

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

## **REVENUE BUDGET ESTIMATES - 2010/11**

### **Purpose of Report**

- 1 This report presents the 2010/11 budget proposals for Leisure & Culture. It includes:
  - The revenue budget for 2009/10 (Annex 1) to show the original budgets.
  - The base budget for 2010/11 including the 2009/10 budget rolled forward and adjusted.
  - The cost of pay and price increases, increments and settlement of pay and grading appeals for the portfolio.
  - Budget service pressure costs and savings proposals for the portfolio area (Annexes 2 and 3).
  - Fees and Charges proposals (Annex 4).
- 2 Budget Council will be held on 25 February 2010 and will make decisions on the overall budget for the council. In order to facilitate the decision making process the Executive are meeting on 16 February 2010 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 and 3 that will be considered by the Executive as part of the intended budget. The Executive Member is invited to provide comments on the budget proposals in this report.

### **Background**

- 4 The council's 2010/11 budget is being developed within the constraints of an extremely challenging financial climate. An extensive transformational programme has begun which will promote efficient delivery of services whilst at the same time ensuring funding is available for investment in key areas across the council.
- 5 The 2009/10 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 councils 2010/11 budget, in particular within the following areas:

- Adult Social Care
- Children's Social Care
- Waste Management

- 6 The proposed budget for 2010/11 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.
- 7 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 in the region of £3m will be set aside within the budget to contain the impact of these pressures.
- 8 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
- 9 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.
- 10 As part of the development of the budget, the council's transformation programme has also been robustly reviewed in view of the need to create capacity to invest in priority areas. A realistic acceleration of efficiency savings will be included within the corporate budget proposals in order to ensure that the additional financial capacity introduced in this budget is based around a challenging but realistic approach to driving out efficiency savings across the organisation. However, 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.
- 11 In particular, the Executive Member will be aware of significant pressures within Leisure Fees & Charges and Grant Income budgets. It is however recognised that reviews of service activity need to take place in order to develop and implement mitigation plans that will constrain the impact of these financial pressures.

- 12 The Director of Resources' report '2010/11 Budget Strategy and Medium Term Financial Planning 2011/12 to 2013/14' was adopted by the Executive on 15 December 2009. This paper is the result of ongoing work against this agreed framework.

Local Government Finance Settlement

- 13 The Local Government Finance settlement for 2008/09 also included indicative figures for 2010/11 that enabled the council to consider future budget issues. The provisional settlement for 2010/11 gives an increase in formula grant of £1.090m (+2.51%).

**Budget Proposals for Leisure & Culture**

- 14 A summary of the budget proposals is shown in table 1 below. Further details on individual elements are presented in the subsequent paragraphs.

<b>Table 1: Proposed Leisure &amp; Culture Budget 2010/11</b>	Para Ref	£000
<b>2009/10 Original Budget (see Annex 1)</b>		<b>9,240</b>
2009/10 In Year Recurring Amendments:		
Post Transferred from Marketing & Communications		+ 34
Pay Award Budget Allocation		+ 55
One-Off Growth Included in 2009/10 Budget:		
Archive Additional Staffing		- 32
Archive Development Fund		- 30
Barbican Interim Funding		- 120
Edmund Wilson Gym		- 33
Oaklands Sports Centre Temporary Closure		- 15
<b>2010/11 Base Budget</b>	<b>15</b>	<b>9,098</b>
Provision for Pay Increases	16	+ 229
Provision for Price Increases	17	+ 76
Fees & Charges Increase	18	- 30
Service Pressure Proposals (Annex 2)	19-21	+ 282
Savings Proposals (Annex 3)	22-24	- 310
<b>2010/11 Total Proposed Budget</b>		<b>9,345</b>

2010/11 Base Budget (£9,098k)

- 15 This represents the latest 2009/10 budget approved by and reported to Members, updated for the full year effect of decisions taken in the 2009/10 budget and amendments during 2009/10, e.g. supplementary estimates.

