighbourhood Services	908	133	0	0	0	1,041
Resources	300	0	0	0	0	300
Social Services	407	351	235	245	255	1,493

Total by Department	63,990	49,098	29,386	25,238	17,803	185,515
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Table 8 Proposed Capital Programme 2009/10 – 2013/14

67. It is another tight capital budgeting round, with the availability of additional capital receipts being limited. For the first time a “risk factor” has been introduced where capital receipts are concerned. There has also been the inclusion of a Capital Contingency budget to provide funding for any minor ad hoc schemes that may emerge. Due to the current economic climate and the state of the property market there is a risk to capital receipts not being received in a timely manner. Therefore, the prudent approach has been taken not to allocate surplus capital receipts at this time.
68. Therefore in order to support the capital programme going forwards over the next 5 years the Council will need to consider increasing revenue contributions to capital.

Corporate Priorities

69. The CRAM process ensures that all bids received for capital funding address the aspirations of the Corporate Strategy with each proposal addressing at least one corporate priority. The capital schemes put forward for consideration are derived from the service and area asset management plans which look at the capital needs and requirements of the service. All schemes that have progressed through for further consideration in this report have demonstrated through the CRAM process that they directly contribute toward the achievement of the Corporate Strategy.
70. As a result of this budget round the capital investment over the next 5 years up to 2013/14 will increase by £56.958m taking the new 5 year capital programme to £185.515m. Annex B shows that 2009/10 and 2010/11 capital expenditure as per Monitor 2 stands at £107.747m, the increase to £185.515m is comprised of £56.958m growth on new schemes including £20.800m of Administrative Accommodation re-profiling. The growth in the capital programme is funded from £46.372 borrowing, government grants, external funding, whilst £10.586m is funded from the Councils Capital receipts contribution.
71. The following paragraphs set out the value of investment by the Councils current corporate priorities. It should be noted that many schemes contribute to more than one corporate priority but for the purpose of this section the priority they contribute to most has been chosen. The proposals contained in the capital programme make a major contribution to the Councils priorities and contribute to the Sustainable Community Strategy. These schemes represent major investment, which alongside the proposals within the revenue budget will tackle a range of priorities, and deliver major outcomes for the City. The impact in terms of the wider economy, infrastructure, and future prosperity of the City is significant.

72. £7.448m of schemes will contribute toward the increase use of public and other environmentally friendly modes of transport, including the LTP and public footpath repairs.
73. £15.897m of schemes are focused on improving the actual and perceived condition appearance of the city's streets, housing estates and publicly accessible spaces, including Highways R&R, St Clements Hall refurbishment and City Walls repairs.
74. £500k of schemes will increase people's skills and knowledge to improve future employment prospects, including the York Explore Centre Scheme.
75. £7.543m of schemes will improve the health and lifestyle of the people who live in York, in particular among groups whose levels of health are the poorest, including Housing Grants and Associated Investment schemes, Disable Facilities Grant Schemes and Millfield Lane Community Sports Centre Scheme
76. £25.570m of schemes will improve the quality and availability of decent, affordable homes in the city, including MRA schemes and Modernisation of Local Authority Homes
77. In addition to contributing toward the achievement of the Corporate Priorities much of the discretionary capital investment is reflective of the feedback received from the budget consultation process. The consultation process identified in the category of 'Top priorities for spending' maintaining highway and footpath maintenance at current levels, allowing for inflation as the highest priority and was voted for by 45.8% (the highest percentage of all options) and as a result the Highways Resurfacing and Reconstruction schemes received £4.5m of discretionary funding.
78. In addition, the capital programme has considerable impact on the local economy. This is of particular significant given the current economic downturn. Whilst the risks in respect of the economic downturn in terms of capital receipts have been outlined in this report, by continuing to invest in a major capital programme the Council will be making a significant contribution to the local economy. This programme ensuring significant expenditure in schemes such as highways maintenance, and bridges maintenance, schemes which all have implications in terms of supplies and employment. Further investment over the current level of £128.547m (including the Administrative Accommodation re-profiling) will see the Councils commitment to capital schemes increase by £56.958m to a level of £185.515m.. As stated in the report the capital programme proposed is not without risk but the negative impact on York in this time of economic downturn of significantly contracting the capital programme would be significant.

Implications

Financial Implications

79. The financial implications are considered in the main body of the report.

Human Resources Implications

80. There are no HR implications as a result of this report.

Equalities Implications

81. A number of schemes have specific implications for Equalities. These include the Disability Support budget, and Disabled facilities grants, assistance to elderly, housing grants, and housing repairs. The detailed equalities implications of the individual schemes will be further assessed by individual directorates once the capital programme has been approved and the schemes are further developed. Any implications will be identified in the individual schemes project plans

Legal Implications

82. The Council is legally required to set a balanced 3 year capital programme.

Crime and Disorder

83. There are no crime and disorder implications as a result of this report.

Information Technology

84. There are no information technology implications as a result of this report.

Property

85. The property implications of this paper are included in the main body of the report which covers the funding of the capital programme from the disposal of Council assets.

Risk Management

86. The risks associated with both the existing and proposed capital programme has been discussed extensively throughout this report.
87. This report highlights the challenge presented by the proposed capital programme, which includes significant level of Council driven schemes. Despite the proposed schemes being funded from revenue contributions the existing approved capital programme still places significant reliance on a small number of high value capital receipts. In addition the recent increase in the size of the programme has meant the Council has to ensure that the key skills are in place to allow the programme to be successfully delivered.
88. To mitigate the risks the capital programme is regularly monitored as part of the corporate monitoring process. In addition to this the Capital Asset Management Group (CAMG – capital programme managers along with the Capital Finance team) meets regularly to plan, monitor and review major capital schemes to ensure that all capital risks to the Council are monitored and where possible minimised.

The development of the revised CRAM process and capital strategy has put in place gate keeping controls to ensure that only projects that can be delivered are put forward for approval by the Council.

89. The use of revenue contributions are required for a balanced programme to be set and the risk associated with this means of funding is the additional pressure placed on the existing revenue budgets. This issue has been covered in detail in paragraph 58.

Recommendations

90. The Executive is requested to recommend to Council to:
- Agree to the revised capital programme of £185.515m, including specifically the inclusion in the capital programme of new schemes totalling £56.958m:
 1. the bids recommended in paragraphs 24-49 totalling £10,586m and
 2. the additional external funded schemes in paragraph 54 totalling £46,372m
 - Note the overall funding position identified in the report, which highlights a current shortfall in resources over the next five years, which the Council will need to address through increased revenue contributions in the medium term;
 - Endorse the principle of any revenue budget under spending being considered as part of outturn reports to assist in balancing the capital programme;
 - Agree the use of £170k of prudential borrowing in respect of the Millfield Lane Community Sports Centre;
 - Approve the use of £111k of HRA balances to fund the HRA capital programme elements in 2009/10;
 - Approve the full restated programme as summarised in Annex B totalling £185.515m up to 2013/14.
91. Reason: To set a balanced capital programme as required by the Local Government Act 2003.

Contact Details

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Chief Officer Responsible for the report:

Ian Floyd
Director of Resources

**Report
Approved**

Date 23/01/09

Louise Branford-White
Finance Manager
Technical Finance
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Ian Floyd
Director of Resources

**Report
Approved**

Date 23/01/09

Specialist Implications Officer(s)

N/a

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

2008/09 – 2010/11 Capital Budget Report
Budget Control 2008
Department EMAP Capital Monitoring Reports

Annexes

Annex A – List of Individual CRAM Bids
Annex B - Restated Capital Programme 2009/10 –2013/14

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Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	Total Growth £000	Non Capital Receipts Funding £000	Growth in Non Capital Receipts Funding £000	Call on Capital Receipts £000	Growth In Call On Receipts £000	Revenue Consequences
09/10	City Strat	Highway R & R (Optimum)	2	38,730	36,980	7,902	7,902	30,828	29,078	
<p>A programme for the resurfacing and reconstruction of the City's roads and footways has been established to halt the deterioration in the condition of the assets and maintain them in their current condition. In recent years the affordable level of funding for this work has been circa £4.0m per year. These existing maintenance regimes have been reviewed during the preparation of the Transport Asset Management Plan leading to a total planned maintenance requirement, if the optimum investment could be delivered to halt deterioration of £9.0m in 2009/10. It is anticipated that additional revenue resources will be required to offset the reduction in the availability of capital funds in future years. It should be noted that the bid is for the maintenance of the road condition at the status quo level (to halt deterioration). Substantial additional funds, over and above this level, would be needed to raise the condition of all of the highway to a good level.</p>										
09/10	City Strat	Highway R & R (within normal budget limits)	2	14,152	12,402	7,902	7,902	6,250	4,500	
<p>A programme for the resurfacing and reconstruction of the City's roads and footways has been established to halt deterioration of the assets and maintain them in the best condition possible with the anticipated level of capital available. The total annual rolling budget requirement for this optimum minimum regime is circa £4.00m per year at 2009/10 prices. In 2008/09 a total of £3.965m was spent, made up from £0.559m CYC Revenue, £1.2510m CYC Capital and £2.155m from DIT (LTP plus the detrunked grant). Although the proposed allocations in this bid are insufficient to fund the long term maintenance of the highway infrastructure they are considered to be the minimum required based on what is affordable. The bid identifies an increasing revenue commitment of £250K per year to offset the reduction in availability of capital receipts. This bid seeks to maintain the historic level of funding over the five year budget period.</p>										
09/10	City Strat	City Walls Repair Rolling Programme	2	426	292	-	-	426	292	
<p>This bid continues the rolling programme, established in 1991, of essential repair and restoration to the City Walls. The bid will pay for works which will ensure the continued structural integrity and stability of the Walls and hence public access and enjoyment of this unique asset. In 2009-10 the programme will form Phase 2 of the assessment and restoration of the section of wall adjacent to Monk Bar Garage and will continue the restoration of areas where the York stone flags and copings on the walkway have failed.</p>										
09/10	HASS	Disability Support Budget	2	650	450	-	-	650	450	
<p>To provide discretionary assistance for disabled customers who need financial help. The grants help disabled people and parents with disabled children to adapt their homes to continue living there and maintain their independence. The assistance helps with the shortfall between the cost of the eligible works and the mandatory disabled facilities grant to purchase a more suitable property where it is more cost effective and relocation expenses. This budget has not seen any inflationary increase and given the relationship with the Mandatory DFG budget there is a need to increase funding for this area to meet the demand.</p>										
09/10	HASS	Community Equipment Loans Service	2	525	315	-	-	525	315	
<p>Enables people with complex and disabling conditions to be safely cared for in their own homes avoiding unnecessary admissions to Hospital or Nursing care. Provides support to Carers to enable them to continue to care for their partner/relative. Contributes to the costs of specialist Occupational Therapy assessments (£15k) and funds the purchase and maintenance of major items of equipment to aid daily living (£90k).</p>										
09/10	HASS	Telecare Equipment	2	175	-	-	-	175	-	
<p>Funding for Telecare equipment - sensors will be installed in vulnerable customers' homes to deal with specific assessed risks. The sensors will be linked to our Community Alarm system and trigger alerts automatically given a programmed set of circumstances, ensuring speedy response to problems from our warden service. Telecare is a relatively new development and a 2 year grant for development funding ended in 08/09.</p>										
09/10	HASS	York Pride Communal Access Flooring	2	405		-				
<p>The Fitting of Approximately 1750 Communal Access Floors</p>										

Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	Total Growth £000	Non Capital Receipts Funding £000	Growth in Non Capital Receipts Funding £000	Call on Capital Receipts £000	Growth In Call On Receipts £000	Revenue Consequences
09/10	HASS	Improved Internal Communal Security Lighting	2	225		-				
Installation of Internal security lighting, approximately 1795 council dwellings										
09/10	HASS	York Pride Sheds and Garages	2	140		-				
Building approximately 2200 Sheds and Garages										
09/10	HASS	York Pride External Communal Areas	2	149		-				
Improving Approximately 2200 External Communal Areas										
09/10	HASS	York Pride Communal Entrance Security	2	482		-				
Installation of Communal Entrance Security to Approximately 2300 properties										
09/10	HASS	York Pride Burglar Alarms	2	98		-				
Installation of Burglar Alarms to Approximately 250 properties										
09/10	HASS	York Pride Re-Rendering	2	479		-				
Re-rendering of approximately 110 properties										
09/10	HASS	Roofing - Covering and Chimneys	2	2,400		-				
Re-roofing scheme to Approximately 650 Council Dwellings										
09/10	HASS	Heating Only	2	7,097		-				
Installation of Heating Systems to Approximately 1900 Council Dwellings										
09/10	HASS	Insulation/ Ventilation	2	140		-				
600 Properties to undergo Insulation/ Ventilation Improvements										
09/10	HASS	Water Tanks (Legionella)	2	81		-				
Installation of 110 Water Tanks										
09/10	HASS	Structural Works	2	371		-				
Struct Works scheme to Approximately 55 Council Dwellings										
09/10	HASS	Digital TV Aerials	2	196		-				
Installation of Digital TV Aerials to 1100 Council Dwellings (2nd Yr of 2 year scheme)										
09/10	HASS	Electrical Upgrades	2	187		-				
Electrical Upgrade Scheme, Approximately 150 Council Dwellings										
11/12	HASS	Water Mains (Tang Hall)	2	3,776		-				
Water Mains Scheme in the Tang Hall Area										
09/10	HASS	Misc Kitchens	2	159		-				
Misc Kitchen Installation to Approximately 25 Council Dwellings										

Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	Total Growth £000	Non Capital Receipts Funding £000	Growth in Non Capital Receipts Funding £000	Call on Capital Receipts £000	Growth In Call On Receipts £000	Revenue Consequences
09/10	HASS	TC Capital Salaries	2	1,713		-				
Funding of Tenants Choice Capital Salaries over a 5 Year Period										
09/10	HASS	Genuine TC Backfill	2	1,562		-				
Genuine TC Backfill Properties that are expected to undergo TC										
09/10	HASS	TC Tang Hall 09/10	2	1,198		-				
Tenants Choice Tang Hall 09/10 Improvement Scheme on 103 Properties										
13/14	HASS	TC Clifton 13/14	2	2,072		-				
Tenants Choice Clifton 13/14 Improvement Scheme on 132 Properties										
10/11	HASS	TC Rowntree Avenue 10/11	2	794		-				
Tenants Choice Rowntree Avenue 10/11 Improvement Scheme on 59 Properties										
09/10	HASS	TC Misc 09/10	2	546		-				
Tenants Choice Misc 09/10 Improvement Scheme on 49 Properties										
11/12	HASS	TC Heworth 11/12	2	1,776		-				
Tenants Choice Heworth 11/12 Improvement Scheme on 123 Properties										
10/11	HASS	TC Acomb	2	638		-				
Tenants Choice Acomb 10/11 Improvement Scheme on 46 Properties										
09/10	HASS	TC Villages	2	459		-				
Tenants Choice Villages 09/10 Improvement Scheme										
09/10	HASS	TC Clementhorpe 09/10	2	469		-				
Tenants Choice Clementhorpe 09/10 Improvement Scheme										
11/12	HASS	TC Clementhorpe 11/12	2	610		-				
Tenants Choice Clementhorpe 11/12 Improvement Scheme on 53 Properties										
12/13	HASS	TC Clementhorpe 12/13	2	281		-				
Tenants Choice Clementhorpe Improvement Scheme on 19 Properties										
09/10	HASS	TC Holgate Area 09/10	2	246		-				
Tenants Choice Holgate Area 09/10 Improvement Scheme on 22 Properties										

Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	Total Growth £000	Non Capital Receipts Funding £000	Growth in Non Capital Receipts Funding £000	Call on Capital Receipts £000	Growth In Call On Receipts £000	Revenue Consequences
10/11	HASS	TC City 10/11	2	405		-				
Tenants Choice City 10/11 Improvement Scheme on 26 Properties										
13/14	HASS	TC City 13/14	2	1,110		-				
Tenants Choice City 13/14 Improvement Scheme on 70 Properties										
12/13	HASS	TC Foxwood 12/13	2	1,290		-				
Tenants Choice Foxwood 12/13 Improvement Scheme on 84 Properties										
09/10	HASS	TC Lowfield 09/10	2	220		-				
Tenants Choice Lowfield 09/10 Improvement Scheme										
10/11	HASS	TC Lowfield 10/11	2	1,717		-				
Tenants Choice Lowfield 10/11 Improvement Scheme										
12/13	HASS	TC Lowfield 12/13	2	1,791		-				
Tenants Choice Lowfield Improvement Scheme on 126 Properties										
Sub Total Category 2 (pre-approved schemes in the capital programme but have not yet been started and could therefore be reprioritised)				89,940	50,439	15,804	15,804	38,854	34,635	
09/10	City Strat	Road Safety Grant	3	211	126	211	126	-	-	
The Capital element of the Road Safety Grant is used to support the enhancement of highway infrastructure to reduce the number of road casualties. The capital schemes are included in the City Strategy Capital Programme in the Local Safety Scheme area. These projects are complemented by the revenue element of the grant which funds campaigns and education to change driver behaviour. Funding is confirmed up to the 2010/11. For budgetary purposes it is anticipated that funding will be maintained in future years.										
09/10	City Strat	Local Transport Plan	3	17,814	7,367	17,814	7,367	-	-	£60k pa repairs and maintenance
The Second Local Transport Plan (LTP) is the council's five year strategic transport plan which runs from 2006/07 to 2010/11. The funding presented within this Bid is indicative and subject to confirmation in December 2008. The current LTP allocation ends in 2010/11 -- for budgetary purposes it has been assumed that the 2010/11 funding level will continue over the remainder of the 5 year period. The LTP is a statutory plan and the implementation is currently funded through borrowing approvals in the "single capital pot". Implementation of the plan includes expenditure on local safety and traffic management measures, pedestrian and cycle improvements, highway and bridge maintenance, new public transport infrastructure and other transport schemes as appropriate. Details of the schemes to be undertaken within each year are approved by the Executive member following submission to City Strategy EMAP in March/April. A nominal amount is included in the budget for schemes funded from Developer contributions. When confirmed there will also be a contribution from the Cycling City funding to add to the budget.										
09/10	HASS	RHB Grants	3	5,000	3,150	5,000	3,150	-		

Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	Total Growth £000	Non Capital Receipts Funding £000	Growth in Non Capital Receipts Funding £000	Call on Capital Receipts £000	Growth In Call On Receipts £000	Revenue Consequences
To allow payments of grants and other forms of assistance in line with council policies (last reviewed in June 2008). These grants and other forms of assistance are aimed at vulnerable owner occupiers and private tenants to help in the repair of items affecting their health and safety and making their homes decent (PSA7). Currently the scheme is fully funded from Regional Housing Board grants. A three year (2008-2011) bid for £2.7m was submitted and approved										
09/10	HASS	IT Infrastructure grant	3	99	99	99	99	-	-	
IT infrastructure grant was introduced in 2008/09 and runs until 2010/11. The purpose of the grant is to assist LA's to develop their IT infrastructure to support effective information sharing between health and social services provided by the authority and its partners. The key areas for development include: Developing the workforce in using electronic care records effectively, implementing electronic assessments and care plans, ensuring data quality, information governance and improving connections with the NHS.										
09/10	HASS	Council House Adaptions	3	1,500	848	1,500	848	-	-	
To provide adaptations to meet the needs of disabled tenants living in council homes in order they can live as independently as possible										
Sub Total category 3 (fully funded schemes)				24,624	11,590	24,624	11,590	#	-	-
09/10	NHS	Crematorium - Mercury Abatement	4	840	840	-	-	840	840	£40k pa repairs and maintenanc costs
This scheme is to install mercury abatement equipment to the crematorium to meet government requirements. By December 31st 2012 mercury emissions must be reduced from UK crematoria by 50%. The equipment removes gaseous mercury from flue gases as well as a range of other pollutants.										
09/10	HASS	Disabled Facilities Grant	4	4,250	2,952	1,928	630	2,322	2,322	
To allow payment of mandatory disabled facilities grants in line with statutory and council policies (Housing Grants, Regeneration and Construction Act 1996 as amended and Grants policy last reviewed in June 2008). The DFG rolling programme enables disabled people to remain at home and maximise their independence.										
09/10	NHS	EcoDepot Security Gate House/ Reception	4	222	222	-	-	222	222	£14k pa costs (£14.5k in first year)
The Scheme is intended to provide a new build permanent Security Gate House and Reception at the point of entry to the EcoDepot site. This will seek to address a concern raised by DMT and highlighted in the recently commissioned Freight Transport Association report in respect to security and safety of our staff, visitors and the site.										
09/10	Chief Execs	Riverbank Repairs 1	4	400	400	-	-	400	400	
In 2002 the Council's Engineers undertook a survey of the riverbanks of the Ouse and Foss Basin, detailing a programme of works over a 10 year period. From that survey three main areas were identified as requiring stabilising work in 5 years time; east bank between Scarborough Bridge and Clifton Bridge, east bank between Lendal mooring and Mary Gate Landing and Foss Basin island.										

Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	Total Growth £000	Non Capital Receipts Funding £000	Growth in Non Capital Receipts Funding £000	Call on Capital Receipts £000	Growth In Call On Receipts £000	Revenue Consequences
09/10	Chief Execs	Riverbank Repairs 2	4	1,770	1,770	-	-	1,770	1,770	
<p>In 2002 the Council's Engineers undertook a survey of the riverbanks of the Ouse and Foss Basin, detailing a programme of works over a 10 year period. From that survey three main areas were identified as requiring stabilising work in 5 years time; east bank between Scarborough Bridge and Clifton Bridge, east bank between Lendal mooring and Marygate Landing and Foss Basin island. These works are required now. Scarborough to Clifton Bridges section has suffered collapse in places with large holes appearing which have been fenced off. New areas of collapse could happen at any time and the Council have been lucky that no known injuries have been sustained by the public, especially as the cycle track runs close by. Lendal mooring to Marygate is a continuation of the piling work undertaken earlier at Lendal mooring which lack of funds prevented completing. This stretch is severely undermined by erosion and work is required urgently to avoid collapse and damage to visitor moorings. Foss Basin island is in danger of collapse which could take the lock and sluice with it and drain the Foss.</p>										
09/10	Chief Execs	Health and Safety Repairs and Access Improvements	4	1,885	1,585	-	-	1,885	1,585	
<p>Current 3 year capital programme of £0.6M (£ 0.2M for 2009/10) for urgent repair works is inadequate for level of urgent and essential works required as shown by the 2007/8 performance indicator which is now in excess of £20.5M (£3.6M excluding schools). These repairs are needed to carry out Health and safety work only to Council buildings to safeguard delivery of services. The bid is for work on land and buildings which have been identified for retention only through the Service and Area Asset Management Planning. This bid is for one year only to supplement the amount already allocated as there is need for additional capital for the proposed works. It is the intention to submit an annual capital bid from now on to cover new urgent repairs identified during each year.</p>										
09/10	City Strat	Public Footpath, Rawcliffe No 1, Riverbank Slip	4	81	81	-	-	81	81	
<p>The failed bank is on the outer radius of a bend in the river and is subject to the classic erosion scenario. Eddy currents from recessed bank profiles/lack of tree protection have assisted the bank to erode sufficient to expose a slippage plane in the clay and allow it to slump. The path is temporarily closed for safety reasons. The authority has a duty to maintain the path if necessary by repairing the riverbank. Council engineers recommend the riverbank be rebuilt by installing a 13m long gabion wall extending beyond the initial 6m long collapse to pick up further bank slippage. Gabion life should be at least 30 years. Expected construction time is 6 weeks (in dry summer if poss). Access is assumed from the cyclepath across the garden of 6 Rawcliffe Landing, allowing for reinstatement/compensation. Repair estimate is £81k (includes construction costs, reinstatement, welfare, fees and licenses). NB, 15m downstream of the mooring the path is also showing signs of erosion and could also be lost within next 5 years. Planting rows of willow spills directly in the slippage may control future erosion rate and stabilise the bank.</p>										
09/10	City Strat	Replacement of unsound lighting columns	4	1,400	1,400	500	500	900	900	
<p>As part of the new street lighting contract a structural testing regime for street lighting columns has been put in place. About 1200 steel columns will be tested in 2008/9 and this is showing a failure rate of 10%. Similarly the concrete columns are rapidly coming to the end of their lives with about 100 needing replacement each year. The Council will have little option other than to carry out these replacements on safety grounds and base budgets cannot support this replacement programme.</p>										
Sub Total Category 4 (legislative requirements)				10,848	9,250	2,428	1,130	8,420	8,120	

Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	Total Growth £000	Non Capital Receipts Funding £000	Growth in Non Capital Receipts Funding £000	Call on Capital Receipts £000	Growth In Call On Receipts £000	Revenue Consequences
09/10	Chief Execs	St Clements Hall Refurbishment	5	1,121	1,121	977	977	144	144	
<p>The scheme is to refurbish and convert a redundant church hall to provide a high quality community resource which will improve the quality of life for people who live in the Micklegate area and also for disadvantaged groups elsewhere in York. The scheme is in response to the Council's recently approved policy (October 2007) on the Community Management and Ownership of Council Property Assets. A Community Asset Fund was set up by Central Government to encourage schemes such as this and a successful bid was made to this fund resulting in the award of £977,000 being made for the scheme. The Council will be retaining ownership of the building and will be granting a 99 year lease to the St Clements Hall Preservation Trust on completion of the works so they can manage and run this community facility.</p>										
11/12	LCCS	Millfield Lane Community Sports Scheme	5	550	550	350	350	200	200	
<p>This bid is a contribution towards one part of a two part project which will see over £1M invested in community and school sports facilities in the Acomb North/ Poppleton area. This is the council's contribution to a project which includes land purchase, ground works to create new grass pitches and construction of changing rooms. This is a partnership between Manor school, the Football Foundation and City of York Council which is costed at £550k. The second part of the project will provide a club house, and pitch extension and improvement on Poppleton Juniors FC's land further out Millfield Lane costing £500k. The projects together will provide significantly improved community and school pitches, training facilities and changing accommodation. Active York have identified a shortage of quality junior playing fields in the West of the city. This project will not only provide new pitches but will raise the quality of existing ones and the ancillary facilities will make them attract a broader range of users. It will also ensure that Manor school can cater for the level of community use their new site will attract.</p>										
09/10	LCCS	York Explore Centre	5	4,500	4,500	3,800	3,800	700	700	
<p>Transformation of York Library into an Explore Centre (in line with strategy set out in the 2005 library Scrutiny report and as part of the cultural quarter development) in partnership with Adult and Community Education to take place in 3 phases. Phase 1 being the transformation of the ground floor and creation of 3 learning rooms and a café. The service has realised £100,000 through the sale of old stock and has just received £200,000 in external funding which must be spent in 2009/10. We are seeking a capital match funding of £200,000 to maximise this funding. Phase 2 will create a History Store - merging the archives and local studies library into a single unit. This will include a bid to the Heritage Lottery Fund in 2010/11 for which we will seek match funding of £500,000. Phase 3 will be the realisation of the complete refurbishment of the building - funding for this will be sought in the future. We are working with architects and conservation officers to prepare a plan for the building that offers the transformation to an explore centre whilst retaining its architectural integrity.</p>										
09/10	City Strat	Access York Phase 1	5	24,085	24,085	21,055	21,055	3,030	3,030	
<p>The Access York Phase 1 scheme provides 3 new Park & Ride sites (Askham Bar, A59, Wigginton Road) and improves the A59/A1237 roundabout. The scheme was the subject of a successful bid to the Regional Transport Board in April 2008 with a complete Major Scheme Business Case currently being developed for submission to the Department for Transport in December 2008. 100% of the preparatory costs before the submission of the DfT bid and 50% of the preparatory costs after gaining acceptance by the DfT have to be funded locally. A 10% local contribution is required for funding the construction of the scheme. It is anticipated that the sale of the existing Askham Bar site, which will be vacated when the new site becomes operational, will provide some of the this funding. It is anticipated that the remainder of the funding will be provided by the Local Transport Plan and Developer contributions.</p>										
Sub Total Category 5 (match funding)				30,256	30,256	26,182	26,182	4,074	4,074	

Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	Total Growth £000	Non Capital Receipts Funding £000	Growth in Non Capital Receipts Funding £000	Call on Capital Receipts £000	Growth In Call On Receipts £000	Revenue Consequences
09/10	Chief Execs	Demolition of Parkside Commercial Centre	6	60	60	-	-	60	60	
<p>The 27 small business units at Parkside have now been replaced by the new 60 unit Eco Centre at Amy Johnson Way, Clifton Moor - from 1st September 2008. The Parkside site is due to be sold to help fund the Capital Programme 2009 - 2011, but the sale is delayed due to difficulties in identifying a viable development scheme, caused by the site being in the flood plain. In the meantime, changes this year to empty property rate relief mean that empty property rates are payable for the building of up to £19,000pa, whereas business property was previously exempt. This together with other standing charges mean that early demolition is now proposed.</p>										
09/10	Chief Execs	Demolition of Manor School	6	1,000	1,000	-	-	1,000	1,000	
<p>The current Manor School will become vacant in March 2009 when the new school will be completed. Normally it would be the intention to sell the site when it becomes vacant and the cost of demolition of the buildings would be factored into any bids made by developers. However this site could form one of the main access routes into the York North West development as it is immediately adjacent to the British Sugar site and Boroughbridge Road. This has been highlighted as part of the LDF and York NW process and therefore a request has been made to delay disposal of this site until the planning process for York NW has been completed and the developer has been appointed. This could take a period of 12 months and there are no revenue budgets available for the cost of keeping the buildings secure and the rates bills etc. By delaying the sale and demolishing the buildings the final sale price could increase, especially if there was a special purchaser - the adjoining site developer - who needed the site to unlock the potential of the adjoining site.</p>										
09/10	Chief Execs	Building Security Improvements to Mansion	6	28	28	-	-	28	28	£2.5k costs
<p>In 2007, the Mansion House/Civic Collection was revalued for insurance purposes. Consequently, the value in monetary and asset terms has increased. It is therefore essential to improve building security for the current and future protection of the Collection, as well as for visitors to the building (including Civic party, external clients and staff). The proposed scheme includes improved physical security to the rear of the building, 24 hour CCTV coverage to the rear of the premises and simultaneously to the Guildhall yard.</p>										
09/10	Chief Execs	Mansion House External Repairs	6	65	65	-	-	65	65	
<p>External Repairs to the rear elevation stonework and brickwork. Replacement of some windows and external painting to the North, West and South Elevations. (A piece of masonry fell off the rear of the building which prompted further inspection. These repairs were identified as being required within 12 months to reduce risk of damage to 3rd parties and protect a listed building.</p>										
11/12	LCCS	War Memorial Gardens Refurbishment	6	60	50	15	15	40	35	
<p>War Memorial Gardens is the City's principle memorial to those who died in the the first and second World Wars. It is the venue for the Civic Remembrance Service in November, as well as several campaign gatherings throughout the year. It is in need of major footpath repairs, renovation of shrub beds and new perimeter railings to improve both the formality of the gardens and deter anti-social behaviour. This scheme replaces a previous older scheme for the same area.</p>										
09/10	City Strat	Car Park Maintenance - St George's Field	6	190	190	-	-	190	190	
<p>To resurface the car park and improve the drainage at St George's Field Car Park.</p>										

Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	Total Growth £000	Non Capital Receipts Funding £000	Growth in Non Capital Receipts Funding £000	Call on Capital Receipts £000	Growth In Call On Receipts £000	Revenue Consequences
09/10	City Strat	Bridge Maintenance	6	975	775	-	-	975	775	
<p>A programme of bridge restoration work was compiled from detailed Principal Inspections carried out before 1998. Since then a limited number of schemes have been completed with funding provided through this budget until it ceased some years ago. There are schemes remaining from the original programme and further General Inspections since 1998 have identified additional work to the highway structures. The Principal Inspections commenced in 2008/09 will provide a future programme of work to be funded from this capital bid. It is proposed to restore and waterproof Melrosegate Bridge, over the Sustrans cycle track, in 2009/10.</p>										
09/10	Resources	Contingency Fund	6	300	300	-	-	300	300	
<p>Consideration should be given to the creation of a contingency fund to reduce the risk exposure of delivering the capital programme. In the current market environment where property prices are falling, expected capital receipts may not be realised. A contingency fund could be used to address the potential shortfall in budgeted capital receipts.</p>										
Sub Total Category 6 (100% CYC funding)				2,678	2,468	15	15	2,658	2,453	
Total All				158,346	128,725	69,053	54,721	54,006	49,282	
Total All excluding Highways R & R (Optimum)				119,616	91,745	85,873	71,541	23,178	20,204	
Total All excluding Access York Phase 1				95,531	67,660	64,818	50,486	20,148	17,174	

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Capital Budget - 2008/09 to 2013/14	Approved Exec Mon 2 2008				Schemes approved at Mon 2 2008 & approved CRAM bids											
	2008/09	2009/10	2010/11	Gross Capital Programme To be Funded £000	2009/10	Growth	2010/11	Growth	2011/12	Growth	2012/13	Growth	2013/14	Growth	Gross Capital Programme To be Funded £000	Receipts Growth
	Budget £000	Revised Budget £000	Revised Budget £000		Revised Budget £000	Budget £000	Revised Budget £000	Revised Budget £000	Revised Budget £000	Revised Budget £000	Revised Budget £000	Revised Budget £000				
Children's Services																
NDS Devolved Capital	1,374	2,275	2,275	5,924	2,275	0	2,275	0						4,550	0	
GG DfES Devolved Capital Grant	1,374	2,275	2,275	5,924	2,275	0	2,275	0						4,550	0	
- External Funding	1,374	2,275	2,275	5,924	2,275	0	2,275	0						4,550	0	
- Cost to City	0	0	0	0	0	0	0	0						0	0	
Harnessing Technology	535	523	528	1,586	523	0	528	0						1,051	0	
GG DCSF Grant	535	523	528	1,586	523	0	528	0						1,051	0	
- External Funding	535	523	528	1,586	523	0	528	0						1,051	0	
- Cost to City	0	0	0	0	0	0	0	0						0	0	
Targeted Capital Fund 14-19 Diploma	515	1,750	5,500	7,765	1,750	0	5,500	0						7,250	0	
GG DCSF Grant	515	1,750	5,500	7,765	1,750	0	5,500	0						7,250	0	
- External Funding	515	1,750	5,500	7,765	1,750	0	5,500	0						7,250	0	
- Cost to City	0	0	0	0	0	0	0	0						0	0	
NDS Modernisation	2,781	1,692	2,693	7,166	1,692	0	2,693	0						4,385	0	
GG NDS Modernisation	0	0	2,063	2,063	0	0	2,063	0						2,063	0	
LIEU NDS Modernisation	0	0	0	0	0	0	0	0						0	0	
SCE NDS Modernisation	2,112	1,692	630	4,434	1,692	0	630	0						2,322	0	
SCE Schools Access Initiative	0	0	0	0	0	0	0	0						0	0	
RC Revenue Contribution	0	0	0	0	0	0	0	0						0	0	
OTH School Contribution	56	0	0	56	0	0	0	0						0	0	
GG DfES Grant	100	0	0	100	0	0	0	0						0	0	
DEV Section 106	0	0	0	0	0	0	0	0						0	0	
GG DfES Devolved Capital Grant	513	0	0	513	0	0	0	0						0	0	
NGG External Grant	0	0	0	0	0	0	0	0						0	0	
LIEU Basic Need	0	0	0	0	0	0	0	0						0	0	
- External Funding	2,781	1,692	2,693	7,166	1,692	0	2,693	0						4,385	0	
- Cost to City	0	0	0	0	0	0	0	0						0	0	
Schools Access Initiative	359	288	288	935	288	0	288	0						576	0	
SCE Schools Access Initiative	359	288	288	935	288	0	288	0						576	0	
GG NDS Modernisation	0	0	0	0	0	0	0	0						0	0	
GG DfES Devolved capital Grant	0	0	0	0	0	0	0	0						0	0	
- External Funding	359	288	288	935	288	0	288	0						576	0	
- Cost to City	0	0	0	0	0	0	0	0						0	0	
Sure Start	286	1,459	1,059	2,804	1,459	0	1,059	0						2,518	0	
GG Sure Start Capital Grant	0	1,059	1,059	2,118	1,059	0	1,059	0						2,118	0	
GG DfES ICC Grant	0	0	0	0	0	0	0	0						0	0	
GG NDS Modernisation	286	400	0	686	400	0	0	0						400	0	
- External Funding	286	1,459	1,059	2,804	1,459	0	1,059	0						2,518	0	
- Cost to City	0	0	0	0	0	0	0	0						0	0	
Westside Review - Oaklands / York High	9,781	1,066	0	10,847	1,066	0	0	0						1,066	0	
GG TCF	5,193	1	0	5,194	1	0	0	0						1	0	
GG NDS Modernisation	1,150	483	0	1,633	483	0	0	0						483	0	
GG DCSF Devolved Capital Grant	438	0	0	438	0	0	0	0						0	0	
PB Prudential Borrowing	900	400	0	1,300	400	0	0	0						400	0	
SCE Schools Access Initiative	100	0	0	100	0	0	0	0						0	0	
- External Funding	7,781	884	0	8,665	884	0	0	0						884	0	
- Cost to City	2,000	182	0	2,182	182	0	0	0						182	0	
Joseph Rowntree One School Pathfinder	10,250	17,430	1,574	29,254	17,430	0	1,574	0						19,004	0	
GG BSF One School Pathfinder Grant	10,250	16,680	0	26,930	16,680	0	0	0						16,680	0	
GG Devolved Capital Grant	0	0	230	230	0	0	230	0						230	0	
GG Carbon Free Schools Fund	0	0	676	676	0	0	676	0						676	0	
GG Project Faraday Grant	0	500	0	500	500	0	0	0						500	0	
GG TCF 14-19 Capital Grant	0	250	500	750	250	0	500	0						750	0	
DEV Section 106	0	0	168	168	0	0	168	0						168	0	
- External Funding	10,250	17,430	1,574	29,254	17,430	0	1,574	0						19,004	0	
- Cost to City	0	0	0	0	0	0	0	0						0	0	
Extended Schools	250	265	137	652	265	0	137	0						402	0	
GG DCSF Grant	250	265	137	652	265	0	137	0						402	0	

Capital Budget - 2008/09 to 2013/14	Approved Exec Mon 2 2008				Schemes approved at Mon 2 2008 & approved CRAM bids										Gross Capital Programme To be Funded £000	Receipts Growth
	2008/09	2009/10	2010/11	Gross Capital Programme To be Funded £000	2009/10	Growth	2010/11	Growth	2011/12	Growth	2012/13	Growth	2013/14	Growth		
	Budget £000	Revised Budget £000	Revised Budget £000		Revised Budget £000		Revised Budget £000		Revised Budget £000		Revised Budget £000		Revised Budget £000			
- External Funding	250	265	137	652	265	0	137	0							402	0
- Cost to City	0	0	0	0	0	0	0	0							0	0
Fulford School Science Labs and Classrooms	1,000	266	0	1,266	266	0	0	0							266	0
PB Prudential Borrowing	341	266	0	607	266	0	0	0							266	0
GG DCSF Grant	454	0	0	454	0	0	0	0							0	0
OTH School Contribution	205	0	0	205	0	0	0	0							0	0
- External Funding	1,000	266	0	1,266	266	0	0	0							266	0
- Cost to City	0	0	0	0	0	0	0	0							0	0
Youth Capital Fund	70	70	70	210	70	0	70	0							140	0
GG Government Grant	70	70	70	210	70	0	70	0							140	0
- External Funding	70	70	70	210	70	0	70	0							140	0
- Cost to City	0	0	0	0	0	0	0	0							0	0
Primary School Strategic Programme	0	3,000	5,378	8,378	3,000	0	5,378	0							8,378	0
SCE DCSF Grant	0	3,000	5,378	8,378	3,000	0	5,378	0							8,378	0
- External Funding	0	3,000	5,378	8,378	3,000	0	5,378	0							8,378	0
- Cost to City	0	0	0	0	0	0	0	0							0	0
Integrated Children's Centres	1,956	85	0	2,041	85	0	0	0							85	0
GG DfES ICC Grant	0	0	0	0	0	0	0	0							0	0
GG Sure Start Capital Grant	0	0	0	0	0	0	0	0							0	0
GG DoH Safeguard Grant	486	0	0	486	0	0	0	0							0	0
GG DfES Devolved Capital Grant	122	50	0	172	50	0	172	0							50	0
GG NDS Modernisation	210	35	0	245	35	0	0	0							35	0
SCE Schools Access Initiative	22	0	0	22	0	0	0	0							0	0
DEV Section 106	565	0	0	565	0	0	0	0							0	0
- External Funding	1,405	85	0	1,490	85	0	0	0							85	0
- Cost to City	551	0	0	551	0	0	0	0							0	0
Children's Centres Phase 3	0	679	679	1,358	679	0	679	0							1,358	0
GG - DCSF ICC Grant	0	679	679	1,358	679	0	679	0							1,358	0
- External Funding	0	679	679	1,358	679	0	679	0							1,358	0
- Cost to City	0	0	0	0	0	0	0	0							0	0
TOTAL GROSS EXPENDITURE	29,157	30,848	20,181	80,186	30,848	0	20,181	0	0	0	0	0	0	0	51,029	0
Less :External Funding	26,606	30,666	20,181	77,453	30,666	0	20,181	0	0	0	0	0	0	0	50,847	0
COST TO CITY OF YORK	2,551	182	0	2,733	182	0	0	0	0	0	0	0	0	0	182	0

**Executive**

16 February 2009

Report of the Director of Resources

Treasury Management Strategy Statement and Prudential Indicators for 2009/10 to 2013/14**Purpose**

1. The purpose of this report is to ask the Executive to recommend that Council approve:
 - an integrated Treasury Management Strategy Statement including the annual investment strategy;
 - the proposed Prudential Indicators for 2009/10 to 2013/14;
 - the use of the revised Treasury Management Policy and the Treasury Management Practices.

Summary

2. The report provides a background to why it is necessary to produce a Treasury Management Strategy and set prudential indicators for the following five years.
3. The Treasury Management in the Public Services Code of Practice recommends that, Local Authorities annually review and update where necessary their Treasury Management Policy Statement and Practices. These documents, revised for the 2009/10 financial year, are attached in Annex C and D.
4. The Council is currently undertaking a series of significant capital schemes that will realise revenue savings over the following 30 years. This high level of upfront capital investment will contribute to the rise in the Council's underlying need to borrow from the current level of approximately £102m in 2008/09 to over £146m in 2013/14. The borrowing strategy aims to minimise the risks to the Council of borrowing large amounts in a single year by giving the Council the flexibility to borrow in advance of need, in order to take advantage of favourable interest rates as they arise.
5. The annual investment strategy reviews the projected interest rates over the next 3 years until the 2011/12 financial year, and seeks to maximise the returns to the Council whilst minimising the risks involved in placing deposits on the money market.

Background

6. The Local Government Act 2003 requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as paragraph 9) that sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
7. As part of the strategy, the Local Government Act 2003 also requires the Council to 'have regard to' the CIPFA¹ Prudential Code and to set Prudential Indicators for a minimum of the next three years to ensure the Council's capital investment plans are affordable, prudent and sustainable. The strategy therefore is affected by the Council's capital spending plans, as set out in the Capital Budget report and the revenue implications of these that are reflected in the Revenue Budget report, both on this agenda. As the Capital Budget is now based over 5 years the set Prudential Indicators will be set over the matching time period for completeness.
8. The suggested strategy for 2009/10 in respect of the following aspects of the treasury management function is based upon the Director of Resources views on interest rates, supplemented with market forecasts provided by Sector, the Council's treasury management advisors. The strategy covers:
 - Treasury limits in force which will limit the treasury risk and activities of the Council (paragraph 12 -13);
 - Prudential Indicators (paragraph 14 –15 and [Annex A](#));
 - Current treasury position (paragraph 16-19);
 - Prospects for interest rates (paragraph 20 -22);
 - Borrowing requirement and strategy (paragraph 23 -30);
 - Debt rescheduling (paragraph 30 -33);
 - Investment strategy (paragraph 34 -40);
 - Minimum Revenue Provision strategy (paragraph 41 -45).

Consultation and Options

9. The treasury management function of any business is a highly technical area, where decisions are often taken at very short notice in reaction to the financial markets. Therefore, to enable effective treasury management, all operational decisions are delegated by the Council to the Head of Finance, who operates within the framework set out in this strategy and through the Treasury Management Policies and Practices. In order to inform sound treasury management operations the Council works with its Treasury Management advisors, Sector Treasury Services. Sector offer the Council

¹ Chartered Institute of Public Finance and Accountancy (CIPFA)

a comprehensive information and advisory service to enable the Council to maximise its investment returns and minimise the costs of its debts.

10. Treasury Management activity is influenced by the capital investment and revenue spending decisions made by the Council. Both the revenue and capital budgets have been through a corporate process of consultation and consideration by the elected politicians. The revenue budget and capital budget proposals are included within this agenda.
11. At a strategic level, there are a number of treasury management options available which depend on the Council's stance on interest rate movements. This report sets out the Council's stance and recommends the setting of key trigger points for borrowing and investing over the forthcoming financial year.

Analysis

Treasury Limits 2009/10 –2013/14

12. It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Authorised Borrowing Limit", and is the absolute maximum level of debt the Council is permitted to take. Within this limit there is an "Operational Borrowing Limit", which is the maximum level of debt allowed for on going operational purposes. In reality the operational limit would only be breached as a result of in year cash flow movements or if there was an opportunity to borrow at exceptionally low interest rates if the future underlying need to borrow supported this.
13. The Council must have regard to the Prudential Code when setting the Authorised and Operational Limits for external debt, which essentially requires the Council to ensure that total capital investment financed by debt remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'. Both the operational limit and authorised limit have been reviewed in light of the capital investment plans, as set out in the capital programme, and rebased for 2009/10. They now stand at £145m and £186m respectively. External debt includes conventional borrowing and other forms of liability, such as credit arrangements. Both limits are set on a rolling basis for the forthcoming financial year and four successive financial years in line with the Councils 4 year capital programme.

Prudential Indicators

14. The Council is required by regulation to have regard to the Prudential Code when carrying out its duties under the Local Government Act 2003. The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted on 21 February 2008 by the full Council. The key objectives of the Prudential Code are to

ensure, within a clear framework, that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported. [Annex A](#) illustrates the Prudential Indicators for 2009/10 to 2013/14 with a description of what each indicator represents.

15. The Prudential Indicators help drive the treasury management strategy and annual investment strategy. The paragraphs below take account of additional factors that need to be taken into consideration when formulating the treasury strategy.

Current Debt Portfolio Position

16. The Council is only permitted to borrow in to invest in capital projects, unless permitted to do otherwise by the Government. Therefore the majority of the Councils existing debt is secured against its asset base. The Council currently has £102.065m of fixed interest rate debt with an average life of loan of 21 years and average cost of debt of 4.55%. The Council's current long term borrowing position as 8 January 2009 is shown in Table 1.

