



Notice of meeting of

Executive

To:	Councillors Steve Galloway (Chair), Sue Galloway, Jamieson-Ball, Macdonald, Orrell, Reid, Runciman, Sunderland and Waller
Date:	Tuesday, 11 July 2006
Time:	2.00 pm
Venue:	Guildhall

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 Monday 10th July 2006, if an item is called in *before* a decision is taken, *or*

4:00 pm on Thursday, 13th July, 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 excluding the press and public from the meeting during consideration of Annex 2 to agenda item 10 (York Central Area Action Plan), on the grounds that it contains 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.

3. Minutes (Pages 1 - 8)

To approve and sign the minutes of the Executive meeting held on 27 June 2006.

4. Public Participation

At this point in the meeting, members of the public who 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 **10:00 am on Monday 10 July 2006**.

5. Executive Forward Plan (Pages 9 - 10)

To receive an update on those items which are currently listed on the Executive Forward Plan.

6. Report by the Commission for Social Care Inspection (Pages 11 - 14)

This report introduces a presentation by the Local Lead Inspector from the Commission for Social Care Inspection (CSCI) on the findings of the Inspection of Services for People with Learning Disabilities, carried out at City of York Council in March 2006.

7. Finance Strategy 2007/08 to 2009/10 (Pages 15 - 62)

This report presents the Council's draft Financial Strategy for the period 2007/08 to 2009/10. It reflects the Secretary of State's decision to nominate the Council in relation to its Council Tax levels for 2006/07 and 2007/08 and explores options to move to a more strategic approach to meeting future budget pressures and delivering efficiency improvements.

8. Directorate of City Strategy - Organisational Review (Pages 63 - 74)

This report presents proposals for the organisational structure of the Council's new Directorate of City Strategy, which came into being on 1st April 2006.

9. Highways Services (Pages 75 - 86)

This report advises on progress to date with highway services procurement and seeks approval for a proposed reporting and management structure for this procurement and, if required, to provide delegated authority to submit an expression of interest for a highway management Private Finance Initiative bid, in consultation with the Executive Member.

10. York Central Area Action Plan (Pages 87 - 98)

This report presents a revised timetable for preparation of the York Central Area Action Plan (AAP) and seeks approval to appoint consultants to produce an Issues and Options document and carry out public consultation relating to this.

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) 551024
- 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.

MEETING	Executive
DATE	27 June 2006
PRESENT	Councillors Steve Galloway (Chair), Sue Galloway, Jamieson-Ball, Macdonald, Orrell, Reid, Runciman, Sunderland and Waller

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS

19. Declarations of Interest

The Chair invited Members to declare at this point any personal or prejudicial interests they might have in the business on the agenda. No interests were declared.

20. Exclusion of Press and Public

RESOLVED: That the press and public be excluded from the meeting during consideration of Annex 3 to agenda item 9 (Capital Programme Out-turn 2005/06 and Revisions to the 2006/07 Programme), on the grounds that it includes 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).

21. Minutes

RESOLVED: That the minutes of the Executive meeting held on 13 June 2006 be approved and signed by the Chair as a correct record.

22. Public Participation

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

23. Executive Forward Plan

Members received and noted an updated list of items currently scheduled on the Executive Forward Plan.

24. Statement of Accounts 2005/06

[See also under Part B minutes]

Members considered a report which asked them to review and comment upon the Statement of Accounts for the financial year 2005/06 and to refer the Accounts to full Council for approval before the deadline of 30 June. Copies of the pre-audit version of the Accounts had been circulated separately to Members. In accordance with new requirements, a specific "Statement of Internal Control" had been included, at pages 6-13 of the draft Accounts.

Under the Comprehensive Performance Assessment (CPA) scoring system, a higher score could be given if the Accounts had been subjected to a "robust" scrutiny before approval. For that reason, the draft Accounts had also been considered by the Audit and Governance Committee on 26 June. The Committee's comments were reported at the meeting. It was also reported that, due to changes in the guidance from CIPFA some amendments had been made to the draft Accounts. Copies of the amended pages (page 29 and pages 58-60) were circulated at the meeting.

The report summarised the constituent parts of the Accounts and discussed key points to note. Members raised questions about:

- Schools balances – how did these consistently remain at the £5m level, unlike other Council reserves? Officers responded that the balances were reducing now that "clawback" arrangements were in place.
- The HRA reserve surplus – was it at a prudent level and what scope was there for its use? Officers responded that most HRA reserves were being set aside for capital works to support the Decent Homes standard.
- The current state of the pensions liability – what was being done to reduce it and mitigate risks? Officers conceded that this was a worrying issue but the next valuation of the pensions fund was almost certain to be higher. City of York was paying in over £4m more per year than was needed to stand still and was paying off its share of the deficit over 24 years. The outcome of government discussions with unions would also have a significant effect on the future of the fund.

RESOLVED: That the Accounts for the financial year 2005/06 be noted and that the Executive Leader and the Chief Executive be authorised to sign and date page 13 of the Accounts, approving the Statement of Internal Control.

REASON: In accordance with statutory requirements.

25. 2006/07 Council Plan and Year End Performance Results

[See also under Part B minutes]

Members considered a report which presented an overview of the Council's performance during 2005/06 and a draft Council Plan for 2006/07, setting out aspirations for further improvement over the next 1-3 years. It was a statutory requirement to publish the Council Plan before 30

June. The draft Plan had been made available on the Council's website and copies had been circulated separately to Members.

The draft Plan included a total of 289 performance indicators (PIs), of which just over half were statutory Best Value PIs. A joint Executive and Management review session held on 12 June had looked at all areas of the Council's performance during 2005/06 and the report set out headline performance from this session, under the Council's 8 corporate aims. Overall, these indicated significant improvements across all the corporate aims, particularly the perception of crime, waste collection and management, planning services and parts of the benefits services. Areas for concern included performance on road safety and customer satisfaction with waste collection and recycling. The full range of customer satisfaction and perception results were set out in Annex A to the report. Annexes B, C, D, E and F detailed performance against York Pride, Safer City, staff-based, CPA and Customer First targets respectively.

Members commented with approval on progress made during the last financial year, particularly with regard to the York Pride and Safe City measures. The Chair announced three major initiatives aimed at addressing the issue of residents' satisfaction with the amount of information they received from the Council. These included publishing a Press supplement, circulating information on waste management and re-publishing the A-Z guide to Council services.

It was noted that the Council Plan would require some drafting amendments prior to its referral to full Council and it was suggested that these be delegated to the Chief Executive and Council Leader.

RESOLVED: (i) That the performance out-turn for 2005/06 be noted and that the Executive's thanks to Officers for their efforts in achieving yet another year of improved service quality standards for York residents be put on record.

REASON: To acknowledge the achievements of the past year.

(ii) That the progress made on drafting the Council Plan be noted and that authority be delegated to the Chief Executive, in consultation with the Leader of the Council, to produce the final version of the document for consideration by full Council.

(iii) That Officers be requested to amend the Safe City section of the draft Plan to give a higher priority to reducing public concerns about excessive vehicle speeds in the City (pages 48-51).

REASON: To clarify and upgrade the draft Plan before its referral to Council.

(iv) That Officers be requested to ensure that a single page summary of the Council Plan is made available for more widespread distribution.

REASON: So that the essential contents of the Council Plan are communicated as widely as possible.

26. General Fund - Provisional Revenue Out-turn 2005/06

Members considered a report which set out the projected out-turn position on the Council's General Fund Revenue Account, the Housing Revenue Account (HRA), Commercial Services, the Collection Fund and the Public Sector Agreements (PSAs) for 2005/06.

It was reported that:

- Most portfolio areas had out-turned within budgeted funding levels.
- Three areas – Adult Social Services, Children's Social Services and Treasury Management - had overspent, by a total of £1.488m.
- The total projected net underspend was £1,550k reducing to £392k if all carry-forward requests in the report were approved. This represented a significant improvement on the £893k overspend projected in the second monitoring report.
- The provisional HRA working balance was £5,116k, with a carry-forward request of £19.8k.
- Commercial Services reported a deficit of £22k; details were set out in paragraphs 56 to 58.
- There was a surplus of £165k on the Collection Fund, of which £133k would be available to the Council as part of the 2007/08 budget.
- Approval was sought for a new reserve, utilising the underspend on the job evaluation budget.
- The projected overall level of reserves was £4.964m, which was in line with the 2006/07 CPA Benchmark figure of £4.95m.

Members commented that departments had performed well in controlling expenditure, but that above budget expenditure in Adult and Children's Social Services remained an ongoing concern that must be tackled. The overall underspend of £392k provided some "breathing space" in the context of the Council's appeal against capping. If the appeal was successful, it would enable about £100k to be released to support the York Pride programme and restore some of the cuts to ward committee budgets.

RESOLVED: (i) That the provisional out-turn position, and especially the impact of overspending areas, as identified in paragraphs 16 and 17 of the report, be noted.

(ii) That the use of the underspend on the former DEDS service areas to repay the Venture Fund loan be approved.

(iii) That the requests to carry forward into 2006/07 funds totalling £1,158k for general fund services, as detailed in Annex 4 and summarised in paragraph 48, be approved, subject to the Directors of both Children's and Adult Social Services implementing proposals to restrict expenditure on 2006/07 within agreed budget limits.

(iv) That the request to carry forward £19.8k for the Housing Revenue Account, as detailed in Annex 4 and summarised in paragraph 52, be approved.

(v) That the creation of a job evaluation reserve, as set out in paragraph 66, be approved.

(vi) That Officers be instructed to ensure that £100k of the underspend is earmarked for allocation to the York Pride / Ward Committee Neighbourhood Unit budgets, subject to no costs being incurred with re-billing when the results of the Council's appeal against Capping are known.

(vii) That the transfer of the remaining underspend to revenue reserves be approved.

REASONS: In order to achieve a balanced budget and make best use of the underspend incurred in the 2004/05 financial year.

27. Capital Programme Out-turn 2005/06 and Revisions to the 2006/07 Programme

Members considered a report which set out the final out-turn position of the Council's Capital Programme for 2005/06 and sought approval for the statutory declaration on the funding of the programme, slippage on the programme and the addition of new, externally funded, schemes to the 2006/07-2008/09 Capital Programme.

The capital out-turn for 2005/06 was £40.2m, an underspend of £3m against the final budget of £43.2m. This revised final budget included the £4m capital contribution to the York Schools PFI project and £1m spent on the [Easy@york](#) project. The underspend represented a variance of 6.9% on the total budget, slightly higher than last year's variance of 5.6%. Key variances for individual portfolio areas were highlighted in paragraphs 10 and 11 of the report and a more detailed summary was provided in Annex 2. Approval was sought to slip a total of £3.081m into the 2006/07 financial year. With regard to funding the programme, there was a shortfall of £8.352m, due to delays in receiving a number of key capital receipts. It was proposed that this be covered by:

- Using £1.075m from the capital reserve
- Using £1.774m from earmarked capital receipts
- borrowing £1.471m of capital receipts from the Venture Fund, to be repaid from the delayed receipts when they were realised.

Members commented favourably on the improvements to housing, schools, transport systems and recycling provision achieved over the past year by the Council's largest ever capital investment programme.

RESOLVED: (i) That the 2005/06 out-turn be noted and that the requests for slippage to and from the 2006/07 Capital Programme be approved.

(ii) That the variations to the 2006/07 Capital Programme, where they are outside current delegated limits, be approved.

REASON: To achieve a balanced budget and enable the completion of funded schemes.

(iii) That the statutory declaration of 2005/06 capital expenditure, as required by the Local Government Act part 1, be approved.

REASON: In accordance with statutory requirements.

28. Update on York's First and Second LPSAs

Members considered a report which provided an update on York's first and second Local Public Service Agreements (LPSA 1 and LPSA2), together with recommendations for the distribution of the performance reward grant (PRG) for LPSA2.

LPSA1 had concluded on 31 December 2005, attracting up to £2,041,861 reward grant for the level of performance achieved. This represented up to 60% of the available grant. Full stretch had been achieved on 9 out of the 16 sub-targets. In relation to the national picture, York's performance was average to above average. LPSA2 ran from April 2005 to December 2008, with a potential PRG of £3,935,025. Significant delays in receiving the signed agreement and Pump Priming Grant from government had increased the risks of not achieving the maximum PRG. Proposed financial arrangements were based on a set of principles outlined in paragraph 15 of the report; these required the Venture Fund (VF) to have first call on any PRG and the total VF borrowings for LPSA2 to be repaid in full.

Members commented on the format of the annexes to the report and suggested that these be provided in a larger font in future.

RESOLVED: That the contents of the report be noted and that the financial arrangements for LPSA2 PRG, as set out in paragraph 15 of the report, be approved.

REASON: To ensure that the Council can balance maximising its options on use of the PRG for corporate benefit with a fair and transparent allocation of money to successful services.

PART B - MATTERS REFERRED TO COUNCIL

29. Statement of Accounts 2005/06

[See also under Part A minutes]

Members considered a report which asked them to review and comment upon the Statement of Accounts for the financial year 2005/06 and to refer the Accounts to full Council for approval before the deadline of 30 June. Copies of the pre-audit version of the Accounts had been circulated separately to Members. In accordance with new requirements, a specific "Statement of Internal Control" had been included, at pages 6-13 of the draft Accounts.

Under the Comprehensive Performance Assessment (CPA) scoring system, a higher score could be given if the Accounts had been subjected to a "robust" scrutiny before approval. For that reason, the draft Accounts had also been considered by the Audit and Governance Committee on 26 June. The Committee's comments were reported at the meeting. It was also reported that, due to changes in the guidance from CIPFA some amendments had been made to the draft Accounts. Copies of the amended pages (page 29 and pages 58-60) were circulated at the meeting.

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- The current state of the pensions liability – what was being done to reduce it and mitigate risks? Officers conceded that this was a worrying issue but the next valuation of the pensions fund was almost certain to be higher. City of York was paying in over £4m more per year than was needed to stand still and was paying off its share of the deficit over 24 years. The outcome of government discussions with unions would also have a significant effect on the future of the fund.

RECOMMENDED: That the Statement of Accounts be approved and that
That the Lord Mayor sign and date page 5 of the
Accounts as the formal record that Members have
approved them.

REASON: In accordance with statutory requirements.

30. Council Plan and Year End Performance Results

[See also under Part A minutes]

Members considered a report which presented an overview of the Council's performance during 2005/06 and a draft Council Plan for 2006/07, setting out aspirations for further improvement over the next 1-3 years. It was a statutory requirement to publish the Council Plan before 30 June. The draft Plan had been made available on the Council's website and copies had been circulated separately to Members.

The draft Plan included a total of 289 performance indicators (PIs), of which just over half were statutory Best Value PIs. A joint Executive and Management review session held on 12 June had looked at all areas of the Council's performance during 2005/06 and the report set out headline performance from this session, under the Council's 8 corporate aims. Overall, these indicated significant improvements across all the corporate aims, particularly the perception of crime, waste collection and management, planning services and parts of the benefits services. Areas for concern included performance on road safety and customer satisfaction with waste collection and recycling. The full range of customer satisfaction and perception results were set out in Annex A to the report. Annexes B, C, D, E and F detailed performance against York Pride, Safer City, staff-based, CPA and Customer First targets respectively.

Members commented with approval on progress made during the last financial year, particularly with regard to the York Pride and Safe City measures. The Chair announced three major initiatives aimed at addressing the issue of residents' satisfaction with the amount of information they received from the Council. These included publishing a Press supplement, circulating information on waste management and re-publishing the A-Z guide to Council services.

It was noted that the Council Plan would require some drafting amendments prior to its referral to by full Council. It was suggested that these be delegated to the Chief Executive and Council Leader.

RECOMMENDED: That Council approve the draft 2006/07 Council Plan, subject to any amendments made by the Chief Executive and the Leader of the Council prior to the Council meeting on 29 June.

REASON: To enable the Council Plan to be published by 30th June, in accordance with statutory requirements.

S F Galloway, Chair

[The meeting started at 2.00 pm and finished at 2.50 pm].

Executive Meeting 11 July 2006

EXECUTIVE FORWARD PLAN

Table 1: Other items scheduled on the Forward Plan which should have been submitted to this week's meeting

Report	Author	Current Position	Likely Revised Date
Corporate Asset Management Plan	John Reid	Deferred due to a delay in agreeing the plans for the redevelopment of this site.	12/9/06
Capital Strategy Document 2006-09	Neil Hindhaugh	Deferred due to prioritisation of current workload in property and finance	12/9/06
Clifton Family Centre, Burton Stone Lane	David Baren	Deferred	25/7/06

Table 2: Items scheduled on the Forward Plan for the Executive Meeting on 25 July 2006

Report	Author	Current Position	Likely Revised Date
Clifton Family Centre, Burton Stone Lane	David Baren	Deferred from 11/7	N/a
Relocation of Peaseholme Centre – Site Analysis	Steve Waddington	On schedule	N/a
Future Development of Manor School – Transfer of Land	Neil Hindhaugh	On schedule	N/a
Lendal Bridge Sub-station – Sale of Freehold	John Urwin	On schedule	N/a
LTP Delivery Report	Tony Clarke	On schedule	N/a
Restructuring of Chief Executive's Department	David Atkinson	On schedule	N/a

Table 3: Items scheduled on the Forward Plan for the Executive Meeting on 12 September 2006

Report	Author	Current Position	Likely Revised Date
Corporate Asset Management Plan	John Reid	Deferred from 11/7	N/a
Capital Strategy Document 2006-09	Neil Hindhaugh	Deferred from 11/7	N/a
Monk Bar Garage – Future Use of Site	John Urwin	On schedule	N/a
3-4 Patrick Pool	David Baren	On schedule	N/a
Strategic Risk Register – Annual Report and Update on Risk Management Strategy	David Walker	On schedule	N/a
Consideration of Waste PFI Outline Business Case	Sian Hansom	On schedule	N/a

Commercial Services Audit – Update Report	Max Thomas	On schedule	N/a
Land at Manor Lane, Rawcliffe – Sale of Residential Site	Valerie Inwood	On schedule	N/a
Accounts Submitted for Write-off	Jenny Smithson	On schedule	N/a
First Resources Performance and Finance Monitor	Sian Hansom	On schedule	N/a
Access to Staff Warning Register for Members	Robert Beane	On schedule	N/a



Executive

11th July 2006

Report of the Director of Housing and Adult Social Services

Learning Disability Services Inspection

Report by the Commission for Social Care Inspection (CSCI)

Summary

1. This report is to advise Members that the Service Inspector from CSCI will be presenting the findings of the recent learning disability services inspection to Members at the Executive meeting on the 11th July. In line with the policy of CSCI, this report is tabled at a meeting that is open to the public. Because the CSCI's report is embargoed for publication until after the Executive meeting, copies will not be circulated with the agenda but will be made available to Members at the meeting. The Directorate response will be presented to the September meeting of the Executive Member for Adult Social Services and Advisory Panel.