Provisional Pay Increases (+ £229k)

- 16 These calculations are based on a pay increase for Local Government staff of 1.0% (from 1 April 2010) and Teaching staff of 2.3% (from 1 September 2010) at a cost of £46k. The teaching staff increase has already been agreed but negotiations for the 2010/11 Local Government settlement have not yet started, although there is

pressure from the Treasury that increases are kept to a minimal level. In addition, growth of £125k is included for the net costs of staff increments after allowing for new starters at the lower point of the grade, and £58k for the estimated cost of successful pay & grading appeals.

#### Provisional Price Inflation (+ £76k)

- 17 The budget proposes that, due to the underlying low rate of inflation, there is a general price freeze on most budgets. The amount allowed for price inflation is to fund known price increases, e.g. contract payments, and is net of any inflationary allowance included in on-going grants supporting core services.

#### Fees & Charges and Traded Services (- £30k)

- 18 The budget proposes that most Fees & Charges are increased by 2.5%, except where there are nationally set charges. These are then rounded up or down as appropriate to create sensible figures. The majority of internal services that trade with schools are also increasing their charges by 2.5%. Where increases in charges (external or school traded services) are proposed in excess of 2.5% the additional income is either reflected in the savings totals offered or being used to address existing budget shortfalls. A full schedule of all proposed fees and charges is shown at Annex 4.

#### Service Pressure Proposals (+ £282k)

- 19 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 Leisure & Culture. The proposals put forward are the result of a rigorous assessment process, which included looking at the risk to customers, schools and staff, legislative requirements, proven customer demand and the council's corporate objectives.
- 20 Members should note that even if all of the items identified at Annex 2 are funded the directorate will still need to manage some significant budget pressures in 2010/11, in particular:
- Library Service income, where there has been a significant downturn in income generated from audio visual rental in recent years and the current financial climate appears to be being felt.
  - Sourcing replacement funding for a number of grant streams that are ceasing and that currently support activities and staffing within the Sports & Active Leisure Service.
- 21 The Executive will decide on 16 February 2010 whether or not to set a general contingency to provide possible funding for such items for 2010/11.

#### Savings Proposals (- £310k)

- 22 Members will be aware that the 2009/10 budget savings were significant, and that all directorates are operating within a tight financial environment. The council has also engaged in an efficiency programme, More For York, which had an initial target of generating £15m of budget savings over three years. In addition to those savings

included in the efficiency programme directorates have looked at other areas within their control.

- 23 In seeking to achieve savings for the 2010/11 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, and are not already included in the blueprints for More For York. 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.
- 24 Annex 3 shows the full list of savings proposals for Leisure & Culture.

### **Consultation**

- 25 This paper forms part of the council's budget consultation. The other streams being undertaken include a public consultation leaflet circulated city wide (results should be known prior to the meeting of the Executive), a public meeting where participants debated savings and growth proposals attended by the Leader of the Council and the Chief Executive, and a further session with the business communities of the city. The budget proposals have been discussed with affected key staff and in meetings with Trade Union representatives.

### **Options**

- 26 As part of the consultation process the Executive Member is asked for their comments or alternative suggestions on the proposals shown in Annexes 2, 3 and 4.

### **Analysis**

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

### **Corporate Priorities**

- 28 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**

- 29 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 fte posts. In addition some proposals 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.
- Equalities - An equalities impact assessment has been carried out for the items included within the proposed budget. The results of this assessment have been used in the prioritisation of both the savings and the growth proposals.
- 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.

### **Risk Management**

- 30 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 and timing of these reports has recently been considered by the council's Corporate 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.
- 31 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**

- 32 The Executive Member is invited to consider whether the budget proposals are in line with the council's priorities.
- 33 The Executive Member is asked to consider the budget proposals which have been prepared by Officers for Leisure & Culture for 2010/11 contained in this report and listed below, and provide comments to be submitted to the Budget Executive on 16 February 2010.
- 2010/11 Base Budget as set out in paragraphs 14 to 17
  - 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

Reason: As part of the consultation on the Leisure & Culture budget for 2010/11.

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<b>Wards Affected:</b>	<b>All</b>	√	
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- Annex 1 - 2009/10 Original Budgets**
- Annex 2 - Service Pressure Proposals**
- Annex 3 - Savings Proposals**
- Annex 4 - Fees & Charges Schedules**

**Background Papers**

2010/11 Budget Files

Provisional Local Government Finance Settlement - December 2007