Institution Type	Principal	Average Rate
<u>Public Works Loan Board (PWLB)</u> – Money borrowed from the Debt Mgt Office (Treasury Agency)	£87.065m	4.509%
<u>Market Loans</u>		
Club Loan – A loan taken in conjunction with 2 other Authorities	£10.0m	7.155%
LOBO Loan – Lender Option Borrower Option	£5.0m	3.880%

Table 1 – Fixed Term Borrowing

17. Figure 1 shows the Councils projected debt maturity structure as at April 2009.

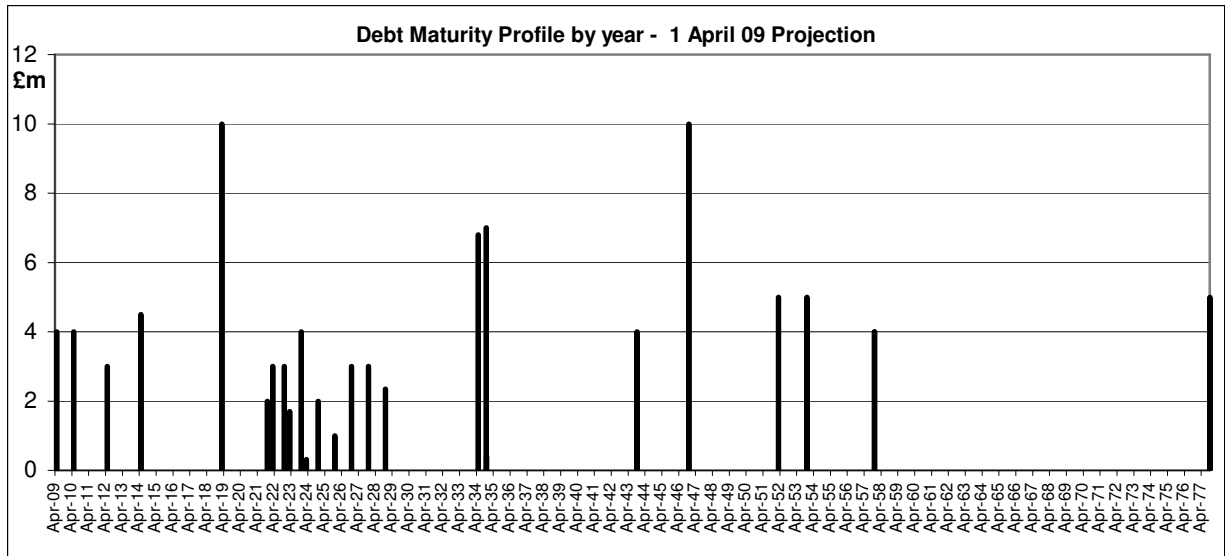


Figure 1 – Debt Maturity Profile as at April 2009

18. The Council currently has no variable rate borrowing.

Current Investments

19. The Council's total investments at 8 January 2009 were £64.950m of which £8.950m were held in instant access call accounts with the remaining £56.0m being invested in fixed term deposits on the UK money market.

Prospects for Interest Rates

20. Current interest rates and the future direction of both long term and short term interest rates have a major influence on the overall treasury management strategy and affects both investment and borrowing decisions. To facilitate treasury management officers in making informed investment and borrowing decisions the Council contracts Sector Treasury Services as its treasury advisors. Part of their service is to assist the Council in formulating a view on interest rates. Sectors view of fixed long term borrowing rates (PWLB) and the base rate are shown in Figure 2.

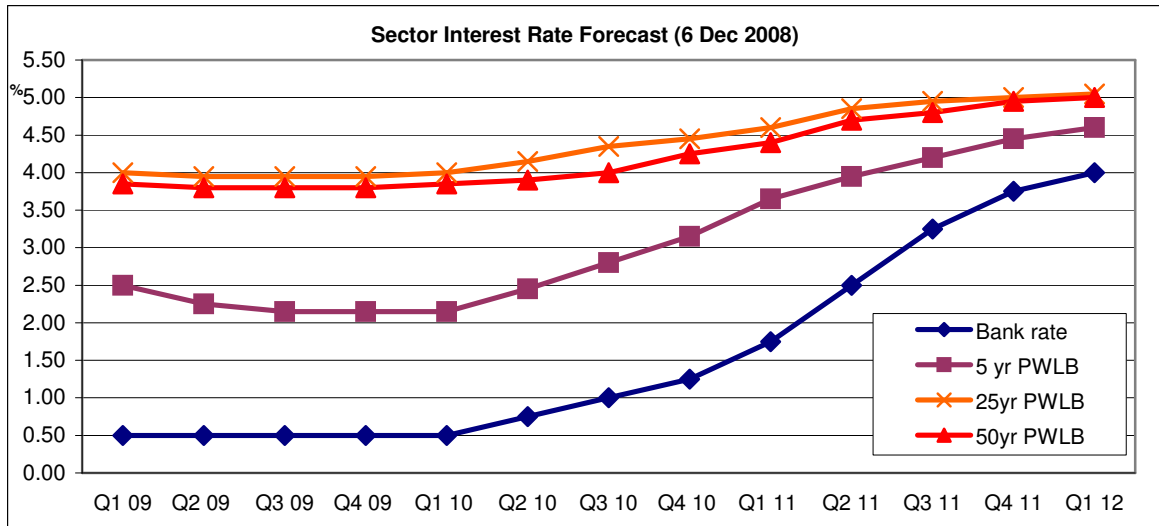


Figure 2 – Sector interest rate forecast

21. The sub prime crisis of early 2008 was replaced by the banking crisis of autumn 2008. The world banking system came near to collapse and governments around the world were forced to recapitalise and rescue their major banks. The resulting restricted lending from banks anxious to preserve capital led to economic forecasts being sharply reduced and recession priced into markets. This in turn led to sharp falls in oil and other commodity prices with the result that inflation, which in the UK was running at over 5%, became a background issue and recession fears drove interest rate sentiment and policy. A co-ordinated global interest rate cut of 50bp took place on 8th October 2008. Forecasts in the UK were for further sharp cuts in interest rates as recession hove into view.

Economic background

22. The interest rate forecasts are to be set against the economic background in both the UK and the rest of the world:

UK

- a. Gross Domestic Product (GDP): growth was already slowing in 2008 from 2007 before the full impact of the credit crunch was felt. Earlier in 2008 GDP was 2.3% whereas in the autumn the figure fell back to -0.3% and was then expected to continue to be negative going into 2009.
- b. Wage inflation remained relatively subdued as the Government kept a firm lid on public sector pay. Private sector wage growth was kept in check by the slowing economy.
- c. Growth slowed across the economy and unemployment rose throughout the year with forecasts of 2 million unemployed by the end of the financial year and continuing to increase thereafter through 2010.

- d. Bank lending came to a virtual standstill in the autumn as the credit crunch tightened its grip and various banks internationally had to be rescued, or supported, by their governments.
- e. The Government and Bank of England supplied significant amounts of liquidity to the banking market in an attempt to reignite longer interbank lending.
- f. The Government took action in September to either supply finance itself to recapitalise some of the major clearing banks or to require the others to strengthen their capital ratios by their own capital raising efforts. This was so that these banks would be seen to have sufficient reserves to last through the coming recession with its inevitable increase in bad loans etc.
- g. The housing market also came to a virtual standstill as lenders demanded larger deposits and higher fees. House sales and prices both dropped sharply.
- h. Government finances deteriorated as income from taxation dropped as the economy slowed and the cost of the bailout of the banks was added to the deficit.
- i. U.K. equity prices declined sharply in the 3rd and 4th quarters as the impending recession was priced into the markets. Prices hit five year lows and volatility was extremely high.
- j. The story of 2008 has been the credit crunch, the banking crisis and the change in economic outlook from slow growth to outright recession. After the initial concerns about the impact of the credit crunch in the earlier part of 2008 it appeared as though the storm had been weathered. The Monetary Policy Committee (MPC) had been very concerned about CPI inflation, which had been rising sharply on the back of higher commodity and food prices. Bank Rate reached a peak of 5.75% in July 2007 after which cuts of 0.25% occurred in December 2007 and February and April 2008 before the major cuts in the autumn. The economic data had been indicating a slowing economy for some while but it was not sufficiently weak to force the MPC into another cut. It was the strength of the banking crisis, pre-empted by the collapse of Lehmans in New York that eventually drove the MPC to cut interest rates by 50bp on October 8th in concert with the Federal Reserve, the ECB and other central banks. It was then appreciated that the economic downturn would be much more severe than previously thought and interest rates were subsequently slashed by 150bps on 6 November, 100bps on 4 December and 50 bps on 8 January 2009.
- k. The LIBOR (London Inter Bank Offer Rate) spread over Bank Rate has also been a feature, and a concern, of 2008/9. Because of the credit fears and the reluctance of lenders to place cash for long periods 3 month LIBOR has been substantially higher than Bank Rate. This has meant that the MPC's power over monetary policy has been eroded by the widening of this spread between LIBOR and Bank Rate and it has

therefore had a limited ability to bring relief to hard pressed borrowers through lower interest rates. However, the power of the Government over the semi nationalised clearing banks had considerable impact in enforcing pro rata reductions to the 150 bps Bank Rate cut in November on some borrowing rates.

- l. The Government has abandoned its 'golden rule'. The pre Budget Report on 14 November revealed the Government's plans for a huge increase in Government borrowing over coming years as a result of falling tax revenues and also due to tax cuts and increases in Government expenditure in the short term designed to help stimulate economic growth to counter the recession.

International

- m. Early in 2008 the US economy was being badly affected by the housing market slump. Interest rates were at 2% and inflation was being dragged higher by the inexorable rise in commodity prices. The ECB was very concerned about rising inflation and less about the state of the economy.
- n. The second quarter of 2008/9 was torn between inflation worries on the one hand, with oil rising towards \$150 per barrel, and the deteriorating economic outlook on the other.
- o. In the second and third quarters of the year the financial crisis erupted and escalated as the world became aware of the extent of the sub-prime fiasco and the impact it was having on institutions that had invested in these issues.
- p. In September Fannie Mae/Freddie Mac (the mortgage banks) and AIG, the insurance giant, had to be bailed out by the US Federal Government.
- q. Then in mid September, Lehman Bros., the investment bank, was allowed to fail. This triggered a domino effect with other banks and financial institutions having to be rescued or supported by governments around the world.
- r. After the collapse into receivership of the Icelandic banks in early October, other countries then started to feel the strain and a number had to approach the International Monetary Fund for support.
- s. Eventually even the Asian 'Tiger' economies were affected, including India and China, and it became clear that the crisis had become a global one and no country was insulated from it.
- t. The financial crisis had therefore precipitated an economic crisis and there was a co-ordinated global interest rate cut with the Fed, ECB and MPC all cutting rates by 50bp on 8th October. The Fed subsequently cut rates again by 50bp to 1% on 29th October and again on 16 December to a band of 0.0% to 0.25% in an attempt to stave off the oncoming recession. Inflation was yesterday's problem.

- u. The ECB reduced rates again on 6th November by 50bp and by its biggest ever cut of 75bp on 4 December to reach 2.5%.

Borrowing Strategy

23. Historically the Council has needed to borrow between £10m and £12m a year to finance its capital programme. This level of borrowing is the level at which the Government provide support through grant funding to cover the cost of interest payments and debt repayment. The Council intends to borrow above the level supported by Government grant funding in future years taking advantage of the Prudential Code (introduced April 2004) which allows Local Authorities to determine their own programmes for capital investment so long as the plans are affordable, prudent and sustainable. The main reason for the increase in unsupported borrowing is large scale investment in major assets that will result in long term revenue savings to the Council. The key projects are:

- a. The Administrative Accommodation Rationalisation Project (£26m borrowing requirement)
- b. The financing of replacement IT equipment using prudential borrowing as opposed to leasing, resulting in the Council owning the asset (£6.0m borrowing requirement over 4 years)
- c. Investment in the York Pools Strategy (£500k borrowing requirement)
- d. Investment in York High School (£400km borrowing requirement).

24. As a result of these projects the borrowing requirement is projected to increase significantly from its current level of £102m a year in 2008/09 to £146m in 2013/14. Borrowing during the year in which the funds are required would be a risky strategy for two reasons:

- a. The Council would be vulnerable to a rise or spike in interest rates especially in a year such as 2010/11 when the borrowing requirement will be over £17m.
- b. The Government reserve the power to impose a restriction on the amount of prudential borrowing that a Council can take if the economic environment dictates.

25. The treasury management and borrowing strategy needs to reflect this position and seek to minimise the risk of being required to borrow a large amount of money in a single year. The strategy therefore allows borrowing to be taken in advance of need if interest rates are at favourable levels. The Sector forecasts are as follows and based around an expectation that there will normally be variations of +/- 25bp during each quarter around these average forecasts in normal economic and political circumstances. However it should be noted that greater variations can occur should there be

any unexpected shocks to financial and/or political systems. These forecasts are for the PWLB new borrowing rate:

- The 50 year PWLB rate is expected to remain around current levels of about 3.95 % until Q2 2010 when it is forecast to rise to 4.00%. The rate then edges up gradually to reach 5.00% at the end of the forecast period (Quarter 1 2012).
- The 25 year PWLB rate is expected to drop to 3.95% in Q1 2009 and stay around there until starting to rise in Q1 2010 and then to eventually reach 5.05% at the end of the forecast period.
- The 10 year PWLB rate is expected to drop to 2.55% in Q3 2009 but then to start rising again in Q2 2010 to eventually reach 4.85% at the end of the forecast period.
- The 5 year PWLB rate is expected to fall to a floor of 2.15% during Q3 2009. The rate then starts rising in Q2 2010 to eventually reach 4.60% at the end of the forecast period.

26. Variable rate borrowing is expected to be cheaper than long term borrowing and will therefore be attractive throughout the financial year compared to simply taking long term fixed rate borrowing. Variable rate borrowing will however only bring short term benefit and increase the risk to the Council of refinancing debt at a future date when it is forecast for rates to be at a higher level.

27. In light of these projections the proposed Council strategy is as follows:

- With medium to long term borrowing (25 - 50 year PWLB) forecast to be at the 3.95% level borrowing should be made around this duration at any time in the year. This period is not the cheapest on the borrowing curve with 5 year and 10 year being lower but it does enable the Council fund long life assets (land and buildings) at a level of sub 4% thus ensuring long term benefit of the currently low rates. A suitable trigger point for considering PWLB long term fixed rate borrowing would be 3.95%, significantly below the Council's long term costs of funds of 4.55%.

28. Caution in this approach will be adopted with the Director of Resources monitoring interest rates and ensuring a pragmatic approach is taken to changing circumstances reporting any decisions as part of the monitoring cycle.

29. The main sensitivities of the forecast are likely to be the two scenarios below. The Treasury Management team in conjunction with the treasury advisors, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- if it were felt that there was a significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
- if it were felt that there was a significant risk of a sharp fall in long and short term rates, due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

Debt Rescheduling

30. The introduction of different PWLB rates on 1 November 2007 for new borrowing as opposed to early repayment of debt, and the setting of a spread between the two rates (of about 40 – 50 basis points for the longest period loans narrowing down to 25 – 30 basis points for the shortest loans), has meant that PWLB to PWLB debt restructuring is now much less attractive for the Council than before that date. However, significant interest savings will still be achievable through using LOBOs loans and other market loans (note commercial markets are not currently fully operational thus decreasing the likelihood of debt restructures).
31. As average PWLB rates are expected to be marginally higher at the start rather than later in the financial year, and as the base rate is expected to fall more than longer term borrowing rates, this will mean that the differential between long and short term rates will narrow, implying that there will be greater potential for making interest rate savings on debt by debt restructuring earlier on in the year.
32. The reasons for any rescheduling to take place will include:
- a. the generation of cash savings and / or discounted cash flow savings;
 - b. enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
33. Any rescheduling will be reported in accordance with the usual monitoring cycle.