Background

2. The Learning Disability Service was inspected by the Council for Social Care Inspection, the regulatory body from the 7th- 16th March 06.
3. The Learning Disability Service is one that runs under an integrated management arrangement, where City of York Council are the lead agency, responsible for the delivery of Learning Disability Services across the geographical area of Selby, York and Easingwold. This includes the responsibility for the delivery of all health services on behalf of Selby and York Primary Care Trust and services for North Yorkshire County Council within that boundary.
4. Whilst the Inspection was primarily aimed at the City of York Council services, it also looked at the way in which the overall service was performing.

Consultation

Users and carers were interviewed by CSCI as part of the inspection

Options

Not applicable

Analysis

To be provided by CSCI in their presentation.

Corporate Priorities

The following priorities are most applicable:

- Increase people's skills and knowledge to improve future employment prospects
- Improve the health and lifestyles of the people who live in York, in particular among groups whose levels of health are the poorest
- Improve the way the Council and its partners work together to deliver better services for the people who live in York

Other Implications

None

Risk Management

Not applicable

Recommendations

Members are asked to note the presentation given by the CSCI inspectors at the Executive meeting and the contents of the paper that will be circulated at the meeting.

Contact Details

Author: Anne Bygrave
Head of Learning Disabilities
Housing and Adults Social
Care Directorate

Chief Officer Responsible for the report:
Anne Bygrave

Chief Officer's name
Bill Hodson
Director of Housing and Adult Social Services

Report Approved

Date 16th June 06

Chief Officer's name
Title

Report Approved

Date Insert Date

Specialist Implications Officer(s)

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Annex A Inspection report from CSCI

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Executive**11 July 2006**

Report of the Director of Resources

Finance Strategy 2007/08 to 2009/10**Summary**

1. This report presents to Members the council's draft Financial Strategy for 2007/08 to 2009/10. In doing so it covers both the council's financial position for the next three years (the Medium Term Financial Forecast or MTFF) and potential options for bridging the gap between the expected budgetary position and the funding available. It also reflects the Secretary of State's decision to nominate the council in relation to its council tax levels for 2006/07 and 2007/08.
2. As part of this latter process the report explores the options available for moving to a more strategic approach to meeting future budget pressures and for delivering efficiency improvements across the council's services. Such processes will not only assist the budget process through releasing funding but will also enable a better deployment of resources to meet the ever present need to reprioritise the council's efforts. This process will be the primary driver towards delivering the recently adopted Service Improvement Statement *"Improve efficiency and reduce waste to free-up more resources"*.
3. The report asks members to note the current financial projections outlined in the MTFF, the proposed methodology and timescales for addressing these pressures, and to support the development of a five year programme of efficiency reviews which will underpin the council's continual improvement and development.

Background**The Underlying Financial Position**

4. This is the council's second three year finance strategy. The first, which was approved by the Executive in July 2005, was the start of the process of developing a longer term approach to the management of the council's finances. The 2007/08 to 2009/10 strategy, which is attached as an annex to this report, builds upon the experience gained over the last year.
5. The MTFF (which is shown as Annex A to the strategy document and summarised in Table 1) shows that over the medium term unavoidable growth pressures will continue to outstrip the levels of funding available.

	2007/08 £'m	2008/09 £'m	2009/10 £'m
Unavoidable Growth – Recurring	6.061	5.367	5.746
Unavoidable Growth – One-Off	0.395	0.295	0.295
Contingency	0.800	0.800	0.800
Total Unavoidable Growth	7.256	6.462	6.841
Funding Adjustments	0.539	0.497	0.656
Increase in Government Grant	1.192	0.436	0.436
Increase in Council Tax	2.728	3.167	3.326
Increase in Funding	4.459	4.100	4.418
UNDERLYING BUDGET GAP	2.797	2.362	2.423
Reprioritisation Growth – Recurring	7.291	1.646	1.321
OVERALL BUDGET GAP	10.088	4.008	3.744

Table 1 – Projected Budget Gaps 2006/07 to 2009/10¹

6. Table 1 demonstrates that in 2007/08 the council faces unavoidable spending pressures of just under £7.7m and that this figure remains approximately the same for all three years of the MTFF. Even with increases in funding through grant and council tax the council faces an underlying budget gap of between £3.5m and £4.1m across each of the next three years. This is the level of saving which will have to be made for the council to merely stand still financially.
7. This gap takes into account the government's decision on the 29th June to nominate York for council tax purposes. This decision means that for the capping calculation in 2007/08 York's base budget will be reduced by £285k (the equivalent of York having set a 5% rather than 5.49% increase in 2006/07). This is a purely paper calculation and has no direct financial impact in 2006/07. However, when taken in conjunction with the government's desire to see council tax increases of below 5%, it means that any increase above 4.5% would increase the chance of government action being taken over the 2007/08 council tax increase. On this basis the MTFF projections are based on a nominal 2007/08 council tax increase of 4.5%.² Based on the revised calculations the DCLG would consider this a 4.99% increase.
8. In addition to this, services have identified a significant number of areas which would benefit through the deployment of additional resources. However, such funding can only be made available through the reprioritisation of existing resources (whether time, cash, people etc). In 2007/08 such pressures represent an additional demand of £5.35m. Members need to treat the corresponding figures for 2008/09 and 2009/10 with a degree of caution for two key reasons:

¹ Source Table 2 in Finance Strategy

² It should be noted that these are nominal figures used for MTFF purposes only and do not represent the final position on Council Tax which will be established by Full Council at its meeting on the 21st February 2007.

- The council is highly unlikely to be able to meet many of the repriorisation requests for 2007/08 and some will therefore filter through as additional demands in 2008/09 and 2009/10.
- Reprioritisation occurs for a number of reasons such as changing local demands, emerging local priorities and new national requirements. Forecasting such demands is difficult and hence at this stage it is impossible to include such initiatives in the costs shown.

Addressing the Gap

9. At chapter three the strategy identifies a number of ways in which the council can meet these financial pressures. These include (numbers in parenthesis refer to sections within the Finance Strategy):
 - a. Controlling growth so that only the truly unavoidable is funded (3.2);
 - b. Critically evaluating directorate requests for the reprioritisation so that the council's scarce resources are focussed in those areas which have the highest impact on our priorities (3.3);
 - c. Requiring all Assistant Directors to identify potential savings within their service areas (3.4.1);
 - d. Requiring all Directors to identify savings across their areas of responsibility (3.4.1)³;
 - e. Identifying invest to save opportunities (3.4.2);
 - f. Developing a programme of strategic efficiency reviews more detail on which is provided below (3.5);
 - g. Utilising reserves and time limited funding to support one off initiatives (3.6 and 3.8);
 - h. Maximising the positive impact of capital and treasury management work (3.7).

Developing an Efficiency Review Programme

10. One of the main changes between the first and second finance strategies is the enhanced role envisaged for a Strategic Efficiency Review Programme. In recent years the focus of identifying savings has been through service and directorate level cash targets. Whilst this has been successful in delivering balanced budget proposals it has resulted in an operational focus which has, to a certain extent, hindered the delivery of broader savings and the potential transformation of service areas, especially where such services cross internal functional boundaries.

³ These savings are on top of the targets required of individual services and allow directors to focus efforts on cross cutting initiatives and areas where there is significant potential for service remodelling.

11. The importance of developing an approach has been externally recognised by a number of bodies. The need to plan for efficiency is a key element of the CPA judgement on Value for Money⁴ and last month Sir Michael Lyons referred to it as one of the key challenges facing councils over the next few years. In addition there is also a developing regional agenda based around the Centre of Excellence and Regional Assembly both of whom are looking to develop and fund work to promote service efficiency and capacity building.
12. To address these various pressures it is proposed that the council develop a programme of reviews that would look to release budget savings and/or deliver service efficiencies. Due to the potential scale of the work required such a programme would need to be planned out over no less than the life of the finance strategy (i.e. three years) and will probably have to take a longer term view of up to five years (which would enable a more balanced schedule to be developed in conjunction with the Admin Accom project).
13. Such a programme would not represent a one size fits all solution. Many of the elements are already underway and for these the programme would represent an umbrella mechanism through which the council's overall progress would be monitored. Whilst not finalised it is envisaged that the following nine areas would fall within this category:
 - a. The review of income collection methodologies and systems;
 - b. The examination of options for the future delivery of highway services;
 - c. Continuing to develop different models for the delivery of adult homecare;
 - d. Putting in place a framework for legal commissioning;
 - e. Assessing and delivering the on-going benefits arising from projects such as:
 - Easy at York;
 - The replacement of the Finance Management System;
 - Changes to the Constitution;
 - Developing the competition agenda;
 - f. The admin accom project;
 - g. Identifying potential additional benefits from the fleet management contract;
 - h. The review of the council's transport provision (to be undertaken in conjunction with, local health bodies and the East Riding of Yorkshire Council) which is being financially supported by the Regional Assembly and Regional Centre of Excellence.

⁴ Value for Money is one of the five strands which comprise the council's "Use of Resources" assessment.

- i. Examining how the council can meet the challenges it faces under the eligibility criteria.
14. For other areas there will be a common need to identify project management elements such as objectives, target timescales, lead responsibilities and, where appropriate, project teams. However the breadth of potential work means that delivery could be undertaken in a variety of ways including:
 - The delivery of work through internal directorate resources;
 - Commissioned work from expert sources such as PIT, Internal Audit and the Easy at York team;
 - Utilisation of external skills.
 15. In this regard the efficiency review programme will act as an overall monitoring and support mechanism through which progress will be identified and reported. The Director of Resources is currently working with relevant officers to develop frameworks through which this can be achieved.

Consultation

16. The Finance Strategy has been produced by the Head of Finance and is based upon information provided by individual directorates.

Options

17. The primary focus of this report is to update members of the council's projected financial position for the next three years and steps that could be taken to deal with the underlying pressures that have been identified. The finance strategy does however propose the development of a corporate efficiency review programme which members could choose not to support.

Analysis

18. Were the efficiency review programme not to be supported then officers would need to revisit how to integrate a prioritisation process into budget decisions. Such a decision would also have a negative impact on the council's CPA score (via the use of resources assessment) and could reduce the level of savings recorded for Gershon purposes.

Corporate Priorities

19. The financial strategy is the outline framework against which the council's priorities must be delivered. In addressing the underlying budget gap members are ensuring the continued delivery of current services. Reprioritisation will enable the council to address its changing needs and objectives. The development of an efficiency review programme is the key driver for the delivery of Service Improvement Statement "*Improve efficiency and reduce waste to free-up more resources*".

Implications

20. The following implications apply to this report:
- **Financial.** Whilst it has no direct financial implications this report and the attached strategy present members with an outline of the council's financial position for the next three years and potential actions available to it.
 - **Human Resources (HR).** None from this report. HR implications may arise as the result of actions taken during the budget process and these will be addressed at an appropriate stage in the process.
 - **Equalities.** None from this report.
 - **Legal.** None from this report.
 - **Crime and Disorder.** None from this report.
 - **Information Technology (IT).** None from this report.
 - **Property.** None from this report
 - **Other.** None from this report.

Risk Management

21. The development of a three year finance strategy is always subject to a degree of uncertainty, especially where, as is the case at present, government spending plans for future years have not yet been announced. The principal risks and mitigating actions are identified below:
- **Government grant levels are different to those anticipated.** Government grant for 2007/08 was announced as part of the 2006/07 settlement. For 2008/09 and 2009/10 a prudent position has been adopted in line with the apparent position at the Treasury and DCLG. As such it is unlikely that a smaller grant increase than that shown will be made.
 - **Additional spending pressures are not identified.** To minimise the risk of spending pressures not being identified the budget is developed in partnership between directorate management teams, directorate finance teams, and central finance staff.

Recommendations

22. Members are asked to consider:
- a. To adopt the Financial Strategy;

Reason: To assist in the development of the council's medium term service and financial planning.

- b. To note the council's projected financial position for 2007/08 to 2009/10 as outlined at Table 1 and detailed in the Financial Strategy;

Reason: To ensure that members are fully aware of the financial pressures which the council currently faces.

- c. To require the Director of Resources, in conjunction with the Corporate Management Team, to develop, review and prioritise all currently identified growth and reprioritisation areas against relevant criteria including statutory pressures, local priorities and comparative performance;

Reason: To assist members in targeting resources at those areas which have the greatest need in terms of meeting external requirements, local needs and service improvement.

- d. To require the Director of Resources, in conjunction with the Corporate Management Team, to develop a three to five year programme of efficiency reviews;

Reason: To assist in the development of a more strategic approach to budget setting, especially in terms of identifying areas for service improvement and financial savings.

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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:

Executive 28th June 2005: Finance Strategy 2005/06 to 2008/09

Council 1st March 2006: Budget 2006/07

Annexes

Finance Strategy 2007/08 to 2009/10

City of York

Draft Finance Strategy 2007/08 to 2009/10

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1. Background

1.1. The Budget Strategy

For many years public organisations have set their budgets on a short term and essentially ad hoc basis. Overall funding projections generally only addressed one year's needs and underlying principles were developed and applied through historic precedence and expediency.

In many respects this position has begun to change with three year projections taking an increasingly key role in budget planning. Indeed, the importance of such a role has been recognised by the Department for Communities and Local Government's (DCLG) implementation of multi year funding settlements; the setting of three year indicative budgets; and the requirement on the authority to provide predictive council tax levels covering the same period.

These changes require significant changes in the way in which the council sets its budgets. The inaugural Financial Strategy which was considered by the Executive in July 2005 looked to change the traditional Medium Term Financial Forecast (MTFF) to a more robust document which established a base against which current and future needs could be assessed. This, the council's second Financial Strategy, aims to build upon this base. In order to achieve this there will need to be a clear understanding of the framework within which calculations will be made, in particular the council's budgetary policies need to become more explicitly defined and overtly accepted at a strategic level.

The introduction of a formal Financial Strategy placed the council at the forefront of such developments and by its continued development the authority will remain well placed to deal with the forthcoming challenges posed by the introduction of a three year budget cycle and external review such as the revised CPA requirements.

There has also been work done to develop the Council's response to the Efficiency Agenda and this financial strategy, for the first time, introduces a three year efficiency review programme. The Efficiency Agenda is becoming an increasingly important issue at both a national and local level as the DCLG are currently looking at how it will develop and play a part in the funding allocations leading up to the Comprehensive Spending Review 2007 which will be published next Summer. The Efficiency Agenda has recently been highlighted by Sir Michael Lyons who is preparing his report into local government finance. A recent quote from Sir Michael at the CIPFA conference in June 2006 was

'Local Government should seize the efficiency agenda from national government and agencies and make value for money a core local priority taking control of rationing scarce resources'

The developments included within the Finance Strategy should leave York well placed to be at the forefront of this agenda.

1.2. Current Budget

Following the one off use of reserves and balances the council's net budget for 2006/07 totals £97.769m and is deployed as shown below. Within this 'ring fencing'¹ applies to two areas, the Housing Revenue Account (HRA) and Education.

	2006/07		
	Gross Income £'000	Gross Expenditure £'000	Net Expenditure £'000
Children's Services	-115,728	138714	22,986
Adult Social Services	-27,443	59025	31,582
Highways	-764	11001	10,237
Planning & Economic development	-5,294	8090	2,796
Recreation and Tourism	-4,610	15978	11,368
Environmental Health	-740	2351	1,611
Refuse Collection and Disposal	-1,245	9235	7,990
Housing	-56,855	58176	1,321
Other Services	-43,852	59041	15,189
Other Levies	0	572	572
Contingency Provisions	0	2982	2,982
Corporate Finance	-5,741	-4199	-9940
Capital Programme Running Costs	0	301	301
Total Budget Requirement	-263,544	361313	98,995
Transfer from Reserves & Balances	-1,272	46	-1226
Net Budget Requirement	-264,816	361,359	97,769

Table 1 – Detailed Budget Breakdown 2006/07

1.3. How We Compare to Others

Annex B outlines that since its creation in 1996 York has had one of the lowest levels of Council Tax and Government Grant in the country. As shown in Figure 1 the authority spends less per head of population than any other Unitary Authority².

¹ Ring fencing, or hypothecation, places restrictions on the transfer of funding into or out of defined service areas. In this respect the Housing Revenue Account must be completely self financing whilst a minimum level of spend is specified for aspects of Education (primarily schools).

² The impact of DSG has transferred £74.523m from general to specific grant reducing the net budget requirement and hence net spend per person.

