

Joint Report of the Chief Executive and the Director of Customer and Business Support Services

Revenue Budget Estimates 2011/12 – Office of the Chief Executive

Purpose of Report

- 1 This report presents the 2011/12 budget proposals for The Office of the Chief Executive. It includes:
 - The national context regarding local government funding and the implications for City of York Council
 - The approach that has been adopted to develop budget proposals
 - The outcomes of the customer budget consultation
 - the revenue budget for 2010/11 (Annex 1) to show the existing budgets
 - the budget adjusted and rolled forward from 2010/11 into 2011/12
 - the cost of pay and price increases and increments for the portfolio
 - proposals for service pressure costs and savings options for the portfolio area (Annexes 2 and 3).

The report also includes savings proposals relating to Strategic Housing which is part of Communities & Neighbourhoods Directorate but is the Executive Leader's responsibility.

- 2 Budget Council will be held on 24 February 2011 and will make decisions on the overall budget for the Council. In order to facilitate the decision making process the Executive are meeting on 15 February 2011 to consider the recommendations identified by the individual portfolio Executive Members and the results of the consultation exercise.
- 3 The Executive Leader is therefore asked to consider the budget proposals included in this report and identify their recommendations (after considering the proposals in annexes 2 and 3) which will be considered by the Executive as part of the consultation exercise. The Executive Leader is invited to provide comments on the budget proposals in this report.

Background

- 4 The financial context for the 2011/12 budget has been significantly impacted by :-
 - Worldwide recession leading to Central Government deficit reduction plan
 - Unprecedented reductions in Public Sector spending

- At the same time we have unavoidable ongoing financial pressures arising from
 - Increasing number of older people, living longer and requiring care and support services for longer
 - An increase in the number of severely disabled children who require intensive support into and throughout adulthood
 - Reductions in income from Council services as people have less money to spend
 - Reduction in funding of subsidised bus travel for older people
 - Increased cost of waste disposal
 - Impact of changes to Pensions and NI legislation.

5 The Council's 2011/12 budget is being developed within the constraints of the extremely challenging financial climate, set out in the government's Spending Review and provisional finance settlement information. In particular:

- a Total reductions in Government funding of 28% over the next 4 years, heavily frontloaded with CYC's grant being cut by 13.3% in 2011/12
- b 22 grants, worth £14,403k in 2010/11 and with an indicative value of £11,478k in 2011/12, have been rolled into the formula grant.
- c The increase in formula grant in the provisional settlement, including the grants transferred in, is only £5,183k, leaving a shortfall in funding of £9,221k between the two years.
- d 23 grants, worth £8,200k in 2010/11, have been transferred to the new Early Intervention Grant, for which the council will receive £6,350k in 2011/12 a further shortfall of £1,850k.
- e 21 grants, worth £13,685k in 2010/11, have been incorporated within the Dedicated Schools Grant (DSG). The provisional DSG for 2011/12 is £106,564k, an increase of £13,659k from the 2010/11 level (subject to pupil number adjustments).
- f There are a further five grants (worth £759k in 2010/11) as yet still under review.
- g Against these pressures Executive were advised in December that directorates would need to find savings of £15m to be able to set a balance budget for 2011/12.
- h In addition, other grants (worth £5,554k in 2010/11) which formerly were direct grants to service areas have been cancelled, creating additional financial pressures in directorates.
- i While the Council has been penalised over the past few years by the workings of the floors and ceilings within the formula grant mechanism, for 2011/12 this same process will offer the protection of a damping gain of £2,541k.

