

Joint report of the Director of Learning, Culture and Children's Services and the Director of Resources

REVENUE & CAPITAL BUDGET ESTIMATES - 2008/09

Purpose of Report

- 1 This report presents the 2008/09 budget proposals for Leisure & Culture. It includes:
 - The revenue budget for 2007/08 (Annex 1) to show the original budgets.
 - The base budget for 2008/09 including the 2007/08 budget rolled forward and adjusted.
 - The provisional allocation of pay and price increases for the portfolio.
 - Budget service pressure costs and savings proposals for the portfolio area (Annexes 2 and 3).
 - Fees and Charges proposals (Annex 4).
 - Other revenue budget options for consultation (Annex 5).
 - The existing approved capital programme (Annex 6).
 - Proposals for new capital schemes (Annex 7).

- 2 Budget Council will be held on 21 February 2008 and will make decisions on the overall budget for the council. Proposals for savings/growth currently being considered by the individual EMAP meetings will not result in a balanced budget so the Executive Members will also have to consider other options. Further options relating to this portfolio are shown in Annex 5. In order to facilitate the decision making process the Executive are meeting on 12 February 2008 to consider the preferences identified by the individual portfolio Executive Members and the results of the consultation exercise.

- 3 The Executive Member is therefore asked to consider the budget proposals included in this report and identify their preferences, including the proposals in Annexes 2, 3 and 7 that will be considered by the Executive as part of the intended budget. In particular Member advice is sought on the items listed for consultation in Annex 5, which at present do not form part of the intended budget, but which may need to (see paragraph 2). Members of EMAP are invited to provide comments on the budget proposals in this report.

Background

- 4 The Council's Financial Strategy was adopted by the Executive on 11 September 2007. This paper is the result of ongoing work against this agreed framework.

Local Government Finance Settlement

- 5 The provisional Local Government Finance settlement for 2008/09 was issued by the Department for Communities & Local Government (DCLG) on 6 December 2007 and also included indicative figures for 2009/10 and 2010/11 that will enable the Council to consider future budget issues. The provisional settlement for 2008/09 indicated that the government has transferred £2.626m from service specific grants into the general (Revenue Support) grant. Formula damping, by which the government try to ensure that there is a limit to large gains/losses to council's from formula changes, is still in force. The proposed funding position shows that the general grant will increase by £1.39m (3.63%) in 2008/09, £1.17m (2.75%) in 2009/10 and £1.11m (2.56%) in 2010/11.
- 6 It should be noted that this is a *provisional* settlement, and, as such, it is likely to change following consultation. As it is a three-year settlement it is likely that the authorities that are large grant losers who have significant resources at their disposal will be lobbying hard for changes to be made in their favour. It is also likely that there may be errors/changes to the data used by the DCLG when the final settlement is announced.

Budget Proposals for Leisure & Culture

- 7 A summary of the budget proposals is shown in table 1 below. Further details on individual elements are presented in the subsequent paragraphs. The annexes also contain other potential savings items, which at this stage are not being recommended to Members.

Table 1: Proposed Leisure & Culture Budget 2008/09	Para Ref	£000
2007/08 Original Budget (see Annex 1)		9,478
2007/08 In Year Recurring Amendments:		
Allocation of residual budgets following Arts & Culture restructure		- 1
NNDR Adjustments		+ 3
One-Off Growth Included in 2007/08 Budget:		
Contribution to the 2010 Mystery Plays		- 20
One-Off Savings Included in 2007/08 Budget:		
YorKash Fund Reduction		+25
Full Year Effect of 2007/08 Savings In 2008/09:		
Arts Service Level Agreements		- 4
Allotment Rental Income		- 1
Sport Facilities Rent Review		- 46
2008/09 Base Budget	8	9,434
Provision for Pay Increases	9	+159
Provision for Price Increases	10	+120
Fees & Charges Increase	11	- 101
Service Pressure Proposals (Annex 2)	12-13	+166
Savings Proposals (Annex 3)	14-15	- 102
2008/09 Total Proposed Budget		9,676

2008/09 Base Budget (£9,434k)

- 8 This represents the latest 2007/08 budget approved by and reported to Members, updated for the full year effect of decisions taken in the 2007/08 budget and amendments during 2007/08, e.g. supplementary estimates.