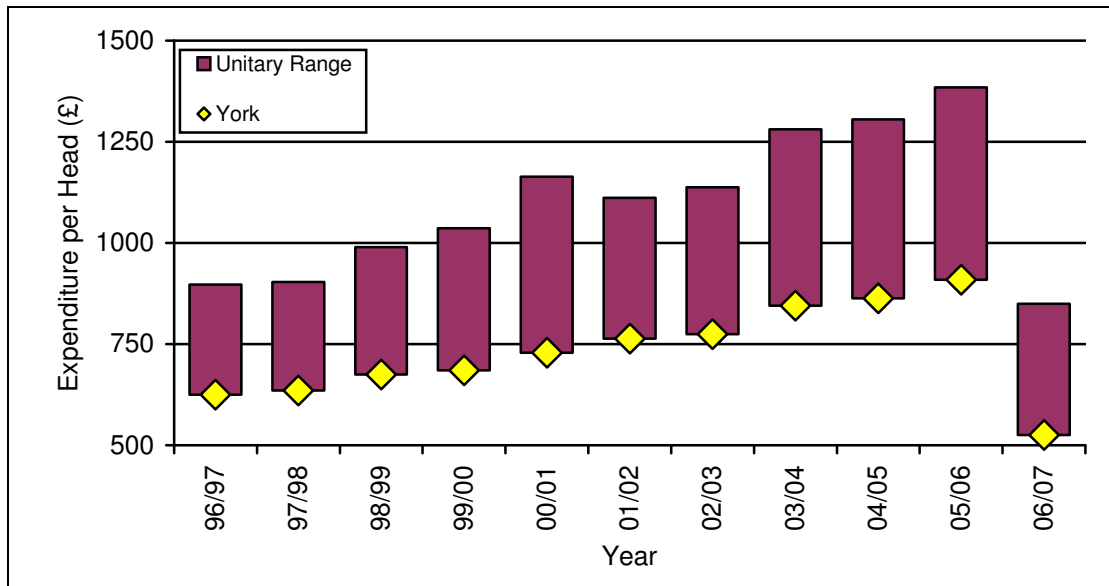


Figure 1 – Comparative Spend per Head 1996/97 to 2006/07

This low funding and expenditure base has a fundamental impact on the way in which the council operates. Since its creation York has had to operate lean services and continually deliver real efficiencies to balance its financial resources with the high quality services which residents and visitors expect. Its success in doing so is amply demonstrated by the council's performance under the Comprehensive Performance Assessment scores where, as a 3 Star authority³, York continues to rank amongst the best performing councils in the country.

1.4. The Medium Term Financial Forecast (2007/08 to 2009/10)

The financial position to 2009/10 is shown at Annex A and summarised at Table 2.

³ Under the CPA councils are ranked to provide an assessment of the quality of their provision based on a range of 0 to 4 stars (4 being highest). As a three star authority York is deemed to be a high performing council.

	2007/08 £'m	2008/09 £'m	2009/10 £'m
Unavoidable Growth – Recurring	6.061	5.367	5.746
Unavoidable Growth – One-Off	0.395	0.295	0.295
Contingency	0.8	0.8	0.8
Total Unavoidable Growth	7.256	6.462	6.841
Funding Adjustments	0.539	0.497	0.656
Increase in Government Grant	1.192	0.436	0.436
Increase in Council Tax	2.728	3.167	3.326
Increase in Funding	4.459	4.1	4.418
UNDERLYING BUDGET GAP	2.797	2.362	2.423
Growth Addressed via Reprioritisation	7.291	1.646	1.321
OVERALL BUDGET GAP	10.088	4.008	3.744

Table 2 – Projected Budget Gaps 2006/07 to 2009/10

This shows that once likely council tax increases are taken into account and before any additional growth requirements are identified the council will need to identify savings and reductions in spending pressures of £2.797m in 2007/08 just to balance its budget against existing commitments. In addition to this reprioritisation of up to £7.291m is required to support additional pressures and desirable developments. In order to make funds available for such expenditure will require the council to reduce net budgets elsewhere.

Table 2 also demonstrates the scale of the future challenges facing York demonstrates the need for a clear commitment for remodelling the way the authority works to become ever more efficient in the way it operates. Even without making funds available for potential reprioritisation the council faces underlying cost pressures of £7.582m over the life of the finance strategy. Such pressures can only be met by continuing to drive out efficiency savings.

2. Budget Requirements

2.1. Historic Context

2.1.1. Council Tax Levels

Figure 2 shows the changes in base council tax levels since York's creation in 1996 compared to average council tax levels in similar authorities. Over this period York's council tax has grown by 87.3% compared to the average increase for unitary councils of 85.2%, an increase from £528.90 in 1996/97 to £939.77 for 2006/07. In this regard York is truly average, ranking 20th out of the 42 councils created in April 1996, the increases for whom vary from 43% at North Lincolnshire to 129.7% at Rutland.

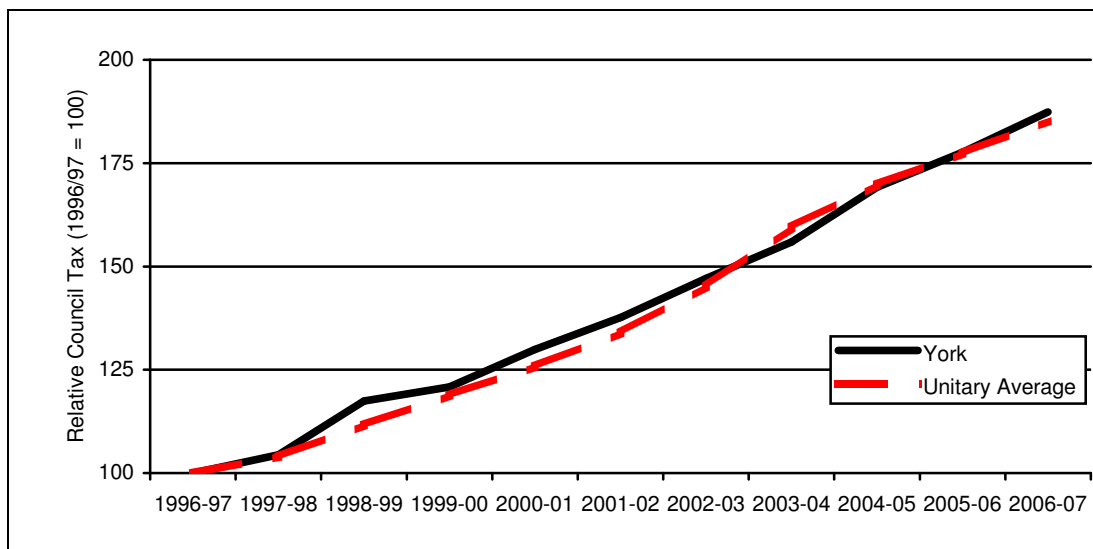


Figure 2 – Relative Growth in Unitary Council Tax 1996/97 to 2006/07

Alongside this in every year since 1996 there has been an increase in the number of residential properties in the city. As a result in April 2006 there were 82,384 properties compared to 73,984 in 1996, a growth of 11.4%. It is anticipated that such growth is likely to continue across the life of the finance strategy.

Table 3, which summarises the analysis of property banding changes, shows the distribution of increased properties by Band. The focus of such increases in bands D to H has resulted in a marginal increase in the city's average Council Tax Band.

Band	Number of Properties		Increase	
	1996/97	2006/07	Number	Percentage
A	9,660	10540	880	9.1%
B	22,455	23789	1,334	5.9%
C	22,522	24584	2,062	9.2%
D ⁴	10,105	12153	2,048	20.3%
E	5,779	6806	1,027	17.8%
F	2,285	3005	720	31.5%
G	1,100	1413	313	28.5%
H	78	94	16	20.5%
Total	73,984	82392	8,408	11.4%

Table 3 – Increases in Residential Property 1996/97 to 2006/07

In the same period the number of Band D equivalent properties has also increased from 59,467 in 1996/97 to 65,819 in 2006/07. Should previous trends be continued then, as exemplified in Table 4, over the medium term these figures will continue to grow by approximately 600 properties per annum.

	2006/07	2007/08	2008/09	2009/10
Number of Band D Equivalents	65,819	66,542	67,113	67,751
Band D Increase from Prior Year	700	723	591	618

Table 4 – Projected Property Increases 2006/07 to 2009/10

2.1.2. Government Grant

Government grant is a cash contribution to local authority revenue expenditure and is made up of a combination of National Non-Domestic Rate income and Revenue Support Grant. In order to balance its budget, the council must add to government grant by raising council tax, through the use of reserves and other income sources.

From 1996/97 to 2005/06 total government funding to York has increased from £78.6m to £108.9m. However with the introduction of direct schools funding in 2006/07 such funding fell to £37.15m with £74.45m transferring to the Dedicated Schools Grant (DSG). DCLG have indicated that in 2007/08 York's funding will be £38.34m.

2.1.3. Comparative Funding and Expenditure

As Annex B shows, York has had one of the lowest levels of Council Tax and Government Grant in the country. As a result it has spent less per head of population than any other Unitary Authority. In the current environment it is probable that this position will not materially change in the medium term.

⁴ 2006/07 figure includes 312 Band D equivalent crown properties which are not included on the normal council tax property base.

Against such a background the council's financial strategy needs to ensure that resource levels are at least maintained and ideally improved.

2.1.4. 2006/07 Budget

As shown in Table 5 the net budget requirement for 2006/07 was £98.995m.

Table 1

Expenditure Requirements	2006/07 £000
Net Expenditure Budget for 2005/06	167,855
Less: One-off Funding for non-recurring items	-1,472
Net Revenue Budget for 2005/06	166,382
Less: Expenditure on Direct Schools Grant	-74,523
Starting Expenditure requirement for 2006/07	91,859
Unavoidable and Corporate Non-Schools Expenditure Pressures	9,892
Recurring Directorate Pressures -	3,263
Non-Recurring Directorate Pressures -	1,100
Total Expenditure Pressures	14,255
Directorate Savings Proposals	-5,192
Corporate Saving Proposals	-1,927
Total Saving Proposals	-7,119
Revised Projected Budget Requirement for 2006/07	98,995

Table 5 – 2006/07 Net Budget Requirement

In setting the budget the council had to address a number of key issues including:

- Increasing demands on social care;
- Changes in waste management and proposed increases in landfill tax;
- Increases in staff pay agreed nationally for all local government staff ;
- Large increases in gas, electricity and road maintenance materials;
- Planning for the impact of job evaluation and equal pay.

2.2. Changes to National Funding

Every two years the government announces a Comprehensive Spending Review which sets out its spending plans for the following three years. Therefore, the first year of a spending review replaces the last year of the previous one, although the government often chooses

to make changes. The Spending Review details the national FSS totals for the three year period. This allows us to make a reasonably accurate estimate of the authority's expected level of FSS and funding over the spending review period. This is then adjusted each year for any known transfers in or out, e.g. new responsibilities or transfers of specific grant to FSS.

In 2006/07 the ODPM introduced the first ever two year funding settlement covering 2006/07 and 2007/08. From 2007/08 this approach will be built upon with a three year settlement being announced covering the years 2007/08, 2008/09 and 2009/10. From this point onwards settlements will fall into line with the three year comprehensive spending review announcements. This should help facilitate forward planning by providing fixed grant settlements three years in advance. Ultimately it is anticipated that local authorities will be required to publish three year revenue and capital budgets on an annual basis; and will also be expected to demonstrate the impact on council tax for the same period.

As the 2006/07 settlement also provided figures for 2007/08 there is a high degree of certainty in the funding projections for the first year of the MTF. However this certainty is not inherent in the 2008/09 and 2009/10 funding figures which have been calculated upon projected values based around 2007/08 allocations and potential developments. Actual allocations are unlikely to be available until the provisional funding settlement is announced in November or December 2006.

2.3. Funding Estimates for 2007/08 to 2009/10

As explained earlier, grant levels for 2007/08 are taken from the 2006/07 settlement which the ODPM have indicated will remain unchanged when the provisional grant settlement is announced in November or December 2006. As the government has not yet published any firm spending intentions for 2008/09 or 2009/10 funding has been increased in line with current projections⁵. The resultant allocations are outlined at Table 6.

Government Grant ⁶	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m
Announced	37.15	38.34		
Projected			38.78	39.22

Table 6 – Anticipated Grant Levels 2006/07 to 2009/10⁷

Figures for 2006/07 and 2007/08 were announced as part of the 2006/07 finance settlement. Indications are that little or no growth will be given in grant for 2008/09 and 2009/10. As a result, except for the gradual elimination of formula damping, these figures represent an estimated cash freeze on overall grant.

⁵ Where appropriate these figures have also been adjusted for issues such as grant transfers.

⁶ Excludes DSG

⁷ From 2006/07 these figures exclude Schools FSS which, from April 2006, will become a direct grant.

2.4. Growth

2.4.1. Need and Scope

In any year all areas of the council will face spending pressures that are, to a greater or lesser extent, outside of their control. While such pressures are part of the normal operating framework for the council, broader funding constraints mean that efforts must be taken to control growth. This means that under certain circumstances growth pressures will have to be self funded from efficiencies achieved within the individual service area.

2.4.2. Unavoidable Growth

In setting the budget the following inflationary assumptions / allowances are made:

- Costs arising from national pay agreements are met in full;
- Cost pressures arising from contract charges are met in full. However such increases may result in consideration of reductions in volume to contain budgetary pressures;
- Appropriate inflation will be applied to utility charges;
- No general inflation will be provided on supplies and services heads and efficiency savings will need to be made to contain such costs to existing budgets.

In addition certain items of growth are also unavoidable and need to be factored in. Table 7 shows the levels of known unavoidable growth for both 2006/07 and the next three years. A detailed breakdown of these details is shown at Annex A.

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000
Unavoidable Growth	7,965	7,256	6,462	6,841

Table 7 – Unavoidable Growth 2006/07 to 2009/10

2.4.3. Potential Reprioritisation

While service managers have little control over much of the growth dealt with above in other areas, such as the impact of legislative change and emerging local priorities, choice does exist and procedures need to be in place to ensure that the council's scarce resources are prioritised appropriately.

Clearly this is best undertaken in association with other strategic requirements and as a result work is underway to link this area with the service planning process.

Table 8 shows the levels of potential prioritisation that has currently been identified. A detailed breakdown of these details is shown at Annex A.

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000
Potential Reprioritisation	4,363	7,291	1,646	1,321

Table 8 – Potential Reprioritisation 2006/07 to 2009/10

However the figures for 2008/09 and 2009/10 need to be treated with a degree of caution for two key reasons:

The council is highly unlikely to be able to meet many of the reprioritisation requests for 2007/08 and some will therefore filter through as additional demands in 2008/09 and 2009/10.

Reprioritisation occurs for a number of reasons such as changing local demands, emerging local priorities and new national requirements. Forecasting such demands is difficult and hence at this stage it is impossible to include such initiatives in the costs shown.

As such at this time these future year figures are likely to be understated .

2.4.4. Growth Contracts

It has to be recognised that under certain circumstances growth may be unavoidable and / or desirable. Where appropriate⁸ services will be required to support requests for additional funding with details of:

- An option appraisal detailing the different funding streams and delivery models considered in reaching the decision to request additional funding;
- An analysis of how the additional funding would help to support the delivery of council priorities (or statutory requirements);
- A breakdown of the current budgets held for the area(s) concerned;
- A breakdown of the proposed budget for the area(s) concerned;
- An analysis of the service improvements that would be delivered via the additional investment. These could include:
 - Increased cash income to the council;

⁸ This would normally exclude growth for issues such as pay awards, general inflation, salary increments and external levies.

- Enhanced performance linked to specific and measurable performance indicators;
- Expected improvements to performance that are difficult to quantify under a performance indicator regime;
- Enhanced credibility under external scrutiny (for example public perception or audit inspection).

Such details will be documented within a growth contract and subject to formal monitoring. Where appropriate such monitoring will assist in identifying the need for corrective action to address performance problems.

2.4.5. Contingency

Unlike many authorities York does not attempt to budget for uncertain and / or unquantifiable future events. Instead, as part of the budget process, details of such events are collated and an assessment made of both their likely size and cost. This weighted cost is then set against the budget as a contingency item.

It should be noted that the contingency operates to deal with on-going budgetary pressures and can only be released subject to executive approval. Where such pressures are one-off in nature these will, subject to sufficient resources being available, be met from reserves.

As an on-going item the budget only requires an increase from the uncommitted level of contingency at year-end to the newly determined level. Figure 3 details the historic levels of contingency.

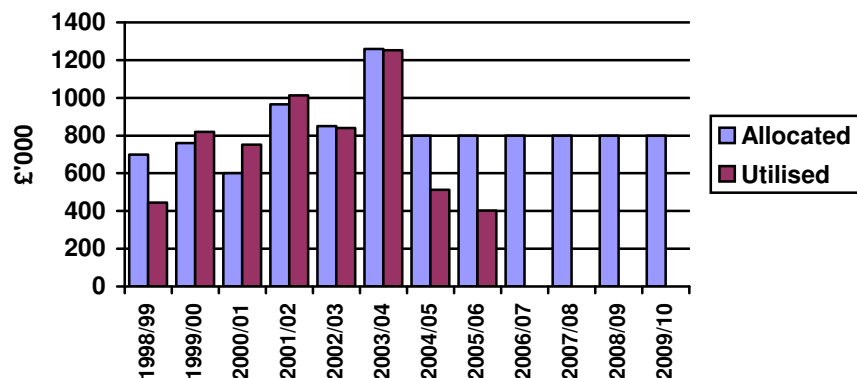


Figure 3 – Contingency Levels and Usage 1997/98 to 2005/06

For the basis of the MTFF the allocation for contingency has been set at £800k per annum.

2.4.6. Cumulative Saving Requirements 2007/08 to 2009/10

As outlined at Annex A the initial forecast for 2007/08 identifies that the initial budgetary requirement will be £10.088m higher than the resources identified above.

The first element of this shortfall is the base shortfall in funding which exists based upon committed current growth and saving requirements. This represents the level of savings required to balance the budget if no additional growth is adopted. As Table 2 demonstrates for 2007/08 this basic level of saving is calculated at £2.797m

In addition to this there is also a degree of discretionary growth which is requested for approval. If this growth is to be delivered then additional savings must be made to allow resources to be reprioritised to these new areas.