Investment Strategy

34. The Council will have regard to the ODPM's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are the security of capital and the liquidity of its investments. The Council also aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

35. The borrowing of monies specifically to invest or lend on and make a return is unlawful and the Council will not engage in such activity.
36. Investment instruments identified for use in the financial year are listed in Annex B - Specified and Non-Specified Investments categories. Counterparties limits will be as set through the Council's Treasury Management Practices Schedule. Consideration will be given throughout the year and approval requested where necessary to the alteration of the specified and non-specified investment categories to allow the continued effective management of the Councils treasury management operations. The Council continues to take a prudent approach to investing funds using credit ratings from Moody and Fitch to determine acceptable value and duration limits.
37. The Council's in-house funds are mainly cash flow derived. Investments will accordingly be made with reference to the core balance, cash flow requirements and the outlook for short-term interest rates. The Council uses matrices that stipulate both time and financial limits in order to spread counterparty (credit) risk when investing money with approved counterparties.
38. The Bank Rate started on a downward trend from 5.75% in December 2007 with an initial cut of 0.25% with further cuts of 0.25% in February and April 2008, then 0.5% in October, 1.5% in November, 1% in December and 0.5% in January 2009. Further cuts of 1.0% are expected during Q1 2009. It is then expected to stabilise at 0.50% until starting to rise gradually with the first increase in Q2 2010 and then to be back up to 4.00% during Q1 2012. The Council should therefore avoid locking into longer term deals while investment rates are down at historically low levels.
39. For its cash flow generated balances, the Council will seek to utilise short dated fixed term deposits along with instant access business reserve accounts in order to benefit from the compounding of interest.
40. At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Minimum Revenue Provision (MRP) Strategy

41. Statutory Instrument 2008 no. 414 s4 lays down that a local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent. This is a substitution for the previous requirement to comply with regulation 28 in S.I. 2003 no. 3146, (as amended).
42. Along with the above duty, the Government issued new guidance in February 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

43. The Council are legally obliged to “have regard” to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The four options are:
- a. The regulatory method – 4% of the borrowing outstanding;
 - b. The Capital Financing Method – 4% of the Council’s Capital Financing Requirement;
 - c. The Depreciation Method – repayment of the debt over its depreciation life;
 - d. The Asset Life Method – repayment over the life of the asset to which the borrowing has been taken to fund.
44. Options a and b have broadly the same impact on the Council, and the DCLG recommends that this method is used in relation to the government supported borrowing. Option c would take the maximum repayment period to 40 years on operational land and buildings. Option d would take the maximum repayment period up to 60 years for some assets. There are merits in adopting all the options, however, in terms of prudence it is recommended that the Council adopts option b for government supported borrowing and option d for unsupported borrowing, with a caveat that the asset life is an absolute maximum and wherever possible the debt should be repaid over a shorter period. To this end it is recommended that the standard repayment period should be up to 25 years or less if the asset life is shorter, unless approval is sought to extend the repayment provision over a longer period and a formal business case is made to the Executive to do so.
45. With all debts, the longer the repayment period the more is paid in interest over the period of the loan. It is therefore deemed as prudent to reduce the period over which the repayments are made.

Corporate Priorities

46. The Treasury Management Strategy Statement and Prudential Indicators are aimed at ensuring the Council maximises its return on investments and minimises the cost of its debts, to allow more resources to be freed up to invest in the Council’s priorities, values and imperatives, as set out in the Corporate Strategy.

Implications

- **Financial** – The revenue implications of the treasury strategy are set out in the Revenue Budget report on this agenda.

- **Human Resources (HR)** – None
- **Equalities** – None
- **Legal** – Complying with the Local Government Act 2003
- **Crime and Disorder** – None
- **Information Technology (IT)** – None
- **Property** – None

Risk Management

47. The treasury management function is a high risk area because of the volume and level of large money transactions. As a result of this there are strict procedures set out as part of the Treasury Management Policy and Treasury Management Practices Statement which are set out in Annex C and D respectively.

Recommendations

48. The Executive are asked to recommend that Council approve:
- a. The Prudential Indicators for 2009/10 to 2013/14 ([Annex A](#));
 - b. The proposed Treasury Management Strategy for 2009/10
 - c. The Specified and Non-specified investments schedule
 - d. The revised Treasury Management Policy and Treasury Management Practices (Annexes C and D).
49. **Reason:** To enable the continued effective operation of the Treasury Management function and ensure that all Council borrowing is prudent, affordable and sustainable.

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Ian Floyd
Director of Resources

**Report
Approved**

Date 23/01/09

Ian Floyd
Director of Resources

**Report
Approved**

Date 23/01/09

Specialist Implications Officer(s)

N/a

Wards Affected:

All

For further information please contact the author of the report

Background Papers

2008/09 monitoring working papers and respective EMAP reports.
Prudential Indicator Workings 09/10 – 13/14.
Capital Budget Control 08/09.
Sector Treasury Services Limited Commentary.

Annexes

Annex A – Prudential Indicators 2009/10 – 2013/14
Annex B – Specified and Non-Specified Investments
Annex C – Treasury Management Policy
Annex D – Treasury Management Practices

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PRUDENTIAL INDICATORS		2008/09	2009/10	2010/11	2011/12	
		Probable Outturn	estimate	estimate	estimate	
1)	Capital Expenditure To allow the authority to plan for capital financing as a result of the capital programme. To enable the monitoring of capital budgets to ensure they remain within budget	Non - HRA	£'000	£'000	£'000	£'000
		HRA	53,199	57,019	41,777	21,031
		TOTAL	7,338	6,971	7,321	8,355
		TOTAL	60,537	63,990	49,098	29,386
2)	Ratio of financing costs to net revenue stream This indicator estimates the cost of borrowing in relation to the net cost of Council services to be met from government grant and council tax payers. In the case of the HRA the net revenue stream is the income from Rents and Subsidy	Non - HRA	4.74%	6.98%	7.79%	6.71%
		HRA	2.79%	3.00%	1.04%	1.40%
3)	Incremental impact of capital investment decisions - Council Tax Shows the actual impact of capital investment decisions on council tax. The impact on council tax is a fundamental indicator of affordability for the Council to consider when setting forward plans. The figure relates to how much of the increase in council tax is used in financing the capital programme and any related revenue implications that flow from it.	£ p	£ p	£ p	£ p	
		Increase in Council Tax (band D) per annum	10.63	19.51	18.24	10.83
4)	Incremental impact of capital investment decisions - Hsg Rents Shows the actual impact of capital investment decisions on HRA rent. For CYC, the HRA planned capital spend is based on the government's approved borrowing limit so there is no impact on HRA rents.	£ p	£ p	£ p	£ p	
		Increase in average housing rent per week	0.00	0.00	0.00	0.00
5)	Capital Financing Requirement as at 31 March Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	Non - HRA	86,575	89,068	96,582	106,916
		HRA	12,035	13,035	14,035	14,035
		TOTAL	98,610	102,103	110,617	120,951
6a)	Authorised Limit for external debt - The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long term liabilities for 3 financial years.	borrowing	147	186	218	251
		other long term liabilities	0	0	0	0
		TOTAL	147	186	218	251
6b)	Operational Boundary for external debt - The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.	borrowing	125	145	170	196
		other long term liabilities	0	0	0	0
		TOTAL	125	145	170	196
7)	Adoption of the CIPFA Code of Practice for Treasury Management in Public Services Ensuring Treasury Management Practices remain in line with the SORP.	Treasury Management Policy Statement 12 Treasury Management Practices Policy Placed Before Council Annual Review Undertaken				
8a)	Upper limit for fixed interest rate exposure The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts	Net interest re fixed rate borrowing / investments	150%	150%	150%	150%
		Actual Net interest re fixed rate borrowing / investments	146%	117%	115%	114%
8b)	Upper limit for variable rate exposure The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts	Net interest re variable rate borrowing / investments	-50%	-50%	-50%	-50%
		Actual Net interest re variable rate borrowing / investments	-46%	-17%	-15%	-14%
9)	Upper limit for total principal sums invested for over 364 days To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long term loans mature in different periods thus spreading the risk.		£10,000	£10,000	£10,000	£10,000
10)	Maturity structure of new fixed rate borrowing during 2006/07 The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year. The limits are set as a percentage of the average balances of the investment portfolio.	Upper Limit				
		Lower Limit				
		under 12 months	10%	0%		
		12 months and within 24 months	10%	0%		
		24 months and within 5 years	25%	0%		
5 years and within 10 years	40%	0%				
10 years and above	90%	30%				

Glossary Of Abbreviations

HRA Housing Revenue Account
SORP Statement of Recommended Practice - for Local Authority Accounting

CYC City of York Council
CFR Capital Financing Requirement

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SPECIFIED INVESTMENTS :

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable.

	* Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Green or Red rated as appropriate	In-house

- e.g. Ireland (AAA), Australia (AA+), Singapore (AAA), Hong Kong (AA)

NON-SPECIFIED INVESTMENTS:

A maximum of 10% will be held in aggregate in non-specified investment

1. Maturities under 1 year.

Certificates of deposits issued by banks and building societies	Green or Red rated as appropriate	In-house buy and hold
UK Government Gilts	Long term AAA	In-house buy and hold
Bonds issued by multilateral development banks	Long term AAA	In-house on a 'buy-and-hold' basis.
Bonds issued by a financial institution which is guaranteed by the UK government	Long term AAA	In-house on a 'buy-and-hold' basis
Sovereign bond issues (i.e. other than the UK govt)	AAA	In house on a 'buy and hold basis'
Treasury Bills	--	Fund Managers
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Money Market Funds	Green or Red rated as appropriate	In-house
2. Enhanced cash funds	Green or Red rated as appropriate	In-house
3. Bond Funds	Green or Red rated as appropriate	In-house
4. Gilt Funds	Green or Red rated as appropriate	In-house

N.B. buy and hold may also include sale at a financial year end and repurchase the following day in order to accommodate the requirements of SORP2007.

2. Maturities of any period.

	* Minimum Credit Criteria	Use	*** Max % of total investments	Max. maturity period
Fixed term deposits with variable rate and variable maturities: -				
1. Callable deposits	Red Rated	In-house		
2. Range trade	Red Rated	In-house		
3. Snowballs	Red Rated	In-house		
4. other structured investment				
a) Corporate Bonds : (note this is classed as capital expenditure)	Red Rated	In house on a 'buy and hold basis'		
b) Floating Rate Notes: (note this is classed as capital expenditure unless they are issued by a multi lateral development bank)	Red Rated	Fund managers		

3. Maturities in excess of 1 year

Term deposits – local authorities	--	In-house		
Term deposits – banks and building societies	Red Rated	In-house		
Certificates of deposits issued by banks and building societies	Red Rated	In house on a 'buy and hold basis'		
UK Government Gilts	AAA	In house on a 'buy and hold basis'		
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis.		
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house on a 'buy-and-hold' basis		
Sovereign bond issues (i.e. other than the UK govt)	AAA	In house on a 'buy and hold basis'		

N.B. buy and hold may also include sale at a financial year end and repurchase the following day in order to accommodate the requirements of SORP2007.

For both Specified and Non Specified Categories 'Green' and 'Red' are defined as follows:

Minimum Criteria:

- Green – Long term Issuer Default Rating = A, Short term Issuer Default Rating = F1, Individual = B and Support = 3 (or Individual = C and Support = 2)
- Red – Long term Issuer Default Rating = A, Short term Issuer Default Rating = F1, Individual = B, Support = 2

Annex C

TREASURY MANAGEMENT POLICY STATEMENT

The Council has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice 2001 as described in section 4 of that Code.

Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement (TMPS), stating the policies and objectives of its treasury management activities.
- suitable treasury management practices (TMP), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive Member – Corporate Services and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Council defines the policies and objectives of its treasury management activities as follows: -

1. The Council defines its treasury management activities as:

The management of the Council's 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. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

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**TREASURY MANAGEMENT
PRACTICES**

Schedules

January 2009

TREASURY MANAGEMENT PRACTICES - SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation

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TMP1 RISK MANAGEMENT

1.1 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that cash not be available when it is required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council will therefore have sufficient stand by facilities to ensure that there is always sufficient liquidity to deal with unexpected occurrences. It will also seek to ensure that its cash flow forecasting gives as accurate a picture as possible of the ebbs and flows in income and expenditure and the resulting residual daily cash balances.

1.1.1 Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

1.1.2 Details of:

a. Standby facilities

At the end of each financial day any unexpected surplus funds are retained in the Council's main bank account. The bank contract pays a favourable rate of 1% below base rate for credit balances should they arise (note, this is applicable when the base rate is greater than or equal to 1.25%). No more than £300k should be held in the account with overdraft at no more than £300k.

b. Bank overdraft arrangements

A £2m overdraft at 1% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts.

c. Short-term borrowing facilities

The Council accesses temporary loans through approved brokers on the London money market. The approved borrowing limit for short term debt is £10m, this is the difference between the Authorised Limit and the Operational Boundary for External Debt.

d. Insurance/guarantee facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

e. Special payments

Notice to be given to the Corporate Finance Manager for all special payments above £100,000 to be transferred on the day of notification.

1.2 INTEREST RATE RISK MANAGEMENT

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council will seek to minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and agreeing with them its strategy for the coming year for the investment and debt portfolios. It will also determine appropriate limits and trigger points as set out below. These limits and strategy are set out in the annual Treasury Management Strategy Statement. This strategy will be periodically reviewed during the

relevant year to see whether any modifications are required in the light of actual movements in interest rates.

- 1.2.1. Details of approved interest rate exposure limits (Prudential Indicator 8)
- 1.2.2 Trigger points and other guidelines for managing changes to interest rate levels (contained in the annual Treasury Management Strategy Statement and in subsequent monitoring reports)
- 1.2.3 Upper limit for fixed interest rate exposure (Prudential Indicator 8 - 150%)
- 1.2.4 Upper limit for variable interest rate exposure (Prudential Indicator - 20%)
- 1.2.5 **Policies concerning the use of instruments for interest rate management.**
 - a. Forward dealing
Consideration will be given to dealing from forward periods dependant upon market conditions to hedge against adverse movements in interest rates.
 - b. Callable deposits
The Council will use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Authorised Counterparties for Temporary Investment list. The list is a live document that is updated for changes in credit ratings as advised by the Council's Treasury Management Advisors. The list can be found in daily cash flow sheets folder.
 - c. LOBOS (borrowing under lender's option/borrower's option)
Use of LOBOs are considered as part of the annual borrowing strategy.

1.3 EXCHANGE RATE RISK MANAGEMENT

Exchange rate risk is the risk that unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes. It will also seek to minimise what risk it does have by using the below policies.

1.3.1 Approved criteria for managing changes in exchange rate levels

The Council from time to time may receive or pay a transaction in a foreign currency. The sums involved are minimal. Currently in the case of both receipts and payments the Council takes no risk in the transaction with a sterling equivalent either requested or paid. If in the future there are regular income and expenditure flows in the same foreign currency a specific foreign currency account facility will be negotiated with the main bank contract.

1.4 INFLATION RISK MANAGMENT

Inflation risk is the risk that unexpected changes in inflation expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has minimal exposure to inflation risk as inflation has not been at high levels for the last decade and is not currently expected to return to such levels in the foreseeable future.

1.4.1.Details of approved inflation exposure limits for cash investments/debt –

During the current period of low and stable worldwide inflation there is little requirement for an active consideration of the impact of inflation. The key consideration is

that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within this section.

1.5 CREDIT AND COUNTERPARTY RISK MANAGEMENT

Credit and counter-party risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Council recognises its prime responsibility to always put first the preservation of the principal of the sums which it invests. Consequently, it will optimise returns commensurate with the management of the associated risk. The Council adopts Sectors' Counterparties schedule as its approved Authorised Counterparties for Temporary Investment list.

1.5.1. CRITERIA TO BE USED FOR CREATING / MANAGING APPROVED COUNTERPARTY LISTS / LIMITS

The Council will determine through its Annual Investment Strategy the credit criteria for various investment instruments in the 'Specified' and 'Non-Specified' Investments categories.

1.5.2. APPROVED METHODOLOGY FOR CHANGING LIMITS AND ADDING / REMOVING COUNTERPARTIES

Credit ratings for individual counterparties can change at any time. The dealing desk officer is responsible for applying approved credit rating criteria for selecting approved counterparties.

1.5.3. FULL INDIVIDUAL LISTINGS OF COUNTERPARTIES AND COUNTERPARTY LIMITS

The Treasury Management and Capital Team maintain a full individual list of approved counterparties and counterparty limits and can be found on L:/Document/RFITE/Capital & Treasury/Dealing Desk/Authorised Counterparties & Brokers.doc. It can also be found on the Intranet
<http://intranet.york.gov.uk/documents/public/resourcespage/CapitalandTreasury%20Management.htm>

1.6 REFINANCING RISK MANAGEMENT

Refinancing risk is the risk that when loans or other forms of capital financing mature, that they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets.