- j The Council will receive a further reduction in formula grant of £4,639k in 2012/13.
- 6 Against these funding reductions the Council has been offered a sum of £1,828k per annum for each year of the Spending Review period if the council tax level in the area is frozen at the 2010/11 level. At the same time the threat of 'capping' local authorities who decide to raise council tax levels or net expenditure above a level yet to be determined by the government has not been removed. York currently has the second lowest Council Tax of all Unitary authorities.
- 7 The 2010/11 revenue budget monitoring process has identified areas of activity that currently have insufficient capacity to deal with the increased demands on those services. In addition consideration has been given to the Council's top priorities, and the need to ensure that key front line areas of activity, particularly those in respect of adults and children, can continue to be provided. From this analysis, specific areas of investment will be proposed within the Council's 2011/12 budget, in particular within the following areas :
- Increasing demand on adult social care services
 - Impact of economic downturn on the Council's income generating services
- 8 The proposed budget for 2011/12 reflects the need to direct investment into these areas in order that planning and monitoring of service delivery and improvement can take place against an adequate resourcing platform.
- 9 In addition, the Council recognises that adequate provision needs to be created within the budget to ensure that the continuing financial impact of the economic downturn can be contained effectively. Following detailed review of economic pressures both on front line services and the Council's Treasury Management function, it is proposed that money will be set aside within the budget to contain the impact of these pressures.
- 10 In order to create the financial capacity to enable adequate investment in these priority areas the budget strategy has been based around certain key financial management principles. A fundamental maxim of the strategy is that Directorates have been made clearly responsible for the robust and effective self-management of their existing financial resources and that restraint has been expected in putting forward for additional growth in budget to be funded corporately.
- 11 Directorates have been expected to contain their net expenditure within clearly defined and strictly enforced cash limits with a clear expectation that Directorates self manage all non-exceptional budget pressures within this cash limit. These pressures include the anticipated cost of the pay award and any incremental increases due in year. Explicitly linked to self-management within defined cash limits has been the requirement for directorates to demonstrate the re-allocation of budgets in order to contain internal financial pressures.
- 12 CYC has a strong track record of delivering Value for Money and initiated an innovative efficiency programme, More for York which is on track to deliver

£9m savings from the work undertaken in the current year so it is well placed to meet the financial challenges set out above.

Budget Consultation

- 13 As with previous years we have asked residents what services they value and where they would wish CYC to continue providing the levels of service they receive now and where they think we should reduce spending. This year steps were taken to reduce the cost of the Budget Consultation, due to the very nature of the consultation. Budget questions were included in Your City and available online. Residents were also able to give their views through a separate online budgeting tool - YouChoose. The consultation generated a statistically reliable response of 738 for Your City and 465 for YouChoose. Whilst the level of response is lower than last year the results remain statistically reliable, and furthermore overall spend was less than £1,000.

Your City Questions - This was based upon 3 questions:

- 60% of residents would choose to meet the budget challenge through higher fees and charges, 44% through reductions in service and only 30% of residents through increased Council Tax.
- People are more willing to pay increased charges for Planning, Parking and Leisure facilities than they are for Homecare services.
- In deciding whether budgets for different services should stay the same or be reduced, residents were more likely to say that funding for social care services, community safety and street based services should remain the same – 85% Children’s social care, 75% crime prevention and community safety, 76% Adult social care, 76% waste and recycling, 74% road and footpath maintenance and 70% street cleaning.
- Residents were more willing to reduce spending on a broad range of leisure and culture services and on young peoples services and transport with 64% reducing sport and leisure facilities (including events and activities), 63% reducing theatres and museums, 47% reducing parks and open spaces, 45% reducing libraries, 42% reducing young peoples services and 41% reducing transport services.

You Choose Questionnaire - This was an interactive online tool that asked residents to identify how to make £15m savings by either increasing/decreasing Council Tax, spend or fees and charges on a range of services.

- Perhaps because residents were asked to identify total savings they were generally much more likely to reduce expenditure in all areas. However the same pattern of preference as in Your City was repeated with 98% of residents reducing the budget for Council support and public engagement, 92% reduced leisure and culture budgets, 89% reduced Adult Social Care budgets, 81% reduced Children’s Social Care budgets whilst community safety was reduced by 74% of residents.

- In terms of service efficiencies and saving money, respondents were very supportive of all the options. A review of the authority's fleet vehicles was supported by 82% of respondents, sharing services with partners by 78% and outsourcing services to external suppliers by 57%.

Principles

14 Directorates have identified options for savings for consideration by the Executive portfolio holder based on 4 key principles. Each of these principles will bring benefits for the citizens of York, and each will be guide us as we tackle the realities of significant budgetary changes in the months and years to come:

- **Create** - opportunities for our citizens and communities, our businesses and educational establishments to prosper and thrive.
- **Protect**
 - The most vulnerable members of our community – older people, people with disabilities and, children– by ensuring that the services with which we provide them are the very best possible
 - All citizens by ensuring that vital Council services that secure their well-being continue to be delivered and that all customer groups receive equal outcomes
 - The financial interests of our residents by not raising the amount of Council Tax they pay in 2011/12
 - Staff by ensuring wherever possible that we provide security of employment .
- **Partner**
 - Increase public participation in decision-making and service delivery
 - Bring together service provision from a range of agencies at a local level so that individuals, community groups and voluntary bodies can shape and prioritise and even take control of delivering services that are needed at a local level.
 - With the voluntary and community sector; health services, and city partners in the police, fire service, education and business to join up services and make the most of all the resources within the city
 - Cost and Quality of services are important to CYC – where we cannot match both the cost and quality of service offered by other providers we will consider using the Community and Voluntary sector, staff co-operatives or the Private sector to deliver services.
- **Efficiency**
 - We will continue to monitor spend and drive costs down
 - We will rationalise and reshape services to make them as efficient as possible
 - Get better value from our non salary spend through effective procurement.