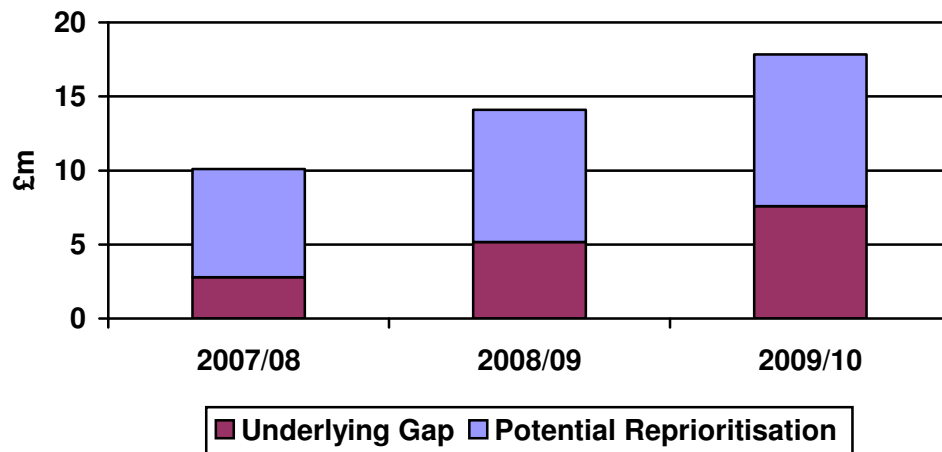


Figure 4 – Cumulative Savings Requirement 2007/08 to 2009/10

Figure 4 demonstrates that by 2009/10 the council faces a requirement to reduce its expenditure by at least £7.582m and, if it is to meet the potential need for reprioritisation, then these savings will need to be increased by another £10.258m to up to £17.84m. History has however shown the council to be resilient in delivering such savings whilst maintaining the standards of the services it provides and there is no reason to believe that this will not continue to be the case. Key elements of the framework, which includes the decisions that will be necessary to return the council to a balanced budget, are contained in the next chapter.

3. Balancing the Budget

3.1. Introduction

In attempting to balance the budget the council has a number of actions it can take. This can be categorised in terms of:

- Controlling Growth
- Challenging Reprioritisation
- Service Level Savings
- Efficiency Programme Projects
- Reserves
- Capital and Treasury Management
- One Off Funding Streams
- Procurement
- Council Tax

3.2. Controlling Growth

As identified at Annex A in 2007/08 the council faces gross expenditure pressures totalling £14.547m of which £7.291m represents potential reprioritisation with the balance being created by unavoidable growth items (£7.256m). Even factoring in a council tax increase of 4.5% the council faces an overall budget gap of £10.088m in 2007/08 alone.

Due to the scale of the overall budget gap every effort will need to be taken to identify whether funding is truly required and if so what level of resource is appropriate.

3.3. Challenging Reprioritisation

At this stage of the process the opportunities for reprioritisation represent an ideal position for investment in services if there were no constraints on council funding. However, this is not the case and work now needs to be undertaken to review and prioritise all such areas against relevant criteria including statutory pressures, local priorities and comparative performance

3.4. Service Level Savings

3.4.1. Directorate and Service Efficiency targets

In the current financial climate it is likely that as part of the process to deliver a balanced budget the council will have a year on year requirement to secure efficiency savings. Indeed, as Table 2 shows the underlying budget gap means that just to stand still the council will need to find savings of £2.797m just to stand still. Any reinvestment in, or reprioritisation of, resources could increase this figure by over £7m. In terms of closing any budget gap a decision will need to be made about the extent of savings that will be required from all or some service areas. Whilst often criticised as a blunt mechanism such an approach is effective at spreading the burden of savings across all service areas. In developing proposals to deliver efficiency savings the following principles will be applied:

- Minimum annual efficiency requirements will be established corporately and applied at a service plan level;
- Additional directorate level efficiency requirements may also be established. Such requirements will exist to allow better targeting of savings at a Directorate level;
- A de minimis level will be established under which details will not normally be provided for central review;

As outlined earlier need to be determined for the efficiency aspect of the savings requirements. Proposed levels for these three sets of criteria are detailed in Table 9.

	2006/07	2007/08	2008/09	2009/10
Efficiency Requirement per Service Plan	4%	3%	2.5%	2%
Additional Directorate Efficiency Requirement	1%	2%	2.5%	3%
De Minimis Level for Reporting Efficiency Components	£2k	£5k	£10k	£10k

Table 9 – Proposed Efficiency Requirements 2006/07 to 2008/09

These figures represent an acceleration of the move away from service level to directorate level targets contained in the 2006/07 to 2008/09 Finance Strategy. If the proposals for the establishment of a formal efficiency review programme (detailed later in the report) are successful then these figures will need to be revisited and it may be possible for them to be reduced. Ideally such adjustments will start to occur as part of the 2008/09 budget process.

3.4.2. Invest to Save

The council set up a venture fund in 1997/98 with a balance of £4m. Departments make bids for funding on an annual basis. The bids are considered by the venture fund panel that recommends to members

whether they should be approved. There have been loans of approximately £3m made from the Venture fund since its set up. The Venture Fund is used for various types of projects including invest to save, purchase of capital assets and restructures. Of the £3m that has been loaned out, £1.2m has related to invest to save projects. Successful projects have included work as diverse as facilitating school amalgamations to supporting benefit uptake.

3.5. Efficiency Review Programme

3.5.1. Background and Objectives

One of the key challenges for the finance strategy over next three years is how the council intends to engage in delivering service efficiency improvements. Such work not only has to deal with hard cash savings but also need to deliver qualitative service improvement which can change the customer experience or release resources for other emerging priorities. Indeed in many instances these service improvement drivers (akin to the need for Gershon non-cashable efficiencies) may be of a much higher priority than the need to deliver cash savings. In order to do this the finance strategy proposes the development of a medium term programme of planned efficiency projects.

Developing such a programme will also provide an opportunity to change the way the council approaches several, currently disparate strands of activity. Creating links between these will mean a more forward looking, strategic and joined up approach. The broad objectives for the programme are to:

- Identify opportunities for efficiency based transformation of services;
- Deliver service improvements/improve service efficiency and /or quality (strong customer focus);
- Achieve significant financial savings reducing the need for service focussed percentage budget reductions;
- Measure the benefits of change that will lead to the achievement of efficiency targets and meet CPA expectations;

The efficiency review programme has strong links to the budget process in that any cashable savings that arise from efficiency reviews will go towards meeting the budget gap in the year of realisation. However, while strongly linked to the budget this is only one driver. Improving efficiency should be an integral element of the organisation's culture, and something that every manager and their team should be constantly looking to improve irrespective of whether a budget target exists.

Therefore the efficiency review programme should be a stand alone set of projects that are phased over an agreed timescale that could go beyond the annual budget cycle. They will be monitored and delivered to increase the council's efficiency in running its services whilst, where

appropriate, contributing to the annual budget deficit. The ultimate aim as far as the budget process is concerned is to get to a stage whereby the annual budget gap is addressed mainly by targeted efficiency reviews driving both cash savings and wider service improvement.

3.5.2. Internal Drivers for Change

(a) Moving from Top Slicing to Strategic Review

York has successfully operated a top slicing approach to the budget process for many years but despite its success in many areas, service managers have found recent budget cycles increasingly difficult. The 2006/07 to 2008/09 Finance Strategy recognised the need to develop an alternate approach and proposed a gradual switch to project based reviews, an approach which this years strategy looks to accelerate.

(b) Focus on Priorities

The proposed change would also provide an opportunity to better focus efforts on emerging priorities. Work that is being done by PIT on Improvement Statements could also be used to inform this profile of the authorities services which could also act as a tool for identifying potential review areas.

(c) Examining High Cost Services

As in previous years work has been undertaken to benchmark the costs of services in York to those in other Unitary authorities. The information to do this has been obtained from both the Audit Commission and the Chartered Institute of Public Finance and Accountancy (CIPFA)⁹. Where service areas are not covered by either the Audit Commission or CIPFA information (primarily in central services such as Resources and Chief Executives but also in Directorate administration and support) alternate data sources have been used. However it should be noted that while informative benchmarking only provides broad comparators and an understanding of the broader context in which services are provided is important prior to conclusions being reached.

(d) The Strategic Compass

The 2005/06 to 2008/09 Finance Strategy detailed the development of a Strategic Compass which would compare cost and quality measures as a driver to identifying potential areas worthy of examination. Due to the lack of match between cost and performance data this approach has proved more difficult than expected and so has not been utilised for

⁹ The results are mainly from the year 2004/05 with a few being based on estimates for 2005/06. In both instances the financial information is based upon data provided by the relevant service area.

analysing services. This area of analysis needs to be developed further in the future.

3.5.3. External Drivers for Change

As with other council's York faces a plethora of initiatives that we are having to respond to, the list below (many elements of which are addressed elsewhere in the finance strategy) contains those that effect the focus of this report in terms of financial strategy, efficiency and performance.

(a) Comprehensive Performance Assessment (CPA)

The area within the CPA framework that has a direct impact on the financial strategy and efficiency is the Use of Resources (UoR) and the sub category of Value for Money (VFM). In the 2005/06 assessment in these two areas the council scored a 3, which is classed as 'good'. This maintained our level from the previous assessment and is a notable achievement as the CPA assessment has got harder and it is the first time the Value for Money area has been covered. One of the key elements which the council must address to retain this status in the future is its approach to reviewing the efficiency of its services. While the current budget process has served the council well both in terms of delivering a balanced budget but also by delivering against our efficiency targets this will become harder over time and the Audit Commission have indicated that they will place significant emphasis on seeing a strategic review based approach to efficiency in addition to the achievement of the targets.

(b) Efficiency Agenda

The efficiency agenda (formerly known as the Gershon agenda) is now just over a year old and as figure 5 demonstrates the council is on target to meet the Government's three year efficiency target one year early (a position which mirrors the national picture). However while overall local government performance is well ahead of the national target not all authorities are performing at this level and as such York remains amongst the best performing councils in terms of delivering real efficiencies.

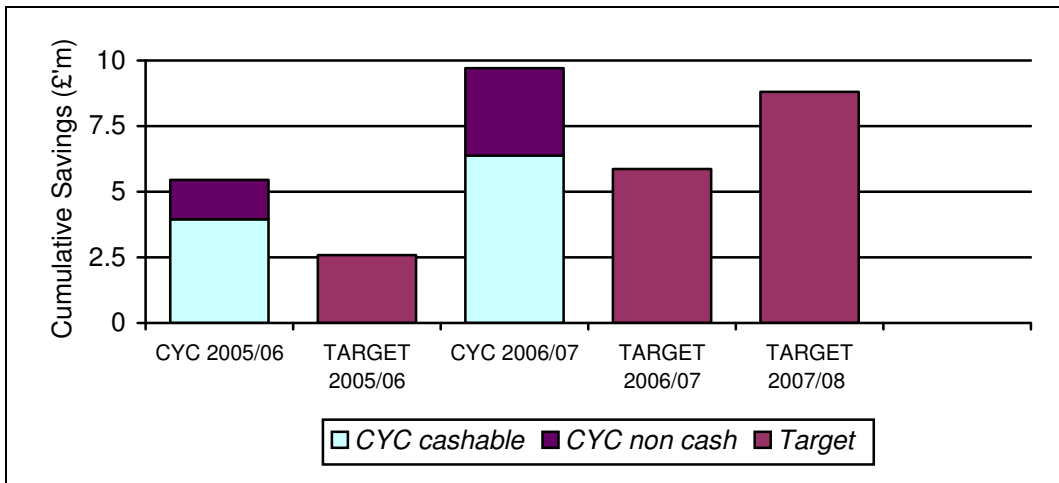


Figure 5 Efficiencies achieved against target

The budget process at York is such that it highlights in some detail the various initiatives to produce savings to meet the budget savings targets. This means that there is adequate information to judge whether a saving put forward in the budget also meets the efficiency saving criteria. This process has highlighted enough 'cashable' efficiencies to reach the national targets giving York a distinct advantage over authorities who budget at a higher but less detailed level.

In addition 'non-cashable' efficiencies are identified by Strategic Finance and the Performance Improvement Team (PIT), analysing the performance indicators and look for areas of estimated improvement. Where these have been achieved without additional budget growth then they are classed as a non-cashable efficiency and added to the efficiency target.

The DCLG have stated that the efficiency agenda will continue at least until 2011 (although in what form which has yet to be decided). Early indications are suggesting that the target could be as high as 5% and will be taken into account when deciding local government funding over this period via the Comprehensive Spending Review in summer 2007.

- (c) Three year Government Grant Settlements (section 2.2)
- (d) Control of council tax through capping/nomination (section 3.10.2)
- (e) External Service Inspections (Annex C)

3.5.4. The Way Ahead

The basic principle behind the efficiency programme is that it should be an umbrella for encompassing things in several plans and strategies that at some stage all link back to improving efficiency and performance, for example the strategic procurement plan, budget related projects and service improvement statements.

Preliminary work is underway to identify those areas that could be reviewed as part of an efficiency review programme. This work has looked to map existing reviews, identify high cost services and to collate details of other areas where efficiency focussed reviews could improve quality, reduce resource requirements or deliver budget savings.

In addition to these corporate reviews Departmental Management Teams are also been looking to identify areas where they feel there is scope for an efficiency review. Such projects will be included in the efficiency programme in their own category of 'Departmental Projects' providing for the first time a comprehensive list of current and potential reviews. This is a transitional process that will develop over the coming months and years. We cannot expect to move overnight from our current approach to the budget to producing a balanced budget from efficiency reviews. Some of the potential projects are large scale and will take time to complete whereas others are smaller and could provide some quick wins.

3.5.5. Managing the programme

Management and monitoring arrangements of the efficiency programme are the responsibility of the Director of Resources in his role as Champion for the Service Improvement Statement "*Improve efficiency and reduce waste to free-up more resources*". As an element of this role he will be responsible for both developing a managed programme that has a timetable of specific, targeted reviews, and for delivering support arrangements in terms of who can provide advice and assistance to support the process from the areas of performance improvement, internal audit and corporate finance.

3.6. Funding from Reserves

3.6.1. Level of Reserves

As with any organisation there is a need for the council to maintain sufficient reserves to deal with any unforeseen events and this decision is guided by the professional judgement of the responsible financial officer (currently the Director of Resources). The actual level of reserves are affected by spending decisions that happen as part of the budget, and as the result of over / under spending throughout the financial year

The council has always recognised that budget should not rely on one-off funds to support recurring expenditure, but that instead such funds should be used to support one-off expenditure. In 2006/07 £1.1m of expenditure is being utilised in this manner. This decision has enabled the council to reduce its council tax for 2006/07 by 1.9%.

As a result of this expenditure and other commitments it is anticipated that the council's reserves at the 31st March 2007 will be £5.573m, £661k lower than those held at the 31st March 2006. A breakdown of these reserves is shown at Table 10.

	2005/06 Projected Outturn £'000	2006/07 Budget £'000
General Fund	5,347	3,185
Venture Fund	852	1,479
Commercial Services	300	300
Total	6,499	5,110

Table 10 – projected reserves

Due to their low level it is no longer prudent to assume that any one-off expenditure will be met from reserves. As such the MTFE for 2007/08 to 2009/10 only assumes that pre-committed expenditure of £395k in 2007/08 (£295k for 2008/09 and 2009/10) will be met from reserves with other such reprioritisation being met from general revenue savings.

Under prevailing CPA guidance, a recommended prudent level of reserves for this Council should be 5% of the net non-schools revenue budget. For 2005/06 this was approximately £5.25m. While a risk based model is currently being developed, it is prudent to retain the current 5% target. Using this approach provides a minimum level for reserves at the 31st March 2007 of £4.95m, fractionally below that projected to be held.

3.6.2. Linkage to Time Limited Schemes

It is not unreasonable for some reserves to be utilised in setting the council's budget. Indeed the use of reserves is a useful mechanism for smoothing expenditure over time and reducing volatility in the council's funding streams. But above all reserves should be utilised in meeting one-off rather than on-going liabilities. However in order to utilise reserves the following criteria should be met:

- The expenditure supported must be strictly time limited (i.e. have a clear end date). If covering a number of years an assessment must be done on the availability of reserves to support future years expenditure;
- The total level of expenditure from reserves should not result in the minimum reserves threshold being breached.

Traditionally reserves have been utilised to fund one-off expenditure. However due to the level of balances now available this position cannot be maintained. As such it is now proposed to only fund committed expenditure from reserves with other one-off funding being met from on-going revenue resources.

Current commitments from reserves are shown in Table 11.

	2006/07	2007/08	2008/09	2009/10
	£m	£m	£m	£m
Minimum Reserves Threshold	4.95	5.17	5.34	5.60
Committed One-Off and Time Limited Funding	1.100	0.395	0.295	0.295

Table 11 – Current Commitments from Reserves 2006/07 to 2009/10

3.7. Capital and Treasury Management

In 2006/07 the Council received Supported Capital Expenditure of £10.9m. For 2007/08 onwards this is expected to reduce to £8.1m per annum and to be primarily targeted at Transport, Housing and Education. In addition to this we also expect to make Prudential borrowing of £0.5m in 2006/07 and 2007/08 for the Highways Repairs & Renewals project and £1.6m for 2008/09 for projects across a range of areas.

The council reinvests the capital receipts which it receives in capital expenditure. Consequently we need to take into account the loss of interest on these capital receipts as part of our additional financing. The council intends to fund £9.7m of expenditure from capital receipts in 2006/07 and subsequently £5.7m in 2007/08 and £3.4m in 2008/09.

Table 12 shows the additional financing for borrowing for the capital programme on the revenue budget assuming an interest rate of 4.75%.