Provisional Pay Increases (+ £159k)

- 9 These calculations are based on a pay increase for APT&C staff of 2.5% and an increase in pension costs totalling £109k. The negotiations for the 2008/09 settlement have not yet started, although there is pressure from the Treasury that increases are kept under 2%. In addition, under the national pay scheme employees are entitled to an annual increment where they are not at the top of the agreed pay scale. Growth of £50k is included for the net costs after allowing for new starters at the lower point of the grade.

Provisional Price Inflation (+ £120k)

- 10 The budget proposes that, due to the underlying low rate of inflation, there is a general price freeze on most budgets, including grants to voluntary organisations and partnerships (except for York Museums Trust which has guaranteed funding increases up to 2013). The amount allowed for price inflation is to fund known price increases, e.g. contract payments and fuel bills.

Fees & Charges and Other Income Budgets (- £101k)

- 11 Fees & Charges are generally increasing by 5% except where there are nationally set charges. These are then rounded up or down as appropriate to create sensible figures. Internal services that trade with schools are also generally increasing their charges by 5%. Where increases are proposed in excess of this the additional income is either reflected in the savings totals offered or being used to address existing income budget shortfalls.

Service Pressure Proposals (+ £166k)

- 12 In the Finance Strategy report to the Executive on 11 September 2007 a sum of £7.828m was included as the estimated amount that would be needed to meet increasing demand for services and to allow for reprioritisation of service provision.
- 13 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 in the consultation list as the preferred options for Leisure & Culture. The proposals put forward are the result of a rigorous assessment process, which included looking at the risk to customers and staff, legislative requirements, proven customer demand and the Council's corporate objectives.

Savings Proposals (- £102k)

- 14 Members will be aware that the 2007/08 budget savings were significant and that all Directorates are operating within a tight financial environment. In seeking to achieve savings for the 2008/09 budget, Directorates have examined budgets with a view to identifying savings that have a minimum impact on the services provided to the

public, schools, customers and the wider Council. They have therefore concentrated on initiatives that:

- reflect directorate priorities and plans;
- improve quality and efficiency;
- take advantage of ongoing service and/or Best Value reviews;
- generate income;
- address budgetary underspends;
- improve cash flow and interest earnings;
- generate savings from the technical and financial administration functions of the Council.

15 Annex 3 shows the full list of savings proposals for Leisure & Culture.

Capital Programme

16 A summary of the Council's existing capital programme is shown at Annex 6.

17 The resources to fund new capital schemes are limited. Overall the existing programme is anticipated to generate a small receipts surplus of £0.6m, however, it is unlikely that there will be any new major receipts as all surplus land holdings have either been sold or are earmarked to be sold for existing commitments. A maximum of £1.25m is expected to be available for new schemes as part of the 2008/09 – 2010/11 programme, which if fully committed, leaves no contingency if sales are not made at their expected values. Against this background Officers have prepared a list of possible schemes to be considered for this portfolio, as shown at Annex 7.

18 There is only one addition to be considered for this portfolio, which is an increase in the existing scheme for the York Museums Trust. The existing scheme includes £200k for works to the Hospitium building located in the Museum Gardens, and this has been made available to the Trust in 2007/08. The increase of £255k is required for further works to convert the building into a high-quality conference and wedding venue. It is proposed that this be funded by prudential borrowing with the resulting principal repayments and interest charges being offset against the revenue grant paid to the Trust during the period of the borrowing.

Consultation

19 This paper forms part of the Council's budget consultation. The other streams being undertaken include a recently held public meeting where participants sat at tables and tried to produce a balanced budget after considering growth and saving priorities, a leaflet circulated city wide with a fold-out return part and a web-based process.