Delivering the Savings

- 15 Once again the More for York programme will be used to support the delivery of the savings. The programme will now be on a much larger scale and Directorate Management Teams will be central to delivery and managing the changes. It must be stressed that achievement of these efficiencies will not be easy to deliver but they are essential in order to deliver investment into priority areas. The scale and pace of the transformation process in coming years will be critical to the Council maintaining financial stability. In addition, clearly with the future pressures on public spending, combined with known forecast increased pressures in children's care, adult care, and waste management, the Council will face the need to both achieve significant transformational change, and review the overall type and level of service provision in coming years.

Directorate Overview

- 16 In the Office of the Chief Executive we will continue to manage the procurement of goods and services, the council's Strategy Partnerships and Communications, manage the Councils' Business Change Programme and deliver corporate support for Performance Management and Business Intelligence, provide essential support services for all front line services.
- 17 The proposals within the budget aim to :

Create

- Jobs in the city by supporting the creation of an internal service to provide temporary staff which will reduce the cost of hiring external short term staff

Protect

- Core services by streamlining all support services to ensure that they deliver the best possible support to frontline services.

Partner

- Creating focussed prioritised relationships with partners that enable us to work closely together in future
- Support the setting up a trading company to provide support services to other Public Sector organisations and making savings as a result of economies of scale.

Efficiency

- Reduce the number of Managers at all levels across the organisation, saving £2.3m
- Rationalise and streamline all teams within Office of the Chief Executive Services
- Continue to reduce the cost of goods and services through commercial rigorous procurement to control demand and ensure the Council gets the

- best deals available from its non salary spend
- Reduce the cost of internal communications
- Consolidate customer consultation activity across the Council.

Budget Proposals for Office of the Chief Executive

- 18 A summary of the budget proposals is shown in Table 1 below. Further details on each individual element are presented in the subsequent paragraphs. The annexes also contain other potential growth and savings items which at this stage are not being recommended to Members.

Table 1 - Summary of Budget Proposals

	Para. Ref	£'000
Base Budget 2010/11	19	3,413
Allocation for increments	20	36
Service Pressure proposals (Annex 2)	21	600
Savings proposals (Annex 3)	23-27	-650
Proposed Budget 2011/12		3,399

Base Budget (£3,413k)

- 19 This represents the latest budget for 2010/11, updated for the full year effect of decisions taken during 2010/11, e.g. supplementary estimates awarded.

Increments (£36k)

- 20 The job evaluation exercise resulted in a twelve grade structure with four levels within each band. 2011/12 is the final year that will include incremental payments for staff appointed at the bottom of the grade as part of that.

Service Pressures (£600k)

- 21 A range of options for service pressure proposals has been considered and in view of the overall available resources it is proposed that only those proposals shown in Annex 2 are included as the preferred options for Office of the Chief Executive. The proposals put forward are the result of a rigorous assessment process, which included looking at the risk to customers and staff, equalities impacts, legislative requirement, proven customer demand and the Council's corporate objectives. There is a general price freeze on most budgets. The amount allowed within service pressures for price inflation is to fund known price increases, e.g. contract payments.

Contingency Items

- 22 The Executive Leader should note that there are potential expenditure pressures that may materialise in 2011/12 but which are not yet certain or not quantifiable at this stage. The Executive will decide on 15 February 2011 whether or not to set a general contingency to provide possible funding for such items for 2011/12.

Savings Proposals (£-650k OCE, £-50k Strategic Housing)

- 23 The Executive Leader will be aware that the 2010/11 budget savings were significant and that all Directorates are operating within a tight financial environment. In addition the Council has accelerated its' efficiency programme, More For York, which had an initial target of generating £15m of budget savings over three years, to meet the financial constraints of the governments' spending Review and the provisional finance settlement.
- 24 In seeking to achieve savings for the 2011/12 budget Directorates have examined budgets with a view to identifying savings that have a minimum impact on the services provided to the public, customers and the wider Council and are not already included in existing blueprints for More For York. They have concentrated on initiatives that:
- improve quality and efficiency
 - Reduce Management and administrative costs
 - Protect frontline services especially services for the most vulnerable members of our community
 - Result from ongoing service reviews
 - generate income
 - address budgetary underspends
 - improve cash flow and interest earnings.
- 25 In addition to the initiatives listed above the price increases and list of savings also include proposals to increase fees and charges (see also section below). Generally these are in line with inflation, but this is varied by directorates as they are affected by national constraints/requirements.
- 26 Annex 3a shows the full list of savings proposals for the Office of the Chief Executive portfolio.
- 27 Annex 3b shows the full list of savings proposals for the Strategic Housing service within the Communities & Neighbourhoods Directorate.