	2007/08	2008/09	2009/10
	£'000	£'000	£'000
Additional Financing for Borrowing (Capital Programme)	414.0	298.0	405.0
Minimum Revenue Provision	430.0	369.0	419.0
Minimum Revenue on LGR SCA	(180.0)	0	0
Total	664.0	667.0	824.0

Table 12 – Revenue Implications of Capital Expenditure 2006/07 to 2008/09

At the beginning of 2005/06, the Council had long term borrowing of £80.4m and short term investments of £14m. Assuming a balanced budget it is anticipated that the level of investments will remain constant at between £10m and £20m, with long term borrowing increasing in line with the capital programme. This would be an increase of £9m to £10m per annum. Based on the assumption that any maturing loans within the portfolio are re-borrowed this would give anticipated average long term borrowing of £95m in 2006/07, £105m in 2007/08 and £115m in 2008/09.

The average rate on the current debt portfolio was 4.69% at 31 March 2006. Assuming we borrow new debt of £10m and re-borrow any maturing loans each year at a rate of 4.75% plus, the average debt rates will be 4.56% for 2006/07, 4.60% for 2007/08 and 4.65% for 2008/09. This would result in average interest paid of £4.33m in 2006/07, £4.83m in 2007/08, £5.35m in 2008/09.

The average balance available for investments was £27.6m during 2005/06 although this had fallen to £18m by the year end. This balance produced interest income of £1.3m at an average rate of 4.6%. If an average balance of £20m is assumed for the next 4 years and our forecast average interest rate of 4.25% is maintained, there would be interest income of £0.85m per year. Table 13 summarises this information.

£ million	2006/07	2007/08	2008/09	2009/10
Average Long Term Borrowing	104.7	115.4	131.4	141.5
Average Interest Rate Applied	4.54%	4.57%	4.71%	4.79%
Interest Paid on LT Borrowing	4.8	5.3	6.2	6.8
Average Short Term Investments	38.0	41.0	36.0	35.0
Average Interest Rate Applied	4.25%	4.75%	5.0%	5.0%
Interest Paid on ST Investments	1.6	1.9	1.8	1.75

Table 13 – Revenue Implications of Borrowing & Revenue Activity

3.8. One-Off Funding Streams

In a number of circumstances (for example external grants) the council is provided with funding which is linked to specific projects that have a clear end date. While such funding is often a useful addition to the council's resource base the following broad issues should be taken into consideration during any application and deployment process:

- Funding should only be sought where a successful application would complement the council's priorities. Where funding is provided in low priority areas, or for schemes contrary to on-going council objectives, careful consideration should be given prior to acceptance¹⁰;
- Under normal circumstances funds should be viewed as one-off expenditure and hence care should be taken not to commit to expenditure that occurs after the funding stream has ended.

Three additional non-earmarked streams of funding also exist, the Local Authority Business Growth Incentive Scheme (LABGI), the Local Public Service Agreement 2 (LPSA2) and Local Area Agreements (LAA).

- LABGI is a scheme whereby the council can keep locally the increase in business rates generated if growth exceeds a certain level. In 2005/06 the council failed to reach the required level of growth to trigger additional funding and at this stage it is uncertain whether the threshold will be attained in either 2006/07 or 2007/08 and hence what level of funding will be delivered. Because of this uncertainty the overall position is monitored but no anticipated income is included in the overall budget.

¹⁰ If managing or match funding the scheme involves diverting core resources from high priority to low priority then whilst the overall resource base may increase the impact may be to make the council do less of what it actually wishes to do.

- LPSA 2 is the second round of projects where a dozen or so projects or areas of improvement are identified and agreed with government. To assist with this the government allocates pump priming funding to the council and where targets are met also pays a one-off reward grant. While LPSA 2 falls within the life of the finance strategy (it commenced late 2006 and concludes late in 2009) agreed commitments on pump priming and reward grant means alongside the possibility of not all targets being met (and hence reduced reward grant being payable) means that no allowance for such income is included in the MTFF.
- The LAA will amalgamate the LPSA 2 into a wider programme of work against a range of national priorities. It will also provide the council with the ability to pool a range of funding streams to address local rather than national leads. The LAA is currently being developed and it is anticipated it will be in place towards the end of 2006. Again no allowance has been made for any impact on the overall budget.

3.9. Procurement

3.9.1. The Procurement Strategy

The council is currently in the process of developing a comprehensive strategy that will define the framework within which all procurement activity will be undertaken. Once formally adopted, the procurement strategy will become a key component of the way in which the council will look to control costs and maximise the value it receives from its non-pay expenditure on goods, services and works.

As part of its development work on procurement, a review has been undertaken of a number of areas that could result in reduced costs to the council. These are addressed below.

3.9.2. Corporate Contracts

The Corporate Procurement team have examined the council's contracting activity and developed a Contract Register/Database. This will ensure that new contracts are competitive, opportunities for leveraging the Councils spend is identified, contracts are adequately managed and value for money is obtained. The main aim of this is to hold centrally a summary of the contracting activity across CYC as a whole. The database gives an effective quick glance impression of the status of all the contracts held within each Directorate of the council.

In addition to analysing the contracting activity of the council over the next five years, it also supports forward planning of work enabling managers and departments to plan in advance for contracts that are nearing the end of their life span and identifying opportunities where contracts can be grouped and better deals negotiated.

3.9.3. Internal Spend Analysis

Work is also underway to analyse the council's non-pay expenditure. Once this work has been completed it will be translated into a programme of reviews focused on reducing expenditure through the negotiation of corporate framework contracts, rationalisation of the supply base and better procurement practice. Savings from such projects will feed into the Financial Strategy.

3.9.4. Procurement Co-Ordination and Management

The Procurement team is responsible for overseeing spend on everything from stationery to PFI schemes and other forms of partnership. As such, it supports staff to better understand procurement processes such as tendering, sourcing suppliers and negotiating and managing contracts. Another vital part of the team's role is to ensure that all procurement complies with the council's financial and contract procedure rules and EU public procurement directives.

The team arrange face-to-face meetings with key 'local buyers' within directorates and inform these via two groups, these being the 'Procurement Community' and 'Procurement Forum'.

The Procurement Community is an email group of officers who need to be kept informed on procurement matters. The Procurement Team issue regular information notes to this group to keep them informed.

The Procurement Forum is made up of representatives from each directorate/business area who are responsible for spending the council's money on goods, services and works. The Forum is responsible for considering procurement issues at a more strategic level.

The team's approach to procurement is very important as it has the potential to achieve substantial savings for the council, which can be redirected to front line services or used as part of its budget strategy. It can also have a big impact on the local economy through offering opportunities to local companies, and minimising the council's adverse impact on the environment.

3.10. Council Tax

3.10.1. Impact on Budget

The level of council tax and the level of annual council tax increases are both affected by the balance between central and local funding. Traditionally the ratio of central to local funding was around 75:25. This ratio gave rise to a “gearing” effect which meant that an increase of 1% in budget requirement resulted in a 4% increase in council tax. This meant that comparatively small spending pressures resulted in considerably large increases in council tax.

From April 2006 this position changed. The transfer of schools funding to a direct grant meant that the council’s net budget reduced by approximately 75% with the council tax representing approximately 60% of the authority’s net expenditure. While this has a nominal affect on gearing in reality the overall position is unchanged. Schools funding is now matched by government grant in a similar way to the restrictions which applied when passporting was in place.

3.10.2. Capping

Once the above actions have been taken into account the only remaining route for the council to pursue in support of its funding is through increases in the council tax. As has previously been addressed, whilst the council tax is theoretically subject to local determination central government capping means that large rises are unlikely to be possible.

The Secretary of State for Local Government has statutory powers to limit the annual level of council tax increases should budget requirements be judged to be excessive. The principles for measuring excess must be clearly stated. The government exercised its capping powers against certain councils for both 2004/05 and 2005/06 financial years. Most notably for York in 2006/07 the council has been nominated for capping purposes and as a result restrictions will be placed upon the scale of the council tax increase which can be made in 2007/08. The changing criteria used by DCLG to determine whether capping should be considered are illustrated in Figure 6.

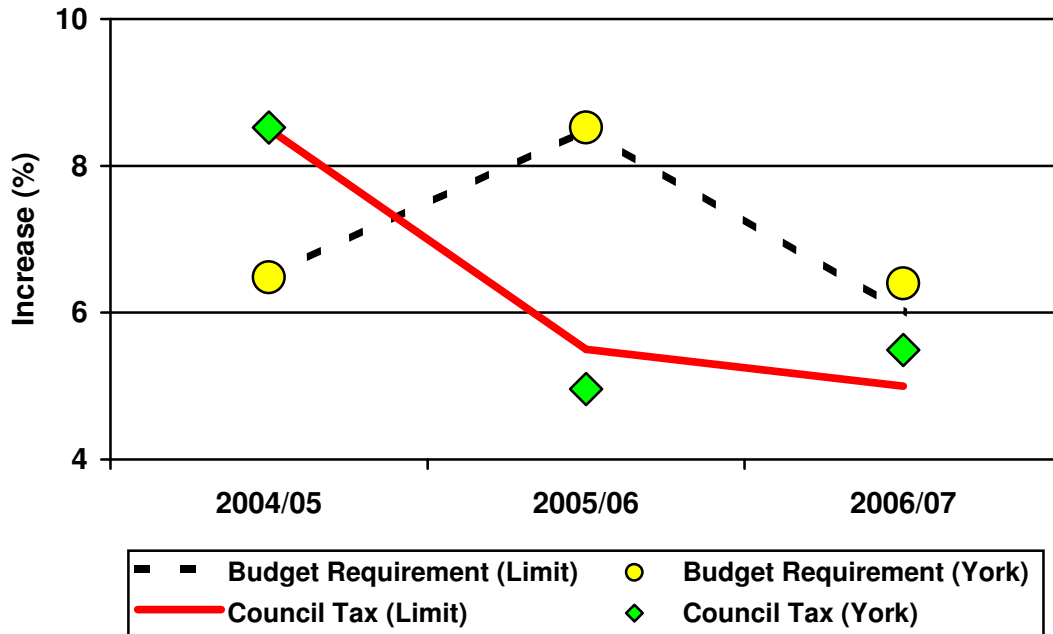


Figure 6 Capping Criteria 2004/05 to 2006/07

Capping criteria are not announced in advance but the government made it clear that average council tax rises for 2005/06 and 2006/07 should be no higher, on average, than 5%. However in practice these similar statements represented very different interpretations. In 2005/06 council tax increases of up to 5.5% were deemed acceptable (York's council tax increase was 4.96%) but in 2006/07 this position had changed to the extent that no increase over 5% would be allowable (York's increase was 5.49%). As a result of this changing interpretation the council has found itself subject to nomination in 2007/08.

While nomination does not have a direct cash impact it does affect the council's ability to increase council tax for 2007/08 by nominally reducing the budget against which such increases are considered; essentially putting an additional 0.5% for capping purposes onto any increase made by the council. For example if the authority were to make a 4.5% increase in 2007/08 the calculation for DCLG purposes would record it as a 4.99% increase, fractionally below the anticipated capping limit.

As part of its assessment of what level of increases should be made the council will need to pay due regard to the continued operation of capping constraints in future years. The impact of this on future council tax levels is addressed at 3.10.4.

3.10.3. Consultation

As part of the 2005/06 and 2006/07 budget processes the council undertook comprehensive public consultation on the potential scale of council tax increases and the resultant impact on service levels. It is

anticipated that such exercises will remain an integral part of the council's future budget process. To do so will require:

- Firm indications to the public on the range of increases the council is considering;
- The early publication of firm spending proposals;
- Accessible details of the implications of setting lower or higher levels of council tax;
- Arrangements to count and analyse results.

In addition to its major public exercise the council will continue to undertake consultation with representatives from business and the voluntary sector. Due to increased certainty on funding for the 2007/08 budget process the council should be in a position to undertake such work at an earlier stage than ever before.

3.10.4. Modelling Future Council Tax Levels

As outlined at Annex B York is the lowest spending unitary authority and under the current local government funding financing systems is likely to remain so for the foreseeable future. In order to ensure that its position is not further eroded it would be prudent to adopt a policy of setting medium term council tax increases at a level immediately below the anticipated capping limits laid down by central government. Indeed the council's ability to set an increase above this level may be severely curtailed by national policy.

If guidance for 2005/06 and 2006/07 is replicated from 2007/08 onwards then this would mean setting council tax increases of just below 5% per annum which, as shown at 3.10.2, for York would be the equivalent of a 4.5% increase. As a result the model currently pre-supposes increases in council tax of 4.5% in 2007/08 with increases of 5% per annum for subsequent years. However, it must be noted that this does not reflect a political decision to set such increases merely an interpretation of potential increases available under the existing national arrangements.

It should be noted that the above council tax levels are purely indicative and will be influenced by a number of factors including political decisions (local and national), levels of external funding, the extent of success in securing savings over the three years and the effects of council tax revaluation. If previous predictions concerning the total numbers of properties are accurate then, as shown in Table 14, the total contribution from these annual council tax increases will be as shown.

	2007/08	2008/09	2009/10
Number of Band D Equivalent	66,205	66,796	67,414

Council Tax Increase	4.5%	5.0%	5.0%
Contribution from CT Increase	2.728m	3.202m	3.392
Contribution from New Properties	0.696m	0.597m	0.656m
Cumulative Contribution	3.424m	3.799m	4.048m

Table 14 – Council Tax Contribution to Budget Gap 2006/07 to 2009/10

It is important to note that the increased income arising from additional properties does not represent totally new money. The increased property base brings with it additional service demands in areas such as waste collection and social care. In addition York's government funding includes a calculation adjusting for assumed property growth that has a negative impact on grant.

4. Stewardship

4.1. Key Risk Factors

In developing the Financial Strategy work has also been undertaken to develop an understanding of the potential risks the council faces in maintaining its financial position over the medium term. When this list has been finalised work will be undertaken to identify appropriate mitigating actions and those responsible for monitoring and addressing them. Once completed this work will be appended to the finance strategy.

4.2. The Monitoring Cycle

The Transforming York project introduced an integrated budget and performance monitoring cycle in two rounds per year. The decision to move from 3 to 2 rounds allows more time for more detailed performance monitoring to take place during the year. Combining performance and financial monitoring adds a further dimension to the management information that will be produced and hence the greater the understanding of the council's current performance should lead to more informed decision making about the corrective action that is needed. From April 2006 it is also intended to switch the capital and treasury management monitoring cycles to the same timetable.

4.3. Statement of Internal Control

The Accounts and Audit Regulations 2003 imposed a new legal requirement on all local authorities to publish a Statement of Internal Control (SIC) as part of their Statutory Accounts. This requirement represented a further development in the ongoing process of improving corporate governance arrangements within local authorities.

The SIC forms an important part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and internal control. Publication of the SIC represents the final stage of the ongoing review of governance arrangements and internal controls throughout the relevant period.

The purpose of the SIC is to demonstrate and/or provide:

- Openness and accountability to the public;
- Assurance to stakeholders;
- A framework for improving the adequacy and effectiveness of corporate governance arrangements;
- Evidence for CPA.

CIPFA issued guidance on the processes which needed to be established by local authorities to maintain and review their systems of internal control and risk management. Whilst Councils were encouraged to be fully compliant with the requirements of the Accounts and Audit Regulations 2003, CIPFA recognised that it was unrealistic to expect authorities to have all the necessary arrangements in place for the accounting year 2003/04. As with most Councils, an interim SIC was therefore prepared for 2003/04.

Since the publication of the 2003/04 SIC, CIPFA has issued further guidance which includes detailed advice on the processes which Councils should have in place to support compilation of the SIC and the governance and risk management arrangements necessary to support it.

This new guidance reaffirms the view that the SIC is a corporate document which requires input from those people throughout the Council who are responsible for governance, including:

- The Leader and Chief Executive;
- Directors and managers who have responsibility for decision making, the delivery of services and the ownership of risks;
- The S151 Officer and the Monitoring Officer, who both have specific statutory responsibilities;
- Members;
- Other staff who are responsible for elements of the control environment (for example the Head of Performance Improvement and the Audit and Fraud Manager).

Furthermore, the guidance details the sources from which assurance can be obtained and the evidence necessary to support disclosure in the SIC and satisfy statutory requirements. The SIC has to provide details of the overall governance and control framework and identify any significant control issues. The external auditors have a responsibility to review the disclosures in the SIC and ensure that they are consistent with their knowledge of the Council. Under the new Audit Commission Code of Audit Practice, which will apply to the audit of 2005/06 accounts onwards, there will be a requirement on auditors to give a formal conclusion on whether local authorities have put in place 'proper arrangements to secure economy, efficiency and effectiveness in the use of resources'. One of the key sources of assurance that the auditors will be considering in discharging their responsibilities in this area will be the system of internal control as reported on in the SIC.