1.6.1. DEBT / OTHER CAPITAL FINANCING, MATURITY PROFILING, POLICIES AND PRACTICES

The Council will establish through its Prudential Indicators the amount of debt maturing in any year / period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually

monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) The generation of cash savings at minimum risk;
- b) To reduce the average interest rate;
- c) To amend the maturity profile and / or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Scrutiny Working Group as part of the regular monitoring treasury management updates following its action.

1.6.2. PROJECTED CAPITAL INVESTMENT REQUIREMENTS

The Director of Resources will prepare a five-year plan for capital expenditure for the Council. The capital plan will be used to prepare a three year revenue budget for all forms of financing charges.

Under the new capital financing system, the definition of capital expenditure and long term liabilities used in the Prudential Code will follow recommended accounting practice (SORP).

1.6.3. POLICY CONCERNING LIMITS ON AFFORDABILITY AND REVENUE CONSEQUENCES OF CAPITAL FINANCING.

In considering the affordability of its capital plans, the Council will consider all the resources currently available / estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax *and (in the case of the HRA)*, housing rent levels. It will also take into account affordability in the longer term beyond this three year period. (Note: paragraph 30 of the Prudential Code gives examples of matters relevant to the consideration of affordability, although this is not an exhaustive list.)

The Council will use the definitions provided in the Prudential Code for borrowing (83), capital expenditure (84), debt (86), financing costs (87), investments (88), net borrowing (89), net revenue stream (90), other long term liabilities (91).

1.6.4 CAPITAL RECEIPTS GENERATED BY THE HRA

75% of capital receipts generated by the Housing Revenue Account will be pooled, i.e. paid to the Secretary of State, with the exception of 'qualifying disposals' such as land where 100% can be retained providing it is allocated to meeting the decent homes standard and large and small scale voluntary transfers of housing to social registered landlords.

1.6.5 PFI, Partnerships, ALMOs and guarantees

The Council entered in to a 30 year Schools PFI deal with Sewell Education York Limited in January 2005. Under the terms of the contract any refinancing is at the discretion of the provider, with any financial benefits been shared equally between the Council and Sewell.

1.7 LEGAL AND REGULATORY RISK MANAGEMENT

Legal and regulatory risk is the risk that either the Council, or a third party which it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

1.7.1. REFERENCES TO RELEVANT STATUTES AND REGULATIONS

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

- CIPFA Prudential Code for Capital Finance in Local Authorities
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I 2008 No 414 s4 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008
- Guidance on Investments ODPM 12.3.2004
- Guidance on Housing Capital Receipts Pooling ODPM 23.3.2004
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Allocation of financing costs to the HRA – annual determination by Secretary of State
- Definition of HRA capital expenditure - Local Government and Housing Act 1989 section 74 (1)
- CIPFA's Treasury Management Codes of Practice 2001 and 1996
- CIPFA Guide for Chief Financial Officer on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 1995
- LAAP Bulletin 55 CIPFA's Guidance on Local Authority Reserves and Balances
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Services Authority's Code of Market Conduct
- SORP – Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB annual circular on Lending Policy
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.7.2. PROCEDURES FOR EVIDENCING THE COUNCIL'S POWERS/AUTHORITIES TO COUNTERPARTIES

The Council's powers to borrow and invest are contained in legislation as set out below:

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following the document which sets which officers are the authorised signatories.

REQUIRED INFORMATION ON COUNTERPARTIES

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers (Sector) based upon credit ratings supplied by credit rating agencies, Moody's and Fitch.

1.7.3 STATEMENT ON THE COUNCIL'S POLITICAL RISKS AND MANAGEMENT.

1.7.3.1 Director of Resources

The Director of Resources shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

1.7.3.2 Monitoring Officer

The monitoring officer is the Head of Democratic and Legal Services; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

1.7.3.3 Chief Financial Officer

The Chief Financial Officer is the Director of Resources; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

1.8 FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY RISK MANAGEMENT

Fraud, error and corruption risk is the risk that the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will therefore:-

- a) Seek to ensure an adequate division of responsibilities and maintain at all times an adequate level of internal check which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

DETAILS OF SYSTEMS AND PROCEDURES TO BE FOLLOWED, INCLUDING INTERNET SERVICES

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the Director of Resources.

Procedures

- Electronic banking procedures (Instructions for Dealers Procedure File – Treasury Management)
- Procedures for making CHAPS payments. (HSBCnet Payment File – Daily Cash flow sheet folder)

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained in the Investment Register and Debt Register (PWLB) – Location: Capital & Treasury\ Dealing Desk\ Cash flow\ 0910\ IR0910 & Capital & Treasury\ LT Debt\ PWLB Royal Debt\ PWLB.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Corporate Finance Manager for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Corporate Finance Manager for resolution.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- The Cash Flow Model and Investment Register system prompts the dealing officer that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution that the Council invests with.
- Brokers have a list of named officials authorised to agree deals, and are periodically sent updated lists as authorisers change.
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- No member of the treasury management dealing team is an authorised signatory.
- The Cash Flow model and Investment Register system is backed up daily.
- There is £5m single transaction insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- The Cash Flow Model, Investment Register and Debt Register system balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- Budget monitoring is produced every quarter when a review is undertaken against the budget for interest earnings and debt costs.

Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Cash Flow Model/ Investment Register.
- The Debt Register calculates periodic interest payments of PWLB and other long term loans. This is used to check the amount paid to lenders.
- Average weighted capital loans fund interest rates are calculated by the Debt register and Investment register.
- These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the Loans Fund and the Housing Revenue Account recharge.

1.8.1. EMERGENCY AND CONTINGENCY PLANNING ARRANGEMENTS**Disaster Recovery Plan**

The authority has in place procedures for continued operations in the event of offices being unusable or the event of the Electronic Banking System failing. These can be found in Instructions for Dealers Procedure File – Treasury Management.

Daily cash flow management can take place from a remote terminal using either the HSBCnet online banking facility or by contacting HSBC by telephone. All members of the treasury management team are familiar with this plan and new members will be briefed on it.

All computer files relating to the daily cash flow management are backed up on the server, onto compact disk and periodically to a separate memory key to enable files to be accessed from remote sites.

These procedures are in addition to the Corporate ITT disaster recovery plans.

1.8.2. INSURANCE COVER DETAILS.**Fidelity insurance**

The Council has 'Fidelity' insurance cover with Zurich. This covers the loss of cash by fraud or dishonesty of employees.

This cover is limited to £5m for any one event with no excess.

Professional Indemnity Insurance

The Council also has a 'Professional Indemnity' insurance policy with Zurich, which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £1m for any one event with an excess of nil for any one event.

1.9 MARKET VALUE OF INVESTMENTS RISK MANAGEMENT

Market risk is the risk of fluctuations in the principal value of the Council's investments.

1.9.1.DETAILS OF APPROVED PROCEDURES AND LIMITS FOR CONTROLLING EXPOSURE TO INVESTMENTS WHOSE CAPITAL VALUE MAY FLUCTUATE (GILTS, CDS, etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Treasury Management Strategy Statement. CYC does not enter into investments where capital values may fluctuate.

TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS

2.1 EVALUATION AND REVIEW OF TREASURY MANAGEMENT DECISIONS

The Council has a number of approaches to evaluating treasury management decisions: -

- a. Fortnightly tactical reviews and forward looking meetings carried out by the treasury management team
- b. Biannual reviews with our treasury management consultants
- c. Quarterly budget monitoring and statistical analysis
- d. Annual review as reported to committee
- e. Comparative reviews
- f. Strategic, scrutiny and efficiency best value reviews
- g. 3 monitoring reports to Scrutiny Working Group. Outturn report to Full Council.

2.1.1 Periodic reviews during the financial year

The senior dealing officer holds a treasury management review meeting with the treasury management dealing team every two weeks to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts. This will include:

- a. A review of activity vs plan for the past 2 weeks.
- b. Projected activity for the forthcoming 2 weeks
- c. Credit Rating updates
- d. Economic news and operational information
- e. Investment profiles

The minutes of the meetings are produced and circulated to all relevant staff.

2.1.2 Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

2.1.3 Annual Review after the end of the financial year

An Annual Treasury Report is submitted to the Council each year after the close of the financial year which reviews the performance of the debt and investment portfolios. This report contains the following: -

- a. Total debt at the beginning and close of the financial year and average interest rates
- b. Borrowing strategy for the year compared to actual strategy
- c. Investment strategy for the year compared to actual strategy
- d. Explanations for variance between original strategies and actual
- e. Debt rescheduling done in the year
- f. Actual borrowing and investment rates available through the year
- g. Comparison of return on investments to the investment benchmark
- h. Compliance with Prudential Indicators

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential Indicators are locally set).

Data used will be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club

2.2 BENCHMARKS AND CALCULATION METHODOLOGY:

2.2.1 Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

2.2.2 Investment.

The performance of investment earnings will be measured against the following benchmarks: -

- a.** In house investments
 - i) 7 day LIBID un compounded

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers every six months.

2.3 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT,

2.3.1 Frequency and processes for tendering

Tenders are normally awarded on a 3 year basis with the option to extend for 2 years, if approved by the Director of Resources. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.3.2 Banking services

The Council's banking arrangements are to be subject to competitive tender every 4 years with an option to extend for 2 further years if approved by the Director of Resources unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.

If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

2.3.3 Money-broking services

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. The Council will in addition make deposits directly with institutions where it is financially advantageous to do so.

An approved list of brokers is established which takes account of both prices and quality of services. The Council currently has 4 brokers on its approved list.

2.3.4 Consultants' / advisers' services

This Council's policy is to appoint full-time professional treasury management and leasing consultants and separate leasing advisory consultants.

2.3.5 Policy on External Managers (Other than relating to Superannuation Funds)

The Council's policy is not to appoint external investment fund managers.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS/TECHNIQUES:

3.1.1 Records to be kept

The Treasury section has a spreadsheet based cash flow model system in which all investment and loan transactions are recorded. The following records will be retained :-

- Daily cash balance forecasts and daily bank print outs.
- Money market rates obtained by telephone from brokers
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds and other loans

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer best value)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management, also monitoring of average pool rate, investment returns, etc).
- Breakeven sensitivity analysis.

3.1.3 Issues to be addressed.

3.1.3.1. In respect of every treasury management decision made the Council will:

- a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

- a) Evaluate economic and market factors to form a view on future interest rates so as to determine the manner and timing of decisions to borrow;
- b) Consider the sources of borrowing, alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
- c) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships to minimise costs and risks;
- d) Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets;
- e) Seek to reduce the overall level of financing costs / smooth maturity profiles through debt restructuring.

3.1.3.3 In respect of investment decisions, the Council will:

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;
- c) Determine appropriate credit policy limits and criteria to minimise the Council's exposure to credit and other investment risks.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION**

- Borrowing;
- Lending;
- Debt repayment and rescheduling;
- Consideration, approval and use of new financial instruments and treasury management techniques;
- Managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- Managing cash flow;
- Banking activities;
- Leasing.

4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

The Annual Investment Strategy details the approved instruments for investments

4.3 APPROVED TECHNIQUES

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as callable deposits

4.4 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

Government and EC Capital Grants
 Lottery monies
 PFI/PPP
 Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Resources has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 INVESTMENT LIMITS

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument Value and duration limits with regard to cash deposits are set quarterly dependant upon cash balance levels (see Investment Register and Cash Flow model)

4.6 BORROWING LIMITS

See the Treasury Management Strategy Statement and Prudential Indicators. Borrowing limits are set as per Prudential Indicators, which are contained in the annex A of the Treasury Management Strategy (Prudential Indicators 6a and 6b).

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

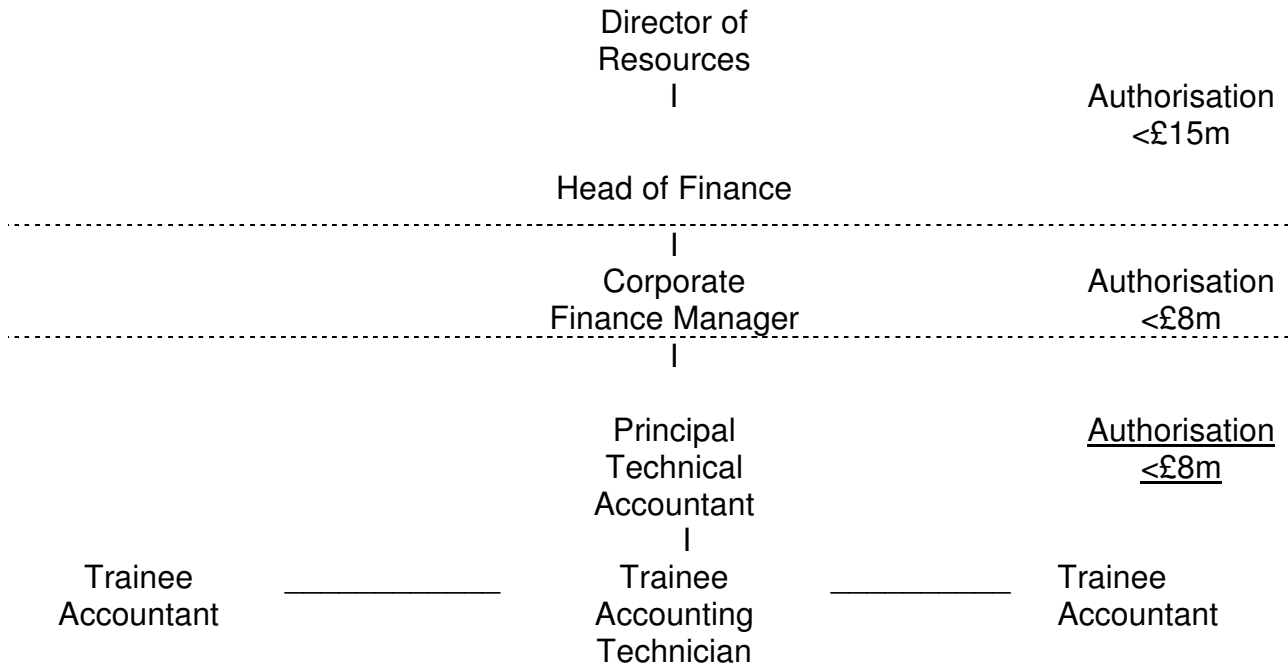
5.1 LIMITS TO RESPONSIBILITIES / DISCRETION AT COUNCIL/EXECUTIVE LEVELS

- a) The full Council will set the Prudential Indicators and revise them as and when necessary.
- b) The Executive and then the full Council will receive and review reports on treasury management policies, practices and activities and the annual treasury management strategy.
- c) The Director of Resources will be responsible for amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices.
- d) The Executive will consider and Full Council will approve the Treasury Management Budget.
- e) The Executive will approve the segregation of responsibilities.
- f) The Director of Resources will receive and review external audit reports and put recommendations to the Audit and Governance Committee.

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Bank Statement Reconciliation Cash Projection Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary.
Accounting Entry	Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

5.3 TREASURY MANAGEMENT ORGANISATION CHART

5.4 STATEMENT OF DUTIES/ RESPONSIBILITIES OF EACH TREASURY POST

5.4.1. Director of Resources

The Director of Resources will:

- a) Submit budgets and budget variations in accordance with Financial Regulations and guidance.
- b) In setting the prudential indicators, the Director of Resources will be responsible for ensuring that all matters are taken into account and reported to the Council so as to ensure the Council's financial plans are affordable, prudent and sustainable in the long term.
- c) Establish a measurement and reporting process that highlights significant variations from expectations.
- d) Submit treasury management reports as required to the Scrutiny Committee and to full Council.
- e) Review the performance of the treasury management function and promote best value reviews.
- f) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- g) Ensure the adequacy of internal audit, and liaising with external audit.
- h) Recommend on appointment of external service providers in accordance with council standing orders.

The Director of Resources has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

The Director of Resources may delegate his power to borrow and invest to members of his staff. All dealing must be carried out under the direction of the Principal Technical Accountant. All transactions must be authorised by the appropriate officer with relevant authorisation limits (Corporate Finance Manager or Principal Technical Accountant). All transactions over the value of £5m must be countersigned by at least two signatories.