Fees and Charges

- 28 There are no external fees and charges levied by the Office of the Chief Executive.

Consultation

- 29 This paper forms part of the Council's budget consultation. The results of consultation to date are included in the report. These include a Your City Questionnaire, YouChoose, an online questionnaire , a public meeting led by the Leader of the Council and Director of Customer and Business Support Services where participants were presented with information on pressures facing each directorate, and a further session with the business communities of the city.

Options

- 30 As part of the consultation process the Executive Leader is asked to provide comments or alternative suggestions on the proposals shown in Annexes 2 and 3.

Analysis

- 31 All the analysis is provided in the body of the report and the annexes.

Corporate Priorities

- 32 The budget represents the opportunity to prioritise resources towards corporate priority areas. The principles set out in this report which have driven the development of savings and growth proposals are derived from the Councils corporate priorities.

Implications

- 33 The implications are:
- Financial - the financial implications are dealt with in the body of the report.
 - Human Resources – The original OCE restructure removed 13.1FTEs from the structure, which was agreed by the Executive on 2nd November 2011 (ref. CORS01e, Annex 3). The restructure and all necessary consultations with the unions are currently underway. The savings proposed in this report result in a reduction of a further 2 posts (ref. OCES01) which are subject to the Council's Supporting Transformation (Management of Change) process.
 - Equalities –The consideration of the impact of these proposals on each equalities strand has been carefully considered by officers as part of the budget preparation process. Consultation has also taken place with representatives of groups in York and feedback has been incorporated. Individual Equalities Impact Assessments (EIA) have been undertaken where appropriate and the impacts of each proposal are set out in Annex 3. An Overall EIA of the budget has been undertaken and will be a background paper to the Executive report.
 - Legal - there are no legal implications to this report.
 - Crime and Disorder - there are no specific crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property - there are no property implications to this report
 - Other - there are no other implications to this report.

Risk Management

- 34 Key reporting mechanisms to Members on budget matters will continue to be through mid-year monitoring reports and the final Revenue Outturn report for the year. The format/timing of these reports has recently been considered by the Council's Management Team but as a minimum they will report on

forecast out-turn compared to budgets and will also address the progress made on investments and savings included within the budgets.

- 35 The budget setting process always entails a degree of risk as managers attempt to assess known and uncertain future events. As with any budget the key to mitigating risk is prompt monitoring and appropriate management control. As such updated figures and revised corrective actions will be monitored via Directorate Management Teams, Corporate Management Team and the monitor reports during the year.

Recommendations

- 36 The Executive Leader is invited to consider whether the budget proposals are in line with the Council's priorities.
- 37 The Executive Leader is invited to provide comments on the budget proposals for savings and growth which have been prepared by Officers and contained in this report, which are intended to form part of the Council's budget to be considered by the Budget Executive on 15 February 2011.
- 38 The Executive Leader is invited to provide comments on the areas for consultation for the revenue budget contained in this report, which may form part of the Council's budget to be considered by the Budget Executive on 15 February 2011.
- 39 The Executive Leader is asked to consider the budget proposals for consultation for Office of the Chief Executive for 2011/12 contained in this report and listed below and provide comments to be submitted to the Budget Executive on 15 February 2011.
- 2011/12 Base budget as set out in paragraph 19;
 - Service Pressure proposals as set out in Annex 2;
 - Savings proposals as set out in Annex 3a and 3b.

Reason

As part of the 2011-12 budget consultation.

Contact Details

Authors:

Patrick Looker
Finance Manager
Customer and Business Support Services
Tel 551633

Chief Officers responsible for the report:

Kersten England
Chief executive
Tel: 551000
Ian Floyd
Director of Customer and Business Support Services
Tel: 551100

Specialist Implications Officer(s) None

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

Background Working Papers

Annexes

Annex 1 - 2010/11 Budget
Annex 2 - Service Pressure Proposals
Annex 3a - Savings Proposals OCE
Annex 3b – Savings Proposals - Strategic Housing – Communities and Neighbourhoods