Annex A- Medium Term Financial Forecast 2007/08 to 2009/10

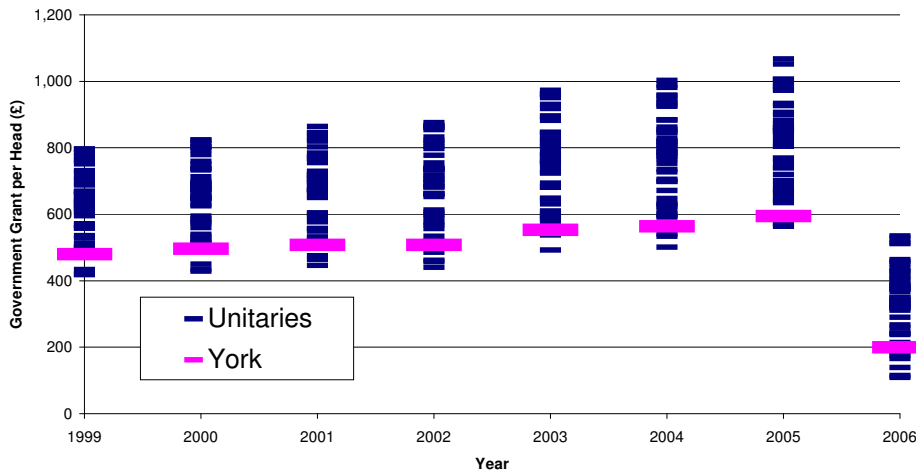
	2007/08 £000s	2008/09 £000s	2009/10 £000s	
<u>UNAVOIDABLE PRESSURES - RECURRING</u>				
<u>Employment Costs</u>				
CORP 1	Pay Increases for APT&C @ 2.50%	1,694.0	1,794.9	1,840.0
CORP 2	Employers' LGPS Contributions	50.0	50.0	50.0
CORP 3	LEA Teachers' Pensions 0.6% increase from 01.01.2007	15.0	0.0	0.0
CORP 4	Pay Increments	626.0	592.0	582.0
CORP 5	Job Evaluation	1,250.0	500.0	0.0
CORP 6	Price Inflation (2.3%)	680.0	692.7	721.0
CORP 7	Utility Price Inflation	300.0	300.0	300.0
CORP 8	Environment Agency and Drainage Board increased levies	27.3	28.7	30.1
CORP 9	Additional financing for borrowing (capital programme)	414.0	298.0	405.0
CORP 10	Revenue implications of capital programme	100.0	100.0	100.0
CORP 11	Minimum Revenue Provision - New Borrowing	331.0	238.0	324.0
CORP 12	Minimum Revenue Provision - Commutation adjustment	99.0	131.0	95.0
CORP 13	Minimum Revenue Provision - Local Govt Re-org	(180.0)	0.0	0.0
CORP 14	Rent reviews on admin accom	51.0	76.0	33.0
CORP 15	2009/10 Insurance contract	0.0	0.0	200.0
CORP 16	Full year effect of prior year growth	48.0	0.0	0.0
CORP 17	Full year effect of prior year savings	(91.4)	(5.0)	(5.0)
CS 1	Highways & Street Ops Prudential Borrowing	46.0	46.0	250.0
LCCS 1	Edmund Wilson Fitness Gym - recurring cost until new or refurbished pool is delivered	120.0	0.0	0.0
NS 1	Landfill Tax	250.0	250.0	250.0
NS 2	LATS Permits	0.0	228.9	524.4
NS 3	Increased Rates bill at new Depot	150.0	0.0	0.0
NS 4	Waste Management - growth in property base	36.0	36.0	36.0
NS 5	Container & bin replacement - lease purchase	45.0	10.0	10.0
TOTAL RECURRING UNAVOIDABLE GROWTH		6,060.9	5,367.2	5,745.5
CORP 18	Contingency	800.0	800.0	800.0
<u>COMMITTED ONE-OFF EXPENDITURE</u>				
LCCS 2	Contribution to 2010 Mystery Plays (yrs 2 - 4)	20.0	20.0	20.0
NS 6	Waste Strategy (Yrs 3 - 5)	250.0	250.0	250.0
RES 1	FMS Project (Yr 3 of 3)	100.0	0.0	0.0
RES 2	Housing Benefit Venture Fund Repayment (Yrs 2 - 4)	25.0	25.0	25.0
TOTAL COMMITTED ONE-OFF EXPENDITURE		395.0	295.0	295.0
TOTAL UNAVOIDABLE GROWTH		7,255.9	6,462.2	6,840.5
<u>FUNDING</u>				
FUND A	Removal of one-off funding for non-recurring unavoidable items	(1,100.3)	(395.0)	(295.0)
FUND B	Use of Reserves - unavoidable one-off pressures	395.0	295.0	295.0
FUND C	Council Tax Surplus	133.0	0.0	0.0
FUND D	One-off 06/07 growth funded from base	231.0	0.0	0.0
FUND E	Non-ring fenced DfT Grant - Road Safety Initiatives	185.0	0.0	0.0
FUND F	Estimated annual increase in Government Grant	1,191.7	436.0	436.0
FUND G	Increased contribution from Commercial Services	0.0	0.0	0.0
FUND H	Increase in Council Tax (4.5%,5%,5%)	2,727.8	3,167.3	3,325.7
FUND I	Additional Properties	696.0	597.0	656.0
Revised Annual Funding		4,459.2	4,100.3	4,417.7
UNDERLYING BUDGET GAP		2,796.7	2,361.9	2,422.8
Total Reprioritisation Opportunities (Detail overleaf)		7,291.0	1,646.0	1,321.0
OVERALL BUDGET GAP		10,087.7	4,007.9	3,743.8

Ref		2007/08 £000s	2008/09 £000s	2009/10 £000s
<u>GROWTH FUNDED THROUGH REPRIORITISATION</u>				
CEX 1	Adjustments to 06/07 Marketing savings targets re monthly Your City	52.0	0.0	0.0
CEX 2	Adjustments to Print Unit savings targets- Best Value Review	26.0	0.0	0.0
CEX 3	Adjustments to 04/05 Marketing staff advertising & temps budget savings targets	11.0	0.0	0.0
	TOTAL CEX GROWTH	89.0	0.0	0.0
CORP 19	IT Development Plan	500.0	500.0	500.0
	TOTAL CORPORATE GROWTH	500.0	500.0	500.0
CS 2	Local Development Framework	350.0	0.0	(350.0)
CS 3	Highways Resurfacing and Restructuring - Revenue Growth due to reduced funding from Cap. Programme	250.0	250.0	250.0
CS 4	Highways & Street Ops - maintenance inflation c. 5% pa	200.0	200.0	200.0
CS 5	Road Safety initiatives - funded by DfT grant (ref. F)	185.0	13.0	(14.0)
CS 6	Shortfall in income from Planning Enquiries	150.0	0.0	0.0
CS 7	Building Control - reduction to income surplus	100.0	0.0	0.0
CS 8	York Central - additional costs on consultation/options	100.0	(30.0)	(20.0)
CS 9	Revenue implications of the Local Transport Plan	60.0	60.0	60.0
CS 10	Land Charge - income pressures due to deregulation	50.0	0.0	0.0
CS 11	Science City - change of status to Ltd Co - part fund CEO Post	50.0	0.0	0.0
CS 12	Reduction in Markets income due to reduced occupancy	20.0	0.0	0.0
CS 13	Regional Activities - Economic Development	15.0	0.0	0.0
CS 14	Sale of Shambles' car park - Loss of income	0.0	70.0	0.0
	TOTAL CITY STRATEGY GROWTH	1,530.0	563.0	126.0
HASS 1	Adult Social Services - addressing current service pressures	1,400.0	0.0	0.0
HASS 2	Supporting People - continued reduction in govt funding	500.0	250.0	250.0
HASS 3	Transitions - from Children's budget	200.0	200.0	200.0
HASS 4	ESCR/ISIS replacement	200.0	(75.0)	0.0
HASS 5	Fair Price for Care - to pay all providers of residential and nursing care an defined price rates	150.0	150.0	150.0
HASS 6	Preserved Rights Grant - cut in govt grant	120.0	0.0	0.0
HASS 7	Meeting CSCI standards on staffing at EPH's	100.0	0.0	0.0
HASS 8	Active Health - continuation of sickness monitoring pilot	62.0	(62.0)	0.0
HASS 9	Appointeeships - where social care customers lack the capacity to manage their money	60.0	30.0	30.0
HASS 10	Training & Development - CPD	50.0	0.0	0.0
HASS 11	General Social Care Council - Registration for non social care workers	50.0	(50.0)	0.0
HASS 12	Delivering the Health & Social Services White Paper - Policy, Planning & QA	40.0	0.0	0.0
HASS 13	Assistant HR officer post - previously agreed as one-off only	32.0	0.0	0.0
HASS 14	Howe Hill rent restructuring - to follow same formula as other council homes	30.0	0.0	0.0
HASS 15	Adult Soc. Servs. - change to regulations & increased workloads	30.0	0.0	0.0
HASS 16	easy@york business change manager - Housing & Adult Services	30.0	(30.0)	0.0
HASS 17	PCT cost shunting issues	25.0	20.0	15.0
HASS 18	Increase in number of Criminal Record Bureau/POVA checks	20.0	0.0	0.0
HASS 19	Increase in Occupational Health costs	20.0	0.0	0.0
HASS 20	Trade Union facility time (2.5 days @ Scale 6) - Adult Soc. Servs.	13.0	0.0	0.0
HASS 21	Single Assessment Process IT	10.0	0.0	0.0
HASS 22	Conversion of an Elderly Persons Home to an Elderly Mentally Ill facility	0.0	100.0	0.0
	TOTAL HOUSING & ADULT SOCIAL SERVICES GROWTH	3,142.0	533.0	645.0
LCCS 3	Children's social services - addressing current service pressures	355.0	0.0	0.0
LCCS 4	Improving Library Standards to meet national standards via increased opening and more books	250.0	0.0	0.0
LCCS 5	DSG retained budgets shortfall	160.0	0.0	0.0
LCCS 6	Locality planning for Children's Services - appointment of 3 locality co-ordinators	150.0	0.0	0.0
LCCS 7	End of Children's Trust grant	100.0	0.0	0.0
LCCS 8	Seat belts for school buses	100.0	0.0	0.0
LCCS 9	Improving Youth Service Standards to match national REYS standards set by OFSTED - based on minimum spend per head	100.0	0.0	0.0

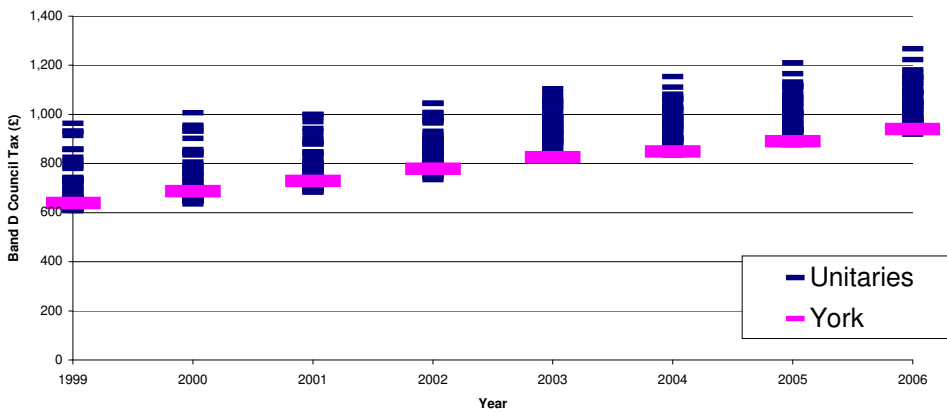
Ref		2007/08 £000s	2008/09 £000s	2009/10 £000s
LCCS 10	School Improvement Partners (DfES requirement for changes to support to schools)	60.0	0.0	0.0
LCCS 11	LEA Standards Fund cash freeze	50.0	50.0	50.0
LCCS 14	Criminal Records Bureau - increase in number of checks (LCCS)	20.0	0.0	0.0
	TOTAL LEARNING, CULTURE & CHILDREN'S SERVICES GROWTH	1,345.0	50.0	50.0
NS 7	2 additional kerbsider vehicles - operating costs	216.0	0.0	0.0
NS 8	Trading Standards - additional burdens	50.0	0.0	0.0
NS 9	Public Toilets - contract cleaning costs	26.0	0.0	0.0
	TOTAL NEIGHBOURHOOD SERVICES GROWTH	292.0	0.0	0.0
RES 3	Benefit subsidy "loss" on placement of homeless people	226.0	0.0	0.0
RES 4	Adjustment to 06/07 Procurement savings targets	132.0	0.0	0.0
RES 5	Public Services - development of corporate customer standards	35.0	0.0	0.0
	TOTAL RESOURCES GROWTH	393.0	0.0	0.0
	TOTAL REPRIORITISATION OPPORTUNITIES	7,291.0	1,646.0	1,321.0

Annex B Comparative Funding & Expenditure 1999/00 to Date

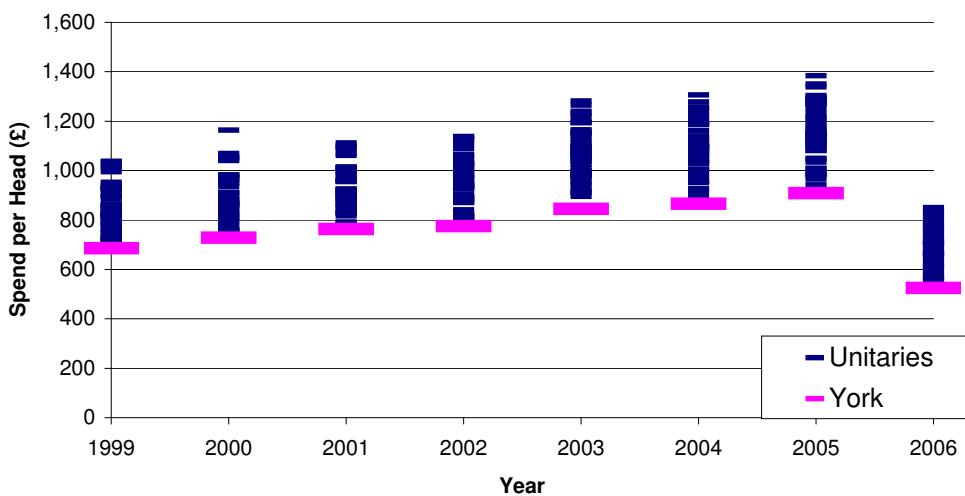
Comparative Government Grant per Head 1999/00 to 2006/07



Comparative Band D Council Tax 1999/00 to 2006/07



Comparative Spend per Head 1999/00 to 2006/07



Annex C - The Comprehensive Performance Assessment

(i) Key Lines of Enquiry – Use of Resources

How well does the council manage and use its financial resources?

1. Financial Management

How well does the organisation plan and manage its finances?

- How are the organisation's budgets and capital programme linked to its priorities?
- How effectively does the organisation manage its asset base?
- How effective are the organisation's arrangements for reporting and monitoring performance against budgets?

2. Financial Standing

Is the organisation financially sound?

- How well does the organisation manage its spending within the available resources?
- Does the organisation maintain adequate and not excessive levels of reserves and balances?

3. Internal Control

How effectively does the organisation safeguard its financial interests?

- How effective are the organisation's internal controls, including those in relation to partnerships?
- How well does the organisation manage risks?
- How well does the organisation limit its vulnerability to fraud and corruption?

4. Value for Money

Does the council deliver good value for money?

- How well does the council currently achieve good value for money?
- How well does the council manage and improve value for money?

(ii) Principles for Judging Value for Money

The key principles that will underpin our approach to judging value for money are as follows:

- The audit commission will look to judge value for money primarily from a community-wide perspective rather than the view of individual service users (which will be looked at in service inspections where these are carried out);
- Costs alone do not reflect value. Local context and quality of service are important and will be taken into account in arriving at value for money judgements;
- Where possible the audit commission will look at gross costs, as net costs can mask high spending if income is also high;
- Long-term costs and benefits will be taken into account, not just immediate costs;
- Numerical data on costs and performance provide a starting point for questions, not answers;
- Value for money judgements need to allow for local policy choices (within a national policy context) about priorities and standards of service;
- Judgements should address current performance in achieving value for money outcomes, how well value for money is managed and improved over time and the extent to which a long-term approach is taken.

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Executive

11th July 2006

Report of the Director of City Strategy

Directorate of City Strategy – Organisational Review

1. Purpose of report

- 1.1** This report presents proposals for the organisational structure of the new directorate of City Strategy which came into being on 1st April and now needs an approach which will enable it to respond to the new responsibilities placed upon it.

2. Summary

2.1 The report makes the following proposals:

- The new directorate will be responsible for the strategic development of the city and as such will become more aligned with the central directorates and in effect move more towards the centre of the organisation
- Changes to the directorate will be evolutionary
- A management team of Director plus four Assistant directors will be maintained
- A new flexible approach will be adopted between Assistant Directors which will subsequently be cascaded throughout the directorate
- Initially the existing service blocks will be maintained but will be reviewed as necessary to meet the new challenges outlined in paragraph 4.4
- Responsibility for Finance and Business Management for both the Directorates of Resources and Chief Executive has transferred to City Strategy and fall within the area of the Assistant Director Finance and Business Management

- Responsibility for the LSP/LAA/LPSA (see paragraph 4.5) will transfer from the Chief Executive's department and is proposed to be within the area of the Assistant Director Economic Development

3. Background

- 3.1 Following the departure of the last director of Environment and Development Services directorate in May 2004 a review of the directorate was carried out using external consultants. This review looked at problems within the directorate, offered potential solutions and made recommendations on a way forward. During that time the Environment group together with the York Pride Action Line was temporarily transferred to the Deputy Chief Executives directorate and combined with the Neighbourhoods team to form the Environment and Neighbourhoods group. This left the services shown at Annex 1 which form the majority of the core functions for the new City Strategy directorate.
- 3.2 The consultants looking at the future of DEDS reported in December 2004. Their report subsequently helped to inform a wider review of council services needed to establish the new approach required by government for children's services and adult services. This wider review was subsequently approved by the Council's Executive in July 2005 following a detailed report from the Chief Executive. One of the main outcomes of that review was the creation of a new directorate of City Strategy.
- 3.3 The central theme to the Chief Executive's July report was that the review *"..... should need to create a fully corporate approach to council working and that restructuring should be evolutionary (using the existing 'building blocks' as a blueprint for the future) and promote future flexibility. We should prefer a succession of small scale, easily achieved restructurings, as opportunities and needs present themselves, to large scale restructurings."* The proposals that follow are based on this evolutionary approach to meeting the challenge of service delivery from the new directorate. However the report recognises that there are a number of significant challenges facing the directorate and that this evolutionary approach will need to continue into the future in response to the ongoing challenges.
- 3.4 The Chief Executive's report went on to say that purpose of the proposed City Strategy directorate is to lead the strategic development of the City, with particular reference to its economy, physical development, transport, sustainability, housing needs and cultural development. The customer of the directorate is the whole City, as a single entity. It was not suggested

that the City Strategy directorate assume responsibility for the strategic management of services located more naturally within other directorates, but that it lead the development of the strategic vision for the City so far as those services are concerned.