The Director of Resources will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Resources to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

It is also the responsibility of the Director of Resources to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.2 Head of Finance

The Head of Finance will:

- a) Make reports to the Council under S114 of the Local Government Finance Act 1988 if the Director of Resources considers the Council is likely to get into a financially unviable situation.

- b) Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance.

5.4.3 Technical Finance Manager/ Principal Technical Accountant

The responsibilities of these posts will be: -

- a) Authorisation of transactions and conduct of other day to day activities in accordance with the Treasury Management Practices.
- b) Adherence to agreed policies and limits.
- c) Managing the overall treasury management function.
- d) Supervising treasury management staff.
- e) Ensuring appropriate segregation of duties
- f) Monitoring performance on a day-to-day basis.
- g) Submitting management information reports to the Head of Finance and Director of Resources.
- h) Maintaining relationships with third parties and external service providers and reviewing their performance.

5.4.4 The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the Director of Resources reports regularly to the full Council on treasury policy, activity and performance.

5.4.5 The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be: -

- a) Ensuring compliance by the Director of Resources with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the Director of Resources when advice is sought.

5.4.6 Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

5.5 ABSENCE COVER ARRANGEMENTS

The Council establishes the dealing desk work plan in advance and currently has 4 officers fully trained to deal. In the event of the person due to be dealing being off one of the 3 other officers can cover. At any one time there are two dealing officers in on a given day.

5.6 DEALING LIMITS

The following posts are authorised to deal: -

- Louise Branford-White (£8m)
- Janet Lornie (£8m)
- Steve Morton (£8m)

- Ross Brown (£8m)

5.7 LIST OF APPROVED BROKERS

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.1.2.

5.8 POLICY ON BROKERS' SERVICES

It is this Council's policy to rotate business between brokers providing the best deal is taken i.e if two brokers are offering the same rate.

5.9 POLICY ON TAPING OF CONVERSATIONS

It is not this Council's policy to tape brokers conversations

5.10 DIRECT DEALING PRACTICES

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged through brokers. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

5.11 SETTLEMENT TRANSMISSION PROCEDURES

For payments a transfer will be made through the CHAPS system to be completed by 3.00 pm on the same day. The Council uses the CHAPS system supplied by HSBC, authorized limits are set up in line with authorized signatory limits with the bank.

5.12 DOCUMENTATION REQUIREMENTS

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, counterparty standard settlement instruction detail, interest rate, dealing date, payment date(s), broker.

5.13 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS.

The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's cash balances but transactions are separately coded on the financial management system. Interest is given on credit balances at the average rate for internal balances for the year.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT

6.1.1 The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Executive and then to the full Council for approval before the commencement of each financial year.

6.1.2 The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, the Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

6.1.3 The Treasury Management Strategy Statement is concerned with the following elements:

- Prudential Indicators
- current treasury portfolio position
- borrowing requirement
- prospects for interest rates
- borrowing strategy
- investment strategy
- debt rescheduling
- Minimum Revenue Provision Strategy
- any extraordinary treasury issue

6.1.4 The Treasury Management Strategy Statement will establish an interest rate position based on the view of future interest rate movements (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.2 POLICY ON INTEREST RATE EXPOSURE

6.2.1 The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential Indicators.

6.2.2 The Director of Resources is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Director of Resources shall submit the changes for approval to the full Council.

6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY

An annual report will be presented to the Executive Member for Corporate Services at the earliest practicable meeting after the end of the financial year, but in any case by the end of July. This report will include the following: -

- a. A comprehensive picture for the financial year of all treasury policies, plans, activities and results;
- b. Transactions executed and their revenue (current) effects;
- c. Report on risk implications of decisions taken and transactions executed;

- d. Monitoring of compliance with approved policy, prudential limits, practices and statutory / regulatory requirements;
- e. Monitoring of compliance with powers delegated to officers;
- f. Degree of compliance with the original strategy and explanation of deviations;
- g. Explanation of future impact of decisions taken on the organization;
- h. Measurements of performance;
- i. Report on compliance with CIPFA Code recommendations.

6.4 MANAGEMENT INFORMATION REPORTS

Management information reports will be prepared in accordance with the Corporate monitoring timetable by the Technical Finance Manager and will be presented to the Director of Resources.

These reports will contain the following information: -

- a) A summary of transactions executed and their revenue effect (current effects);
- b) Measurements of performance including effect on loan charges/investment income;
- c) Degree of compliance with original strategy and explanation of variances.
- d) Any non compliance with Prudential limits or other treasury management limits.

6.5 PERIODIC MONITORING COMMITTEE REPORTS

The Scrutiny Committee will consider treasury management reports as part of the set reporting timetable.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**7.1 STATUTORY/REGULATORY REQUIREMENTS**

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 ACCOUNTING PRACTICES AND STANDARDS

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

7.3 SAMPLE BUDGETS / ACCOUNTS / PRUDENTIAL INDICATORS

The Technical Finance Manager will prepare a five-year medium term financial plan with Prudential Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Corporate Finance Manager will exercise effective controls over this budget and monitoring of performance against Prudential Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.4 LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS.

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges from the Investment Register and Debt Register.
- Calculation of CFR and adjustment A
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential Indicators
- Review of observance of limits set by Prudential Indicators
- Calculation of the Minimum Revenue Provision

7.5 Budget Monitoring Report

In addition to the monitoring statistics presented to the Director of Resources (as set out in section 6.4) the authority produces the following reports:

- Monitoring Reports in line with the Corporate Monitoring Cycle
- Outturn report on Treasury Management Performance

These reports are intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

TMP 8 CASH AND CASH FLOW MANAGEMENT**8.1 ARRANGEMENTS FOR PREPARING / SUBMITTING CASH FLOW STATEMENTS**

Cash flow projections are prepared annually (for three full financial years), monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.2 BANK STATEMENTS PROCEDURES

The Council obtains daily account balances, account statements and key transactions from its bank via HSBCNet. This information is used to form the daily cash balance projections.

8.3 PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS

Our policy is to pay creditors within 28 days of the invoice date and this effectively schedules the payments in order to comply with BV Performance Indicator 8.

8.4 ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS

The exchequer manager is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a daily basis to assist in updating the cash flow models. Daily details of payment runs are also provided.

8.5 PROCEDURES FOR BANKING OF FUNDS

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the Chief Cashier to deposit in the Council's banking accounts.

8.6 PRACTICES CONCERNING PREPAYMENTS TO OBTAIN BENEFITS

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the Director of Resources following a cost benefit appraisal of prepayment proposals. For material sums a formal report would be taken to the Executive.

TMP 9 MONEY LAUNDERING**9.1 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS**

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FSA website on www.fsa.gov.uk.

When repaying loans, the procedures in 9.2 will be followed to check the bank details of the recipient.

9.2 METHODOLOGIES FOR IDENTIFYING DEPOSIT TAKERS

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through the FSA website on www.fsa.gov.uk.

All transactions will be carried out by CHAPS for making deposits or repaying non PWLB loans. PWLB loan repayments are taken via Direct Debit on specified dates.

9.3 PROCEEDS OF CRIME ACT 2002 (POCA)

Please find below an explanation of the current responsibilities of local authorities:-

The Proceeds of Crime Act 2002 imposes an obligation on any person or other body that undertakes a regulated activity as defined by the Act to report any incident that leads them to suspect that an individual or other body is making transactions with the proceeds of any criminal activity. This is an extension of the obligations previously imposed principally on financial services organisations and employees under money laundering legislation. The money laundering legislation, as reinforced by the FSA guidance, made it clear that an organisation had to nominate a money laundering reporting officer, MLRO, through whom suspicious transactions had to be reported and it was incumbent on the MLRO to decide if these transactions had to be reported to the National Criminal Investigation Service (NCIS), being the police body charged with dealing with these matters.

The question therefore arises as to whether organisations now caught under the provisions of the Proceeds of Crime Act (POCA) have to also nominate a MLRO. There is nothing that states that an MLRO has to be nominated and indeed, a number of organisations that are caught by POCA would not have a direct regulator to notify. However, it is equally clear that such organisations must have a process in place whereby employees can alert management of activities that may fall under POCA and that process must make it clear to whom an internal report has to be made. Therefore, whether called an MLRO or not, under their internal processes organisations need to appoint a senior officer (F.D., Treasurer, Head of Legal) to whom suspicions must be reported and who is responsible for deciding whether to pass the report to NCIS.

NCIS
PO BOX 8000
LONDON SE11 5EN

www.ncis.co.uk

The Corporate Finance Manager is conversant with the requirements of the Proceeds of Crime Act 2002 and will train the following staff in being diligent to be alert for suspicious transactions: -

- treasury management
- other as appropriate

The Council has appointed Chief Monitoring Officer to be the responsible officer to whom any suspicions that transactions involving the Council may include a party who is involved in criminal activity. Suspicious transactions will be investigated as far as the Council is in a position to do so or it is appropriate for the Council to do so, and if doubts remain, these transactions will then be reported to the National Criminal Investigation Service.

TMP 10 STAFF TRAINING AND QUALIFICATIONS

The Council recognises the importance that all treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Corporate Finance manager to ensure that all staff under his / her authority receive the necessary training.

10.1 DETAILS OF APPROVED TRAINING COURSES

Treasury management staff will go on courses provided by the Councils treasury management consultants, CIPFA, money brokers etc.

10.2 RECORDS OF TRAINING RECEIVED BY TREASURY STAFF

The Corporate Finance Manager will maintain records on all staff and the training they receive.

10.3 STATEMENT OF PROFESSIONAL PRACTICE (SOPP)

1. Where the Director of Resources is a member of CIPFA, there is a professional need for the Director of Resources to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS**11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS****11.1.1 Banking services**

- a) Name of supplier of service is the HSBC Bank.
- b) The branch address is:
13 Parliament Street
York
Tel :- Chris Chapman
- c) Contract extended for 2 years as at March 2007.
- d) Cost of service is variable depending on schedule of tariffs and volumes.
- e) Payments due monthly.

11.1.2 Money-broking services

The Council will use money brokers for temporary borrowing and investment and long term borrowing.

It will seek to give an even spread of business amongst the approved brokers wherever possible.

The performance of brokers is reviewed by the Director of Resources every quarter to see if any should be taken off the approved list and replaced by another choice and will make appropriate recommendations to change the approved brokers list to the Corporate Finance Manager.

Name of broker
Garban Inter-Capital
Tullet Prebon
Martin Brokers
Sterling

11.1.3 Consultants' / advisers' services**Treasury Consultancy Services**

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to remove/put on its approved lending list etc.

The performance of consultants will be reviewed by the Corporate Finance Manager every 6 months to check whether performance has met expectations.

- a) The name of the supplier of this service is Sector Treasury Services Limited
- b) The address is:
17 –19 Rochester Row
London
SW1P 1 QT
Tel:
CYC Contact – Maryum Malik
- c) Contract commenced 01/04/2007 and runs for 3 years 31/03/2010.
- d) Cost of service is £11,500.00 per year.

- e) Payments due one year in arrears on 31st March.

Leasing Consultancy Services

- a) The name of the supplier of this service is Sector Treasury Services Limited.
b) The address is:
Innovation Court
New Street
Basingstoke
Hampshire
RG21 7JB
- c) Contract started on the 27th July 2004 and will run until 30th March 2009.
d) Fee is agreed at 0.5% of the capital cost of drawdown for a standard drawdown or 1% for a drawdown taken via the call off facility.

11.1.6 Credit rating agency

The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee

11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES

Procedures for tendering are in line with the Councils Financial Regulations 2006.

TMP 12 CORPORATE GOVERNANCE**12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION**

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection and can be found on the Councils website using the decision making online link: -
 - Treasury Management Policy Statement
 - Treasury Management Strategy Statement [includes Prudential Indicators and Annual Investment Strategy]
 - Annual Treasury Report
 - Annual accounts
 - Annual budget
 - 3 Year Capital Plan
 - Minutes of Council / Cabinet / committee meetings



Executive**16 February 2009**

Report of the Corporate Landlord and the Director of Learning, Culture and Children's Services

Provision of Construction and Related Services for the Primary Capital Programme**Summary**

1. The Local Authority (LA) has undertaken a comprehensive procurement process for the appointment of design and construction partners to support the delivery of two major primary school schemes. The process has been conducted on the basis of MEAT (Most Economically Advantageous Tender). When the results of the MEAT evaluation establish a preferred bidder that is not the lowest price the matter should be recommended to members for final approval.

Background

2. The LA has previously supported the Federation of Rawcliffe Infant and Clifton (Without) Junior Schools and also the Federation of Our Lady's and English Martyr's Roman Catholic Primary Schools. Both federations were seen as a step towards eventual mergers of the schools once capital funding to support new school buildings could be identified.
3. The LA "primary strategy for change", setting out our priorities for investment, was approved subject to minor modifications, by the DCSF during 2008. This provides up to £8.4m DCSF grant funding to contribute to capital investment during 2009/11.
4. In order to prepare for delivering the programme the LA published an OJEU notification in June 2008 seeking expressions of interest from interested constructors to work in an integrated partnering team to design and construct the new schools to be formed by the amalgamation of Rawcliffe Infant and Clifton (Without) Junior Schools and Our Lady's and English Martyr's Roman Catholic Primary Schools. The notice stated that the council wished to engage with companies with a proven record of partnering on similar projects, working within integrated teams, showing a commitment to open book accountability, and an openness to sharing benefits and savings.
5. Interested parties were requested to apply for to provide the following services: Constructor, Structural Engineering, Mechanical and Electrical Engineer.

6. Tender documents were issued to short listed constructors following an appraisal of their pre-qualification submissions. The tender documents detailed the scope of the work, contract conditions, outline user brief and tender evaluation criteria.
7. The tender evaluation criteria stated that the award of contract would be MEAT and provided details of how price and quality factors would be assessed.
8. The qualitative criteria were assessed by an interview prior to the receipt of the price. This clearly demonstrated to the Tenderers that the qualitative assessment could not be influenced by price, but contributed to the final evaluation on a quality price basis.
9. Constructors submitted Price data on 8th December 2008. The price data included the cost to each contractor of overheads, profit and their contribution to design and contract management. The price data did not include the build cost of the two schools. The build cost will be negotiated with the contractor during the process of design and within the available budget.
10. Evaluations of the tenders are now completed. The evaluation identified a Constructor who was not the lowest but had demonstrated through interview and qualitative assessment that they were the most suitable appointment for this project. Annex 1 provides a summary of the results of both price and qualitative assessments.

Consultation

11. The council's procurement team were consulted regarding the processes to be adopted.
12. The interview panels consisted of officers from Learning, Culture and Children Services, Property Services, the head teachers and governors from both school federations. This enabled a wide range of issues to be explored with each tenderer.
13. Prior to completion of the evaluation a clarification meeting was held with the proposed Constructor. A number of minor issues were resolved. Representatives from the Roman Catholic diocese attended the meeting and have agreed to support the appointment of the highest-scoring Constructor.
14. Officers will notify all successful and unsuccessful Tenderers in accordance with OJEU requirements following approval of the recommendation. Unsuccessful Tenderers will be offered an opportunity for feedback in accordance with procurement best practice.

Options

15. The preferred constructor recommended for appointment is Company A.
16. Company A was established as preferred bidder on the basis of a MEAT assessment and not lowest price. If members are not satisfied with this recommendation they have the option to refer the matter back to officers for further assessment.

Analysis

17. The appropriate processes have been followed, the evaluations have been audited and checked for accuracy and officers are satisfied that the recommendation made to members is in the best interest of the Council and its delivery of this important project.

Corporate Priorities

18. The project contributes to the Directorate of Learning, Culture and Children's Services' (LCCS) objective to improve standards in school and to the overall corporate priority of improving the life chances of young people in the City.

Implications

19.

- **Financial** *All recommended appointments have met the affordability criteria for this project and budget is in place to fund them.*
- **Human Resources (HR):** None
- **Equalities:** None
- **Legal** *All legal aspects of these appointments are included in the terms and conditions of appointment and the use of the NEC (partnering) contracts.*
- **Crime and Disorder** *none relating to this process*
- **Information Technology (IT):** None
- **Property** *All contained within this report*
- **Other**

Risk Management

20. In compliance with the Councils risk management strategy the main risks that have been identified in this report are those which could lead to the inability to meet business objectives (Strategic) and to deliver services (Operational), leading to financial loss (Financial), non-compliance with legislation (Legal & Regulatory), damage to the Council's image and reputation and failure to meet stakeholders' expectations (Governance).