Options

20 As part of the consultation process Members of EMAP are asked for their comments or alternative suggestions on the proposals shown in Annexes 2, 3, 5 and 7.

Analysis

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

Corporate Priorities

- 22 The budget represents the opportunity to reprioritise resources towards corporate priority areas. In formulating savings and growth proposals the directorate has paid particular attention to the impact that each proposal will have on the delivery of corporate priorities.

Implications

- 23 The implications are:

- Financial - The financial implications are dealt with in the body of the report.
- Human Resources - Implications are identified against each of the individual savings and service pressure proposals listed in annexes 2 and 3 where appropriate. In summary though, the savings proposed in Annex 3 equate to the loss of 2.2 fte posts (although some of these are part time posts) and some proposals which may lead to reduced hours or changes to patterns of work. Where requested HR has been involved in the development of the budget proposals and has worked with local managers to identify the HR implications of the proposals. HR implications will be managed in accordance with established council change management procedures. As part of this process consultation with potentially affected staff and their representatives has been undertaken at corporate and departmental level and will continue throughout the budget setting process.

Despite this there is still a statutory requirement for collective consultation with both the trade unions and employees where 20 or more redundancies are proposed within a 90-day period. It is anticipated that due to the number of potential redundancies and when the budget saving proposals become clearer, it will be necessary for the council to issue an Advance Notification of Redundancies (HR1) to the Department for Business, Enterprise and Regulatory Reform (formerly the Department of Trade and Industry) and the trade unions. Failure to do so could result in delays to redundancies taking place and penalties associated with non-compliance. The Council is required to issue this notification 30 days before the first dismissal takes place where there are between 20 and 99 redundancies proposed and 90 days before the first dismissal where there are 100 or more proposed.

The council's overall number of full time equivalent posts to be reduced is still yet to be established. Once this has taken place HR will confirm the required duration of the collective consultation and notification periods. Line managers must not issue notices to dismiss employees before the collective consultation and statutory consultation process has concluded.

Action is already being undertaken to mitigate the overall redundancy numbers through processes such as redeployment and controlled recruitment. Natural attrition, the retention of grant funding and attainment of growth bids will equally reduce the final number of posts to be removed from the establishment.

- Equalities - there are no equality implications to this 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.

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Risk Management

- 24 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.
- 25 The budget setting process always entails a degree of risk as managers attempt to assess known and uncertain future events. This year has demonstrated the difficulty of achieving this. 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

- 26 The Executive Member Advisory Panel is invited to consider whether the budget proposals are in line with the Council's priorities.
- 27 The Executive Member Advisory Panel 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 12 February 2008.
- 28 The Executive Member Advisory Panel 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 12 February 2008.
- 29 The Executive Member Advisory Panel is invited to provide comments on the capital proposals 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 12 February 2008.
- 30 The Executive Member is invited to consider whether the budget proposals are in line with the Council's priorities.
- 31 The Executive Member is asked to consider the budget proposals for consultation for Leisure & Culture for 2008/09 contained in this report and listed below and provide comments to be submitted to the Budget Executive on 12 February 2008.
- 2008/09 Base Budget as set out in paragraphs 7 to 10

- Service Pressure Proposals as set out in Annex 2
- Savings Proposals as set out in Annex 3
- Fees and Charges as set out in Annex 4
- Other Revenue Budget Options for Consultation as set out in Annex 5
- Proposals for New Capital Schemes in Annex 7

Reason: As part of the consultation on the Leisure & Culture budget for 2008/09.

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Annex 1 - 2007/08 Original Budgets

Annex 2 - Service Pressure Proposals

Annex 3 - Savings Proposals

Annex 4 - Fees & Charges Schedules

Annex 5 - Other Revenue Budget Options For Consultation

Annex 6 - The Existing Approved Capital Programme

Annex 7 - Options For New Capital Schemes

Background Papers

2008/09 Budget Files

Provisional Local Government Finance Settlement - December 2007