4. City Strategy proposals

Senior Management

- 4.1 The recruitment process which followed the chief executive's report resulted in my appointment as the new director of City Strategy with effect from the 5th December 2005. Since that time I have been working with the four remaining existing assistant directors of DEEDS on the best way of delivering the services of the new directorate. As some of the functions for which City Strategy will be responsible are subject to a parallel process within the Chief Executive's department, specific details regarding staff are dependant on the outcome of that review.
- 4.2 In deciding the future the first element considered was senior management capacity bearing in mind the breadth of responsibilities covered by City Strategy. I am convinced that the current structure of myself and four assistant directors is required to successfully deliver City Strategy and therefore a Directorate Management Team of 5, including myself is proposed. I am however proposing that although assistant directors will have prime responsibility for a specific group of services there will be a requirement for flexibility in line with a corporate approach to service delivery. This may mean for example that responsibility for a specific piece of work largely delivered by staff from one group could rest with the assistant director from another. This requirement for flexibility will be written into the revised job descriptions for the assistant directors and will underpin the corporate approach adopted by the whole directorate.
- 4.3 In looking at the make-up of the AD groups a number of different options have been considered. I have however decided to put forward a single option based on the current service blocks, in line with the ethos in the July 2005 Chief Executive's report. This will help to ensure we continue to build on the considerable successes and improvements enjoyed over the last 2 years and any subsequent changes needed in order to respond to the continuing demands for service improvement placed upon us, will be achieved through an evolutionary approach. There are however a number of significant challenges to overcome over the next two years and depending on the outcome of ongoing work in a number of areas the make-up of AD blocks may need to be revisited. This may also include the make-up of sections within the AD blocks and within the directorate as a whole.

New Challenges

4.4 As referred to above there are a number of significant challenges facing the new directorate over the immediate future. Apart from the integration and delivery of the new services shown below there are a number other areas requiring review:

- Ensuring the integration of strategic services not only within the directorate but also across the council as a whole. This will result in an holistic city strategy which will form a significant part of the Community Plan. This integration will require engagement of the whole council which must be facilitated by the City Strategy Directorate.
- The procurement of highway services. The previous work to look at the procurement and delivery of highway maintenance services only, has been terminated with a subsequent investigation into the possibility of procuring this service through a PFI approach. This follows a recent government announcement offering new PFI credits and the possibility of including the Council's considerable maintenance backlog into a PFI solution. It is also proposed to look at whether integrated transport work should also be included into any subsequent procurement process.
- A thorough review of the parking service including other methods of delivery.
- A review of the Economic Development group following the announcement of the existing AD, Tony Bennett of his decision to retire.
- Developing a more proactive approach to Conservation and Urban Design to ensure that the development pressures we face in the City are better informed.
- Moving the front end of the Development Control and Building Control services into the Easy at York programme and continuing to deliver the improvements necessary to meet government targets for dealing with planning applications
- The continuing budget pressures on the Council which will require us all to look at the efficiency and effectiveness of the way we deliver our services.

New Services

4.5 A number of new responsibilities are now transferring to City Strategy as well as those shown in Annex 1 which are inherited from DEEDS. The list below represents the new services and responsibilities transferring:

- The development of a strategic vision for the Council which covers all Council services.
- The Local Community Partnership (LSP) known as "*The Without Walls Board*".
- The Local Area Agreement (LAA)
- The Local Public Service Agreement (LPSA)
- The strategy and procurement of a new waste disposal service
- Business Management and Finance of the directorates of Resources and the Chief Executives.
- Operational Human Resources

4.6 The responsibilities for the above will be managed from the existing AD groups as shown in the proposed functional structure shown at Annex 2:

- The Strategic vision for the council will be led by the director with support from across the directorate but in particular from the LSP team transferring for the Chief Executive's department and from a post within the existing business management team.
- The LSP, LAA and LPSA responsibility will be under the new AD Economic Development and will involve the transfer of a number of posts from the Chief Executive's directorate with specific details yet to be agreed.
- The strategy and procurement of a new approach to waste disposal will be led by the AD Resource & Business Management. It is proposed that the existing Head of Waste Strategy within the Environment and Neighbourhoods group in Neighbourhood Services directorate will be transferred to City Strategy whilst this work is completed although this is not expected to be for a period of less than 2 years.
- Business Management and Finance for the Chief Executive and Resources will be the responsibility of the AD Resource & Business Management. A number of staff currently carrying out these functions in those directorates are transferring to City Strategy.
- Operational Human Resources for City Strategy currently located under the Head of Human Resources within the Chief Executive's directorate will be located under the AD Resource & Business Management who already has responsibility for some HR responsibility within DEEDS.

5. Other Issues

- 5.1 The Environment and Neighbourhoods group which was formed within the former Deputy Chief Executive's directorate and referred to in paragraph 2.1 above has now formed part of the new Neighbourhood Services directorate. Because the former Environment group within DEDES forms part of this group there is a need to transfer the support services formally within DEDES that supported the Environment group. Agreement on this has been successfully concluded. The date when staff will transfer is yet to be agreed and in part is dependant on staff transfers under the Chief Executive's review however in the meantime the support that has been provided for the last 2 years is continuing continue under the same arrangement.
- 5.2 The recruitment process to the two Assistant Director posts for City Development and Transport, and Economic Development is already underway and is expected to take place within the next two months dependant on the outcome of this report. The process requires Member appointment panels and these were expected to be agreed at Council on the 29th June. As the existing Assistant Director Economic Development, Tony Bennett retires at the end of July an interim replacement has been appointed and he will start in the middle of July.
- 5.3 Of course the move from the old directorate to the new City Strategy directorate is not just a name change and some alterations to the structure. It crucially involves embracing the change in approach and responsibilities briefly outlined in paragraph 3.4. To achieve this the Departmental Management Team have already begun a programme of change management initiatives to encourage a more joined-up approach to directorate and corporate working as a precursor to delivering the new strategy for the city.

6. Consultation

- 6.1 There has been direct consultation with the staff of the directorate and with the trades unions over the proposals set out in this report. This raised a number of issues although none that materially impacted on the proposals contained in this report

7. Implications

- 7.1 **Financial Consequences:** All the proposals contained within this report are covered by existing staffing budgets transferred from Environment and

Development Services or by staffing budgets proposed to be transferred from the Chief Executive's Directorate.

- 7.2 **Human Resources:** Staff and Trades Unions have been consulted and there are no significant issues regarding the proposals.
- 7.3 **Equalities:** There are no equalities implications
- 7.4 **Legal:** There are no legal implications.
- 7.5 **Crime and disorder:** There are no crime and disorder implications.
- 7.6 **Information Technology (IT):** There are no IT implications
- 7.7 **Property:** All proposals will be dealt with within the existing Administrative Accommodation occupied by former Environment and Development Services however some movement of staff within this will be necessary.
- 7.8 **Other:** There are no other implications.

8.0 Recommendations

Members are asked to approve:

- 8.1 the structure for Directorate of City Strategy set out in Annex 2

Implications	
Legal	N/A
Finance	X
Human Resources	X
Sustainability	N/A
Crime & Disorder	N/A
Equalities	X
Other	N/A

Contact Details

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Director of City Strategy

Chief Officer responsible for the report:

Bill Woolley
Director of City Strategy

For further information please contact the author of the report

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Acting Director of Environment and Development Services

Assistant Director Planning and	Assistant Director Development	Assistant Director Economic D	Assistant Director Resource & Bus
<p>Development Control Building Control Land Charges Conservation & Urban Design Agenda 21/Sustainability</p>	<p>Network Management Parking Highways Infrastructure Engineering Consultancy Transport Planning City Development Capital Monitoring Emergency Planning</p>	<p>Economic Development</p> <ul style="list-style-type: none"> • Tourism • Science City <p>Markets/City Centre Training Centre Future Prospects</p>	<p>Finance Business Management Departmental Admin Departmental IT Human Resources</p>

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Director of City Strategy

Assistant Director Planning and	Assistant Director Development	Assistant Director Economic D	Assistant Director Resource & Bus
<p>Development Control Building Control Land Charges Conservation & Urban Design Agenda 21/Sustainability</p>	<p>Network Management Parking Highways Infrastructure Engineering Consultancy Transport Planning City Development Capital Monit Emergency Planning</p>	<p>Economic Development</p> <ul style="list-style-type: none"> • Tourism • Science City <p>Markets/City Centre Training Centre Future Prospects LSP LAA LPSA</p>	<p>Finance Business Management Departmental Admin Departmental IT Human Resources Operational HR Finance & Business Management Waste Disposal</p>

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Executive**11 July 2006**

Report of the Director of City Strategy

HIGHWAYS SERVICES**Summary**

1. To advise on progress to date with highway services procurement, to seek approval to the proposals for the reporting and management structure for this procurement and, if required, to provide delegated authority to submit an expression of interest (EOI) for a highway management Private Finance Initiative (PFI) bid, in consultation with the Executive Member.

Background

2. The previous procurement process reached the stage of Members appointing a preferred provider. The procurement was discontinued in February 2006 to enable other options to be considered.
3. City Strategy is investigating a number of strategic options for the delivery of highways services and also the delivery of projects identified in the Local Transport plan and other construction related initiatives. The options provided for consideration by the Executive on 2 May 2006 were:
 - A: Complete the current procurement for both parts of the service.
 - B: Abandon the current procurement and submit an EOI to the Department for Transport (DfT) for pathfinder status in Highways Management PFI.
 - C: Abandon the current procurement and retender an extended scoped package.
 - D: Abandon the current procurement and retender on the basis of a package of services under a term contract with an in-house client in the event that options B and C are unsuccessful.

Members agreed that the options B and C could be considered in the first instance to determine their suitability as an alternative to the previous procurement.

Progress

4. The Executive report on 2 May 2006 informed Members about what needed to be done in the short and medium term and to date the following progress has been made: -

Short Term

5.
 - The term maintenance contract with Amey Infrastructure Services covering street lighting has been extended and discussions are taking place about contract issues to cover the 12-month period, including the introduction of service improvements and /or savings.
 - The term maintenance contract with Neighbourhood Services covering routine highway maintenance and footway resurfacing has been extended for the 12-month period. Improvement planning meetings have taken place resulting in the identification of 7 potential areas for improvement. Working groups are currently examining these areas in more detail with the intention of introducing improvements from the end of June 2006 onwards.
 - Colas has agreed to undertake the surface-dressing programme this summer at a discounted price.

Medium Term

6.
 - Notices have been placed seeking procurement of works for resurfacing and reconstruction, slurry sealing and surface dressing. The contract period is two years but is extendable.
 - It is intended to have contracts in place by September 2006 and whilst this will produce a reduced time frame for construction in 2006/07, it is believed that completion of the programme is achievable. Design work is taking place in readiness for contract award.
7. Legal advice has been obtained from Beachcroft Wandsborough and this confirms that the actions being taken in the long term to actively pursue the procurement of highway services will significantly reduce the risk of challenge to the short and medium term measures.
8. Progress on the long term Options B and C is concurrently taking place with the key points set out as follows: -

Long Term - Option B (PFI)

9. To fully engage in the PFI process it is essential to obtain the expert assistance of organisations that have the required skills to assist the Council.

Financial Advisors

10. Tenders for financial advisors have been obtained and evaluated on the basis of a 50/50 price quality split. Clarification of certain issues with tenderers, but with particular emphasis on the Deloitte tender, has shown that Deloitte's are the preferred financial advisor. The Procurement Team within Resources has been made aware of the situation, with the supporting evidence, and has raised no objection to the procurement.

Expression of Interest (EOI) submission to DfT

11. The first task for the financial advisor will be a report on the feasibility of the PFI route, scheduled for 7 July 2006 at the earliest. This report looks at the feasibility of the PFI route for the Council with particular emphasis on costs and affordability. It will enable a decision to be taken to commit Council funding and resources on the basis that an EOI will stand a reasonable chance of being successful. Should DfT approve the EOI then this will lead to the submission of the Outline Business Case (OBC).
12. The Deloitte report cannot be included in this report but a rapid decision needs to be made about proceeding with an EOI as a considerable amount of work has to be carried out in July and August to enable a submission, if necessary, by early September. To enable this decision to be made it is proposed that delegated authority be given to the Project Board and the Steering Group.

Technical Advisors

13. As part of the term contract with Halcrow the Council is able to obtain the necessary technical advice in connection with the use of asset information and the development of appropriate outcome specifications and costs.

Links with DfT and 4Ps

14. The Council has engaged with the 4Ps organisation to assist with developing and steering the project in a way that will make it as attractive as possible to DfT. The involvement of 4Ps is free of charge in most cases and it can assist in facilitating contacts with relevant DfT staff and can advise on the scope of the project.

Workshops

15. A number of workshops are planned involving all the various parties working together to develop the most appropriate EOI submission to DfT.

Scope

16. It is recommended that the initial scope of a Highway Management EOI will be based on the three models listed:-

Model 1

- A wide range of Highway Maintenance Works, including street lighting, grounds maintenance and maintenance of car parks and Park & Ride sites.
- Design services.
- Management services (excluding statutory and strategic functions).
- Integrated Transport schemes.
- Ward Committee schemes

Model 2

This consists of Model 1 plus:

- Traffic Management functions
- Street Cleansing

Model 3

This consists of Models 1 and 2 plus:

- Major transport infrastructure projects

The current cost associated with the provision of the services in the different Models is:-

£7.5 million per year for Model 1

£9.5 million per year for Model 2

£9.5 million per year for Model 3 plus the costs (unknown at this stage) for major projects

An essential element of a PFI project is the asset renewal and the costs involved with this. These costs consist of capital programmed investment, defined as 'capital' in years 1 to 5 and 'lifecycle' in years 6 to 25. Capital spend in the core investment period needs to be determined accurately but the backlog of works on surfaces, street lighting and structures is estimated to be £50million and this gives an indication of potential capital expenditure. Lifecycle costs are expected, at this early stage in the process, to be in the region of £10 million per year.

Subject to the outcome of workshop discussions the recommendations for the scope of the EOI may change.

Affordability

17. The initial feasibility report from Deloitte will indicate the potential cost to the Council of a PFI contract in terms of the cost of procurement and the affordability gap, although this can only be estimated fully when the scope of the

contract has been agreed. The report will give a broad indication of the likely costs associated with achieving a financial close on a contract.

Long Term - Option C (Extender Scope)

18. Both Deloitte and Halcrow will assist in the determination of the most appropriate alternative type of contract should it be decided that an EOI submission is not in the best interests of the Council or should an EOI submission fail to attract DfT interest. Should the alternative be some form of partnership arrangement then 4Ps may also continue to provide assistance although their priority is with PFI work.

Scope and Service Structure

19. Work undertaken to scope the PFI project will also be used to help determine the best scope for Option C. The effect of putting services into scope may have a knock-on effect with the continued delivery of other services and it will be important to understand these issues.

Type of Contract

20. Decisions are needed on the form of specification (output or input), the form of contract (partnering, framework, term etc) and the form of payment mechanism (schedule of rates, lump sum, target cost, open book etc).

Issues common to Option B or C

21. There are a number of key issues that are common to whichever procurement route is ultimately chosen.

Flexibility

22. The contract must have built in flexibility to enable the Council to take advantage of new initiatives over the length of a long-term arrangement.

Risk

23. In depth analysis is needed to ensure the risks are allocated to the organisation best able to manage the risk. A risk register will be developed but the appointed external will be required to assist with this.

Service Structure

24. The functions that will remain in-house need to be established in terms of risk and functional fit so that the size of the 'client' can be established and the impact on the organisation determined.

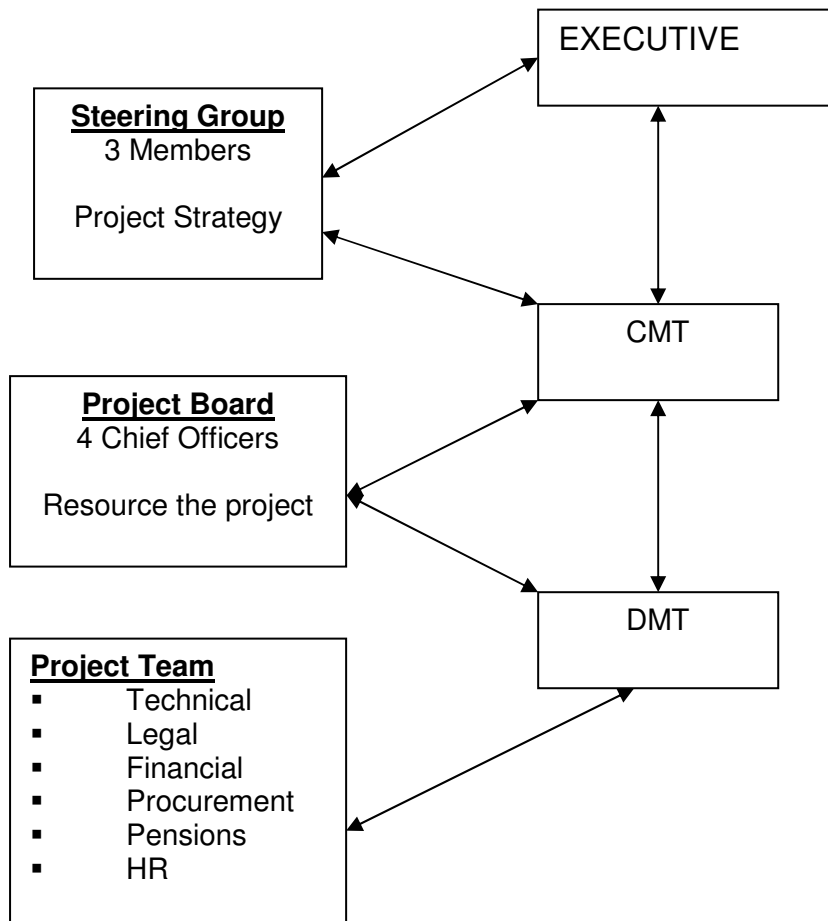
Procurement Process

- 25. The EU procurement process, which is best suited to the selected outcome, needs to be agreed i.e. restricted, competitive dialogue or negotiated process but for PFI it is most likely that the competitive dialogue process will be used.