Recommendations

21. Members are asked to:

Approve the appointment of Company A as Constructor to work as an integrated partnering team to design and develop the new schools at Rawcliffe Infant and Clifton (Without) Junior and Our Lady's and English Martyr's Roman Catholic Primary Schools.

Reason: To determine the outcome of the tender process to appoint a construction partner to design and construct two primary schools.

Contact Details

Author:

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Maggie Tansley
Head of Planning and
Resources; Learning, Culture
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Tel No:01904 554214.

Chief Officer Responsible for the report:

Chief Officer: Neil Hindhaugh
Assistant Director Property Services

Report Approved Date 6/2/09

Chief Officer: Pete Dwyer

Director of Learning, Culture and Children's
Services

Report Approved Date 6/2/09

Specialist Implications Officer(s) None

Wards Affected:

All

Acomb

Skelton, Rawcliffe and Clifton Without

For further information please contact the author of the report

Background Papers:

All relevant background papers must be listed here.

Provision of Construction and Related Services for the Government Primary Capital Programme Tender Document

Annexes

Annex 1 – Tender Report for Constructor

Annex 2 – Financial breakdown of Tenders (Exempt)

ANNEX 1 - TENDER REPORT FOR CONSTRUCTOR

Introduction – Tender Process

Tender documents were issued on Friday 24th October 2008 to:

Allenbuild
Clugston Construction Ltd
Morgan Ashurst
Sewell Construction plc
Shepherd Construction Limited
Wates Construction

The tender documents stated the methodology for evaluating tenders. Tenders were evaluated on the most economically advantageous to the client with 60% of the points being awarded for quality and the remaining 40% for price.

Tenderers were instructed to submit the following cost information: design fees, fee percentages for direct costs and subcontractor costs. The tender documents advised the tenderers of the following weightings between each cost heading:

Design Fees	20%
Fee Percentages	20%
Total	40%

Tenderers were requested to present seven questions at a mid tender interview with the price element being submitted later on 8th December 2008.

Notes:

The successful Constructor will be appointed to work within an integrated partnering team. The Constructor will provide a range of services (see paragraph 3) that will compliment and support officers, the diocese appointed Architect for Our Lady's and English Martyr School and a separately appointed quantity surveyor.

The above costs exclude the cost of the Constructor's sub contractors who will build both schools. The designs for both schools are not yet sufficiently advanced for any contractor to provide a firm cost. Costs will be agreed once the design is completed and prior to commencement of works on site. The development of these costs will be undertaken on an open book basis providing officers and quantity surveyor full access to the cost data including sub contractor's quotations during the contract.

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Executive

16 February 2009

Report of the Head of Civic, Democratic and Legal Services

Approval of the Private Sector Housing Strategy 2008-2013

1. This report requests Members to consider a decision referred by the Executive Member for Housing and Adult Social Services and Advisory Panel on 8 December 2008. This referral was made in accordance with the delegation scheme detailed in the Council's Constitution.

Background

1. At the meeting of the Executive Member for Housing and Adult Social Services and Advisory Panel on 8 December 2008, Members considered a report, which sought endorsement of the contents of the new Private Sector Housing Strategy that will cover the period 2008-2013 and asked them to recommend its approval.
2. **The Executive Member resolved to recommend that the Executive approve the Private Sector Housing Strategy that will cover the period 2008-2013.**

Members are asked to consider the Executive Member's recommendation, as indicated in the above resolution.

Consultation

3. No further consultation has taken place in addition to the consultation detailed in paragraphs 9 to 13 of the report attached as Annex 1 to this report.

Options

4. The Executive can either approve or reject the proposal of the Executive Member.

Analysis

5. Members need to consider the details in the report attached as Annex 1 and make a decision based on the information therein.

Corporate Priorities

6. The aims in facilitating this referral to the Executive accord with the key principles of improving the Council's organisational efficiency and complying with the requirements of the Council's Constitution.

Implications

7. The implications of the original decision are set out in paragraphs 26 to 30 of Annex 1.

Risk Management

9. There are no risk management implications in relation to the referral to the Executive of this matter and none associated with the recommendations of the original report.

Recommendations

3. That the Executive approves the Private Sector Housing Strategy that will cover the period 2008-2013.

Reason: To ensure that the housing in York continues to be maintained and managed to a high standard.

Contact Details

Authors:
Heather Anderson
Democracy Officer
01904 551031

Chief Officer Responsible for the report:
Quentin Baker
Head of Civic, Democratic and Legal
Services
01904 551004

Report Approved Date

Specialist Implications Officer(s)

N/A

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Draft Minutes of the Meeting of the Executive Member for Housing and Adult Social Services and Advisory Panel, 8 December 2008 (published on the Council's website)

Annexes:

Annex 1 Report to the Executive Member for Housing and Adult Social Services and Advisory Panel – Approval of the Private Sector Housing Strategy 2008-2013.

Annex 1A Executive Summary - Private Sector House Condition Survey 2008

Annex 1B Draft York Private Sector Housing Strategy 2008-2013

Annex 1C Draft York Private Sector Housing Strategy Action Plan 2008-2013

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Meeting of the Executive Member for Housing and Adult Social Services and Advisory Panel

8th December 2008

Report of the Director of Housing and Adult Social Services

Approval of the Private Sector Housing Strategy 2008 - 2013

Summary

1. To note the review of the private sector housing strategy and approve the contents of the new strategy that will cover the period between 2008 and 2013.

Background

2. The City of York Council Private Sector Housing Renewal Policy was published in 2003 and included objectives and action plans that took into account two key pieces of legislation, 2002 Regulatory Reform (Housing Assistance) (England and Wales) Order which gave general power to local authorities to provide financial assistance through grants, loans and equity release products, and the Housing Act 2004, which introduced a new test of housing fitness (HHSRS) and mandatory licensing. These along with PSA:7, which extended the requirement to achieve decent homes standard in the private sector informed the key outcomes of the strategy
2. Key objectives for 2003-07 strategy were:
 - Introduction of a new grants policy to include 3 categories of grants, disabled facilities grants, repair grants and landlords
 - Preparation on an empty homes policy
 - Setting up a Home Improvement Agency
 - Assessment of the impact of the Housing Act 2004 and the introduction of mandatory licensing
 - Establishment of a sub regional equity release scheme for owner occupier who are not eligible for grant assistance
3. There have been significant achievements in the last five years:

- A reduction in the overall proportion of Unfit¹ homes from 4.9 per cent in 2002 to 2.1 per cent, representing a net reduction of 1,793 dwellings. The national average in 2008 was 3.9 per cent.
- Less than 20 per cent of private sector homes failing the Decent Homes Standard² against a national average of 37.5 per cent.
- Less than 10 per cent of homes containing hazards detrimental to health or posing a serious risk to safety against a national average of 23.5 per cent.
- Almost 80 per cent of vulnerable private sector households living in homes classed as Decent, well ahead of the Government target of 70 per cent by 2010.
- A significant increase in the overall energy efficiency of dwellings to levels well above the national average.³
- Very low rates of long term empty properties⁴ and low rates of overcrowding.
- Good use of partnership working particularly with the Energy Savings Trust Advice Centre, Safer York Partnership and Home Improvement Agency. Regular forms of engagement with key stakeholders through landlords conference, focus groups and Voluntary Code of Practice for student landlords.

Private Sector Housing Condition Survey

4. During 2008 consultants, David Adamson, undertook a condition survey of the private housing in York. This included owner occupied and private rented housing. This survey provides the evidence base for the development of the strategy and informs the priorities.
5. A sample of 1721 houses were surveyed, and concluded that housing conditions in the city are better than the national average and have continued to improve since the last survey undertaken in 2002. However, although significant progress have been made, and this needs to continue, in addressing poor housing conditions, some underlying problems remain and will addressed in any future strategy
6. Specifically the issues highlighted were:

¹ An Unfit home is one that fails to meet Section 604 of the Housing Act 2005

² The Decent Homes Standard has now replaced the Fitness Standard and prescribes a minimum standard for domestic dwellings.

³ Energy efficiency is measured using the Standard Assessment Procedure (SAP). SAP is expressed on a scale of 1 to 100 – the higher the number, the more energy efficient the dwelling. Average SAP levels for the city have increased to 47 in 2002 to 65 in 2008, against a national average of 47.

⁴ Less than 1 per cent of the private sector housing stock in York is empty for more than six months.

- Above average rates of poor condition in the Micklegate, Guildhall and Hull Road areas
 - Poor performance in the private rented sector especially in shared multi occupation properties
 - Concentration of poor conditions in pre 1919 housing and converted flats
 - Association of poor housing conditions and vulnerable households
 - Levels of equity owner occupiers have in their properties
8. Although the key messages from the survey are that the housing stock is generally in a good condition it should be recognised that significant resources are required to bring all the homes in York up to decent homes standard. However, it must be emphasised that the majority of this cost will be met by owner occupiers and landlords improving and repairing their homes. The focus of the strategy is to these owners to maintain their properties, and to provide a safety net for vulnerable households. A copy of the Private Sector House Condition Survey report executive summary is attached as Appendix 1. A full copy of the survey is available on request.

Consultation

9. The strategy has been developed by the Private Sector Partnership group and it is this group that will ultimately monitor the action plan. The membership of this group reflects the fact that the majority of the housing in York (83%) is privately owned, and with increasing pressure on the city's affordable housing stock we must ensure that the private sector plays a full part in meeting the city's housing need. Membership includes Primary Care Trust (PCT), Safer York Partnership, Learning, Culture and Children Services, Age Concern, Older Peoples Services, Home Improvement Agency, Energy Savings Trust, Executive Member for Housing and Adults Social Services, City Strategy Local Development Framework and Housing Services. The steering group signed off the final draft strategy and action plan in November 2008.
10. As well as the partnership group, views on the strategy and priorities for the future have been sought from landlords at the landlords conference and through individual mail outs, and with landlord representative bodies. The key messages from the landlords is that they would like to have more training and information, and work with the council to improve the overall image of the private rented sector.
11. A short questionnaire was sent out to individual home owners, who were a representative sample of households across the city who participated in the stock condition survey. The key messages from these individuals is that awareness of services across the city is low and therefore we need to increase

public awareness to encourage and support owner occupiers, as well as targeting the most vulnerable

12. Further details of the consultation responses are available on request.
13. Feedback from stakeholders has been incorporated within the strategy and action plan.

Options

Option one

14. To endorse the review of the Private Sector Strategy and the objectives and priorities identified to 2013.

Option two

15. Not to endorse the review of the Private Sector Housing Strategy and the objectives and priorities identified to 2013.

Analysis

16. The strategy sets out how the council and its partners will work to help improve and maintain the condition and management of owner occupied and privately rented homes in York.
17. Investing in private sector homes and ensuring standards are maintained goes a long way in delivering a wider range of positive outcomes for local residents .
18. The partnership group has agreed five strategic aims that will contribute towards the outcomes:
 - Encourage and support owner occupiers to maintain and repair their homes and introduce energy efficiency measures
 - Encourage private landlords to provide good quality and well managed properties for their tenants
 - Help people whose independence may be at risk remain in or return to their homes
 - Maximise use of existing housing stock to increase the supply of decent affordable homes
 - Strengthen existing and develop new partnerships to support the private housing sector
19. The action plans focus on the outcomes we would like to achieve and will be developed, updated and monitored regularly with an annual review to ensure that it keeps pace with changing needs. The monitoring will be against the objectives as it is recognised that the actions might change depending on circumstances.

Council resolution on Fuel Poverty and Energy Conservation

20. In September 2008 Council made the following resolution:

'Request officers to prepare a report within 3 months outlining options for a Council led area based insulation scheme (as proposed by the LGA) to urgently address fuel poverty within the City for both public and private housing'.

21. In response to this resolution, officers approached the CERT (carbon energy reduction target) utility providers earlier this year regarding a possible 'Warm Zone'⁵ scheme in York. The initial response from the utility companies was unenthusiastic, given the good overall energy efficiency of both the public and private sector housing stock in York. However, officers are actively pursuing this line of enquiry and, along with the Energy Savings Trust, have made a further approach to the utility companies with a more robust base of evidence derived from the private sector house condition survey 2008. We are aiming for a definitive response from CERT providers by the end of this year.
22. The CERT funding is linked to clear targets on carbon reduction. However, the issue for many York residents is not necessarily the condition of their home (although we recognise that there are some areas and property types that need targeting) but fuel and actual poverty.
23. It is proposed in the strategy that these issues be addressed by working with partners to develop a dedicated fuel poverty action plan for the city. This would include links to the Inclusive York Forum and their work on anti poverty initiatives, as well as awareness raising with owner occupiers, tenants and landlords on fuel reduction measures. We anticipate this action plan will be completed and ready for consideration by Members by April 2009.
24. The action plan will specifically show how the Council and its partners will work towards delivering National Indicator 187 - Tackling fuel poverty – Percentage of people receiving income based benefits living in homes with a low and high energy efficiency rating. This is a key target in the Sustainable Community Strategy Local Area Agreement.

Corporate Priorities

25. The Private Sector Strategy is linked to various strategies and priorities. In terms of the corporate priorities it is critical to the following:
- Improve the quality and availability of decent affordable homes in the City

⁵ Warm Zones aim to identify all households that need help (in particular the vulnerable and fuel poor) in a given area and give them all available help in a concentrated, cost-effective way. Much of the work to deal with fuel poverty is about installing measures - thermal insulation, draught-proofing and heating to improve comfort in the home. At the same time, sound advice on energy efficiency and benefits entitlement can help to reduce the amount spent on energy and maximise household income.

- Improve the actual and perceived condition and appearance of the city's streets, housing estates and publicly accessible spaces
- Improve the economic prosperity of the people of York with a focus on minimising income differentials
- Improve the health and lifestyles of the people who live in York, in particular amongst groups whose level of health are the poorest
- Reduce the greenhouse gas emissions from council activities and encourage, empower and promote others to do the same
- Improve the life chances of the most disadvantaged and disaffected children, young people and families in the city

Financial Implications

26. There are no direct financial implications for the council, as planned activities will be delivered within existing budgets. We recognise that the responsibility for repairing and maintaining homes rests primarily with the owner of the property. There is significant equity potential within the owner occupied sector estimated at over £9 billion. A key challenge will be to help owners release some of this money, or to draw on other private resources, to fund the necessary repairs.
27. The limited public grant funds available to support delivery of the strategic aims and objectives will be targeted to help vulnerable households who are not in a position to maintain their homes or where it is a cost effective way of meeting broader objectives e.g. increasing the amount of affordable homes in York. The majority of this funding (£900,000 per annum) comes from the Regional Housing Board and the level of this investment is set to continue for the foreseeable future.
28. The strategy sets out our intention to explore the feasibility of a number of new approaches to help meet our strategic aims and objectives. It may not be possible to deliver these within the existing resources allocated to housing services, so these approaches will remain subject to approval of elected Members at the appropriate time.

Equalities Implications

29. As part of the process of reviewing the private sector strategy an equalities impact assessment has been completed.

Legal Implications

30. There are no immediate legal implications

Risk Management

31. In compliance with the Council's risk management strategy, there are no risks associated with the recommendations of this report.

Recommendations

32. That the Advisory Panel advise the Executive Member to endorse the strategy and recommend it's approval.

Reason : To ensure that the housing in York continues to be maintained and managed to a high standard.

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Steve Waddington
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Report Approved **Date** 19th Nov 2008
Bill Hodson
Director of HASS

Report Approved **Date** 24th Nov 2008

Specialist Implications Officer(s)

Finance

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Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

Private Sector Housing Renewal Strategy 2003 – 2008
Private Sector Stock Condition Strategy 2008-11-03

Appendices

1. Executive Summary Private Sector Stock Condition Survey 2008
2. Draft Private Sector Housing Strategy
3. Draft Private Sector Housing Strategy Action Plan

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