Proposed Management Structure

- 26. Several of the difficulties encountered by the earlier procurement were the lack of engagement by those teams who were affected and by corporate groups. Resources for the project were limited and therefore restricted the procurement process. To overcome some of these difficulties a more rigorous project management structure and reporting structure is proposed and this will cover key issues such as resources, planning and decision-making.

The proposed process for reporting and decision making is shown diagrammatically below:



Steering Group

- 27. The proposal, subject to approval, is that the Steering Group consists of: -

- Leader of the Council
- Executive Member for City Strategy
- Shadow Executive Member for City Strategy

The Steering Group would meet on a quarterly basis.

The principle function of the Steering Group is to provide strategic steer to the project, receive reports and provide advice, prior to reports going to the Executive.

It is recommended that approval is given to the structure and that arrangements be made for the Steering Group to be created.

Project Board

28. The proposal is that the Project Board consists of 3 CMT members, an assistant director, plus HR input, as follows:
- Director of City Strategy
 - Director of Resources
 - Director of Neighbourhood Services
 - Assistant Director, City Strategy
 - Head of Human Resources

The Project Board would meet on a 6 to 8 weeks basis, depending on circumstances and developments.

Responsibilities will be to resource the project, to provide directional lead on specific issues and to monitor progress and make recommendations.

Project Team

29. The project team responsible for delivery of the project will provide the following skill sets:
- Technical: In-house but with external advisor when required
 - Legal: In-house but with external advisor when required
 - Financial: In-house but with external advisor when required
 - Procurement: In-house and external advisor when required
 - Pensions: In-house and external advisor when required
 - Human Resources
 - Risk Management

It is proposed that the Project Team Manager is the Head of Highway Infrastructure.

Progress meetings would be held every 4 to 6 weeks.

The project team will deliver and manage the project, including resource management, risk management and reporting. Two FTE's from within Highways Infrastructure will be allocated to the project.

Indicative Programmes Option B (PFI)

30.

Phase	Description	Outcome	Target Date
1.1	Procure Advisor(s)	Quotations submitted	05/05/2006
		Appointment	11/05/2006
1.2	Phase 1 Report	Feasibility of PFI route for York	23/06/2006
1.3	Strategic Assessment - Members. Confirm submission of EOI (report for information)	Scope Options Preliminary Estimates Value for Money Quant. Assessment Affordability	04/07/2006
2a.1	Instruction to proceed with EOI	Proceed pending approval of Members	11/07/2006
2a.2	Finalise EOI	Submission of EOI	10/09/2006
2a.3	DfT decision	Approved/ Rejected	December 2006
3.1	Instruction to proceed with OBC for PFI	Introduce internal project management arrangements Appoint procurement advisors	Jan 2007
3.2	Finalise OBC	Confirmation of PFI Credits	Depends on DfT programme April 2007
3.3	Invitation To Negotiate	Competitive dialogue	Sept 2007
3.4	Best and Final Offer (BAFO)	Affordability Clarification	Apr 2008
3.5	Commercial negotiations completed	Award contract Service mobilisation	August 2008
3.6	Service Commencement	25 year contract	June 2009

Indicative Programme Option C (assumes EOI for Option B is not pursued)

31.

Phase	Description	Outcome	Target Date
2b.1	Outcomes Business Case for Alternative to PFI	Option C or D selected	14/07/2006
2b.2	Procurement	Introduce internal project management arrangement Appoint advisors	Aug 2006
2b.3	OJEU Notice	PQQ Select tenderers [8 weeks]	Nov 2006
2b.4	ITT	Issue Tenders	Jan 2007
2b.5	Award Contract	TUPE Internal management structures Internal reorganisation Commercial negotiations complete	Sept. 2007
2b.6	Contract Mobilisation	Premises / Depot People Plant & Equipment	Mar 2008
2b.7	Contract Start		Apr 2008

Corporate Objectives

32. The highway services procurement will be an essential part of the corporate aims:

Corporate Aim 1: (Environment) Take Pride in the City, by improving quality and sustainability, creating a clean and safe environment.

Specific objectives:

- 1.1 Increase resident satisfaction and pride with their local neighbourhoods.
- 1.2 Protect and enhance the built and green environment that makes York unique.
- 1.3 Make getting around York easier, more reliable and less damaging to the environment.

Corporate Aim 3: (Economy) Strengthen and diversify York's economy and improve employment opportunities for residents.

Not directly relevant to any of the specific objectives, but good quality highway infrastructure is vital to the local economy.

Corporate Aim 4: (Safer City) Create a safe City through transparent partnership working with other agencies and the local community.

Specific objective:

4.7 Make York's roads safer for all types of user.

Corporate Aim 8: (Corporate Health) Transform City of York Council into an excellent customer-focused "can-do" authority.

Specific objective:

8.9 Manage the Council's property, IT and other assets on behalf of York residents.

Financial Implications

33. Within Highway Infrastructure budgets, funding has been identified to cover the cost of the Project Manager until October 2006.
34. A sum of £30k has also been allocated to cover initial procurement costs, but no specific procurement budget exists.
35. Completion of procurement beyond the point of an OBC will require a new appointment of advisors. It will also involve staff and administrative costs, typically in the region of £130k per year and potentially more for PFI. The funding of the procurement needs to be considered in more detail in a future report as soon as the implications are clearer.

Human Resources (HR) Implications

36. In due course the procurement will have HR implications associated with TUPE and staff transfers. Consultation will take place on both an informal and formal basis with employees and their union representatives. Staff groups potentially affected have been informed of the work being undertaken in connection with the procurement of services and will be updated regularly on progress. Full time officials of the trade unions represented have been provided with a copy of this report, for their information.

Equalities Implications

37. There are no equalities implications.

Legal Implications

38. Legal advisors will continue to be required whichever option is chosen, but there are no legal implications arising from this report.

Crime and Disorder Implications

39. There are no crime and disorder implications.

Information Technology (IT) Implications

40. There are no information technology implications.

Property

41. There are no property implications.

Other

42. There are no other implications.

Risk Management

43. This report recommends the setting up of reporting procedures to enable the procurement of a complex and inter-related grouping of services to go ahead in a structured manner. The recommendations are being put before Members to reduce the risk of some level of procurement failure. There is a significant risk attached to proceeding with this procurement, with its cross-directorate effects, if the reporting structure is not in place.
44. Should the recommendation be approved then 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 and Regulatory), damage to the Council's image and reputation and failure to meet stakeholder's expectations (Governance).
45. Measured in terms of impact and likelihood, the risk score for all risks has been assessed at less than 16. This means that at this point the risks need only to be monitored as they do not provide a real threat to the achievement of the objectives of the report.

Recommendations

46. Members are asked to consider that:
- The proposed reporting and management structures are approved.
 - The appointments to the Steering Group are approved.
 - Delegated authority be given to the Project Board and the Steering Group to submit an EOI, should this be considered appropriate, as there is insufficient time to bring a report to the Executive.

Reason :

To provide a mechanism for proper consideration of the procurement at various stages, to ensure the maximum opportunity for the most successful outcome.

Contact Details

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Chief Officer Responsible for the report:

Damon Copperthwaite
Acting Assistant Director
(City Development & Transport)

**Report
Approved**

Date

*29 June
2006*

Chief Officer : Bill Woolley
Director of City Strategy

**Report
Approved**

Date

Insert Date

Specialist Implications Officer(s) *List information for all*

Implication ie Financial

Implication ie Legal

Name

Name

Title

Title

Tel No.

Tel No.

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

All

For further information please contact the author of the report

Background Papers:

Highways Services Contract Report – 2 May 2006.

Annexes

None.

29 June 2006

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service



Executive**11 July 2006**

Report of the Director of City Strategy

YORK CENTRAL AREA ACTION PLAN**Summary**

1. Members are asked to note the revised timetable for the preparation of the York Central Area Action Plan (AAP), which brings forward the preparation of the Issues and Options document and consultation relating to this. As part of the preparation of the Issues and Options document, there will be a review of existing base line information, and not a separate Interim Planning Guidance document as had previously been agreed.

Background

2. A report to the Executive on 7 March 2006, set out the proposed planning approach for York Central. A timescale of three years had been allowed for preparation of the York Central AAP. Members agreed that Interim Planning Guidance for the area should be prepared, to enable updated policy guidance to be provided to potential developers in autumn this year.
3. At the York Central Steering Board meeting on 19 May 2006, York Central Landowners, Network Rail and National Museum of Science and Industry (NMSI), together with Yorkshire Forward, asked the Council to review the AAP programme to see if there were any opportunities to shorten the timescale.
4. At a meeting on 8 June 2006, Yorkshire Forward's Board agreed that Yorkshire Forward could provide funding to enhance the Council's planning capacity to shorten the timescale to prepare the York Central AAP.

Revised AAP Programme

5. A detailed review of the current AAP programme has now been carried out within the context of the Local Development Scheme (LDS). It is considered that, subject to the availability of funding from Yorkshire Forward for additional resources, the AAP timescale could potentially be reduced by a maximum of 8 months on the original programme. A revised project plan, as at 11.7.06, is set out in Annex 1. The programme has been aligned to take account of the Local Development Framework (LDF) programme, and in particular the Core Strategy, and Local Government elections next May.
6. The main opportunity for shortening the timescale to prepare the AAP is dependent upon getting the first stage of work, the Issues and Options

document and consultation relating to this, carried out by Christmas this year. This means that work on the production of the Issues and Options document needs to start during July. At a meeting on 16 June 2006, Yorkshire Forward agreed to fully fund a planning consultant, to be appointed and managed by City of York Council, to undertake this work.

7. Work needs to start with immediate effect in order to meet the key milestones as set out in the project plan at Annex 1. It is anticipated that the draft Issues and Options document will be brought to a meeting of the Executive in October this year, with public consultation held between November 2006 and January 2007.
8. A brief for planning consultancy services has been prepared and tenders invited from seven of the larger, experienced planning consultancies. Tender submissions have been returned from the following four consultants.
 - Arup
 - Baker Associates
 - Barton Willmore
 - Nathaniel Lichfield & Partners (NLP)

Tender Analysis

9. The four tender submissions have been assessed on price and against the requirements of the tender specification. A crucial part of the requirements is for there to be extensive consultation with the community to ensure the fullest possible understanding and feedback on any options put forward. Exempt Information at Annex 2 sets out a summary of tender submission costs. The detailed assessment of the tenders revealed the following:

9.1 Baker Associates

- On examination of the work programme, there was concern that the length of time given to assimilation of constraints and ideas elements was given 6 weeks, whereas the production of the Issues and Options document was given only 3 weeks in a 13 week programme.
- The explanation of the work involved weighed heavily on requirements for the production of sustainability documentation.
- In looking at any public consultation strategy, for the York Central area, it should be recognised that the local context would necessitate a high level of community engagement due to the scale of the development and its potential impact on the City. This did not appear to be reflected in the tender submission for the public consultation. In addition, the consultant saw their role as one of process ie. running and facilitating events, rather than providing the content for the consultation exercises.

9.2 Barton Willmore

- There was concern that there was no evidence of actual experience of producing Area Action Plan documents demonstrated within the tender submission.

- As in 9.1 above, the tender submission did not reflect the high level of the community engagement/public consultation which would be expected for the York Central area, due to the scale of the development and its potential impact on the City.

9.3 Arup

- On examination of the staffing input for the work it appeared that Arup had proposed a relatively high level of input by more junior staff. For a project the complexity and scale of York Central, a significant level of more senior staff input would be expected. There was also a concern that the size of the proposed Arup team could potentially lead to problems of consistency.
- As in 9.1 above, the tender submission by Arup did not reflect the high level of the community engagement/public consultation which would be expected for the York Central area, due to the scale of the development and its potential impact on the City.

9.4 Nathaniel Lichfield and Partners

- On examination of the staffing input for the work, NLP proposed a higher number of days to be employed on the project and a higher level of senior input, which officers feel is essential to ensure the most effective outcome for this high profile project.
- The tender submission by NLP demonstrated the high level of community engagement/public consultation which would be expected for the York Central area and recognised the wide range of stakeholder interest in the project.
- NLP had not, however, included within their tender submission for preparation of the Sustainability Appraisal (SA) Scoping Report. It is understood that this is because NLP specialist in-house resources will not be available during the first few weeks of the AAP commission, which is when the SA Scoping report needs to be prepared. NLP resources will, however, be available to undertake the Sustainability Appraisal of the Issues and Options document.

10. Clearly none of the tenders submitted fully meet all the requirements of the tender specification. However, in view of the need to start work on the AAP at the beginning of July, it is felt that both Arup and NLP could still provide the desired outcome in the timescale required.
11. In assessing costs for these remaining two tender submissions, Arup and NLP, Members will note that the Exempt Information, as at Annex 2, shows that whilst the total cost submitted by Arup is less than the total cost submitted by NLP, the daily rate for NLP is less than that for Arup.
12. The consultation strategy submitted by NLP, however, had clearly responded to the issues of public consultation and community engagement in much greater depth, with a wide range of engagement proposals. The NLP consultation plan included a significantly higher level of public consultation and community engagement, demonstrating recognition and understanding of

the wide range of groups/stakeholders interests in the project and the sensitivities involved in this.

13. The omission of the Sustainability Appraisal Scoping Report from the NLP submission will require this work to be done in-house. This work is an important part of the process, however, because of similar work already carried out in-house on the LDF Core Strategy Sustainability Appraisal Scoping Report, Officers feel that this could be completed in-house relatively easily.
14. When the lower daily rate, number of hours spent on the project, level of senior input and level of public consultation are taken into account, although the total cost of NLP is higher than Arup, it is considered that NLP offer better value for money.
15. Taking all of the above into account and recognising the urgency of getting this work underway to meet the early outcomes set out in the revised project plan, it is, therefore, recommended that NLP is appointed to produce the Issues and Options document, with specialist sub consultant, SRC, carrying out community engagement. Yorkshire Forward have confirmed their agreement to fully fund the appointment of NLP, subject to Members agreement.

Interim Planning Guidance

16. The original planning programme for York Central, showed preparation of Interim Planning Guidance this summer, with a report being brought to a meeting of the Planning Committee on 28 September 2006. The need for this has now been superseded, as work to review the existing base line information will now be undertaken as part of the Issues and Options document.

Consultation

17. The revised AAP programme for York Central has been prepared in consultation with the Director of City Strategy and the Head of City Development. Advice on financial implications and contract procurement has been sought from the Finance Manager, City Strategy, and the Corporate Procurement Unit. In addition, Yorkshire Forward and City of York Council's representatives on the York Central Steering Board, together with their executive support officers, have been consulted. Informal discussions have been held with Government Office

Options

18. This option is consistent with the approach to bring forward the LDF as soon as possible.

Analysis

19. The shortened programme means that the AAP will be at a more advanced stage in production by the time the developer is appointed in Spring 2007, than could otherwise have been achieved. Preparation of the Issues and Options document will not only provide the most up to date policy guidance for potential developers this autumn, but will outline what are the key issues and broad options for development of the York Central area. The funding from Yorkshire Forward for additional planning resources will enable an enhanced service to customers to be provided.
20. The main disadvantage is the very short timescale, over the peak summer holiday period, in which the Issues and Options document needs to be prepared.

Corporate Priorities

21. York Central is important to provide brownfield land for housing and employment needs for the City. Regeneration of the area will attract investment, helping to strengthen the city's high growth sectors and generate quality jobs. Development of the York Central area will help to protect and enhance York's existing built and green environment.

Implications

22. Implications are as listed below:
 - **Financial:** The consultant's fee for the Issues and Options work will be approximately £110K. Yorkshire Forward have agreed to fully fund the costs of the work so there is no direct financial cost to the City Council of the work.
 - **Human Resources (HR):** There are no HR implications.
 - **Equalities:** There are no Equalities implications.
 - **Legal:** There are no legal implications.
 - **Crime and Disorder:** There are no Crime and Disorder implications.
 - **Information Technology (IT):** There are no IT implications.
 - **Property:** There are no property implications.
 - **Other:** There are no other known implications.

Risk Management

23. The review and revised programme to enable a shorter timescale to prepare the York Central AAP is dependant upon getting the first stage of work carried out by Christmas this year. Any delay or slippage to this programme, for whatever reason, could have implications on the delivery of the shorter AAP programme. To reduce this risk, tight project management and regular monitoring of risk, will be undertaken.

Recommendations

24. Members are asked to:

- 1) Note the revised timetable for the preparation of the York Central Area Action Plan.

Reason: The current AAP programme has been identified as a risk to the development of York Central.

- 2) Approve the appointment of Nathaniel Lichfield & Partners to produce the Issues and Options document and carry out public consultation related to this.

Reason: The appointment of a planning consultant to carry out this work is needed to deliver the shortened AAP programme.

- 3) Consider that the preparation of Interim Planning Guidance (IPG) be discontinued.

Reason: The need for IPG has been superseded by the production of the Issues and Options document.

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Report Approved

Date 29.6.06

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Wards Affected: Clifton, Guildhall, Holgate, Micklegate

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Background Papers:

Report to Executive, 7 March 2006

Annexes

- Annex 1. Revised Project Plan : York Central Area Action Plan
- Annex 2. Summary of Tender submissions (**EXEMPT INFORMATION**)

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Area Action Plan : Revised Project Plan 11.7.06

Milestone	Date
Prepare Issues and Options	End June-mid Sept 2006
Issues and Options to Executive	October 2006
Public Participation on Issues and Options	mid November 2006 - mid January 2007
Prepare Preferred Options	Spring 2007
Preferred Options to Executive	Summer 2007
Public Participation on Preferred Options	Autumn 2007
Prepare Area Action Plan	Winter 2007/08
Report to Executive	Spring 2008
Submission to Secretary of State	Spring 2008
Formal Consultation*	Spring/Summer 2008
Public Examination*	Autumn 2008
Area Action Plan adopted by Council*	Early Spring 2009

Note: Timescales for milestones marked with * are outside the control of the Council

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of the Local Government Act 1972.

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