

Report of the Director of Resources

Resources Directorate Revenue and Capital Budget Estimates 2008/09

Purpose of Report

- 1 This report presents the 2008/09 budget proposals for the Resources Directorate. It includes:
 - the revenue budget for 2007/08 (Annex 1) to show the existing budgets
 - the budget adjusted and rolled forward from 2007/08 into 2008/09
 - the provisional allocation of pay and price increases for the portfolio
 - officer proposals for budget service pressure costs and savings options for the portfolio area (Annexes 2 and 3)
 - fees and charges proposals (Annex 4)
 - the existing approved capital programme (Annex 5)
 - options for new capital schemes (Annex 6)
 - Directorate Service Plans (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 and the Executive Members will also have to consider other options. Options relating to this portfolio are shown in Annexes 6. 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 after considering the proposals in annexes 2 and 3) which will be considered by the Executive as part of the consultation exercise. In particular Member advice is sought on the items listed for consultation in Annex 6, which at present do not form part of the intended budget, but which may need to (see paragraph 2). EMAP is 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.

- 5 The provisional Local Government Finance settlement for 2008/09 was issued on 6 December 2007 and it also included indicative figures for 2009/10 and 2010/11 which 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 positions are that in real terms 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 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 Department of Communities & Local Government (DCLG) when the final settlement is announced.

Budget Proposals for Resources

- 7 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 2008/09	8	4,302
Provisional allocation for pay increases	9	255
Provisional allocation for price increases	10	243
Other Budget Pressures:	11-13	
Superannuation increase		32
Staff Increments		100
Full year effect of 2007/08 savings items	14-15	-54
Service Pressure proposals (Annex 2)	16-17	233
Savings proposals (Annex 3)	18-20	-1,005
Proposed Budget 2008/09		4,106

Base Budget (£4,302k)

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

Provisional Pay Inflation (+£255k)

- 9 These calculations are based on a pay increase for APT&C of 2.5%. The negotiations for the 2008/09 settlement have not yet started, although there is pressure from the Treasury that increases are kept under 2%.

Provisional Price Inflation (+£243k)

- 10 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. Increases for fees and charges are included in the savings proposals.

Other Budget Pressures (+£132k)

- 11 These represent pressures over which the service has no influence, e.g. changes to funding and expenditure which are due to national policy initiatives.
- 12 Staff increments for the year are calculated at £100k. This excludes increments for staff funded by external income/grants.
- 13 The triennial valuation of the Council Pension Fund is recommending an increase to employer superannuation contributions. The increase of £32k is based on a superannuation rate of 18%.

Full Year Effect of 2007/08 Saving Items

- 14 Several saving items were approved in 2007/08 where there is either a full year cost or a non-recurrence in 2008/09.
- 15 The costs shown in table 2 below represent the additional funds needed in 2008/09

Table 2 - Full Year Costs of 2007/08 Savings

	£'000
Additional Savings in 2008/09 from increasing 2007/08 Saving Items	
Savings from changing method to access CYC computer systems remotely – 2 nd year of roll out.	-5
ITT - corporate storage system – full year savings arising following the replacement of the old storage system.	-9
Efficiencies from York Customer Contact Centre – full year impact of saving of 2 fte posts.	-25
Property Services business unit – full year saving of loss of one fte within Property Services	-15
Total Full Year Costs	-54

Service Pressures (+£233k)

- 16 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.
- 17 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

Resources. The proposals put forward are the result of a rigorous assessment process, which included looking at the risk to customers and staff, legislative requirement, proven customer demand and the Council's corporate objectives.

Savings Proposals (£-1,005k)

- 18 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, customers and the wider Council. Instead they have concentrated on initiatives that;
- 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
- 19 In addition to the initiatives listed above the list of savings also include proposals to increase fees and charges (see also section below). Generally these are increasing by 2.5% but this is varied by directorates as they are affected by national constraints/requirements.
- 20 Annex 3 shows the full list of savings proposals for the Resources Directorate.

Fees and Charges

- 21 The details of the proposed fees and charges for the services provided by this portfolio are set out in Annex 4. Where fees and charges increases are leading to additional revenue they have been included in Annex 3.

Capital Programme

- 22 The Council's existing capital programme is shown at Annex 5.
- 23 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. These are shown at Annex 6.

Service Planning

- 24 The service plans detail key service challenges and objectives for 2008/09 to 2010/11, including the main resourcing information based on the services led by Assistant Directors, as follows:
- Audit & Risk Management
 - Financial Services
 - IT&T
 - Property Services
 - Public Services
- 25 The service plans cover a wide ranging and complex agenda, which will have an immense impact on how the Council looks and feels in the next few years. In addition, there are a number of cross-cutting issues which will impact on every manager.
- 26 The Service Plans are shown at Annex 7.

Consultation

- 27 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, fora and a web-based process.

Options

- 28 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, 4 and 6.

Analysis

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

Corporate Priorities

- 30 The budget represents the opportunity to reprioritise resources towards corporate priority areas. The Resources Directorate primarily supports the other directorates in achieving their corporate priorities. Investment in a new payroll and personnel system will seek to achieve improved management information to allow sickness monitoring to be improved. Savings have been targeted primarily where efficiencies can be made from better working practices thus protecting front line services.

Implications

- 31 The implications are:
- **Financial** - the financial implications are dealt with in the body of the report.
 - **Human Resources** – the savings proposed in Annex 3 equate to the loss

of 2 full time equivalent posts within the Directorate.

- a) Loss of one fte post within Audit & Risk Management.
- b) Loss of one fte within IT&T

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.

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 or less. It is anticipated that the number of potential redundancies 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 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 length of time that we are required to consult with employee / trade unions before the first dismissal can take effect is 30 days where there are between 20 and 99 redundancies proposed and 90 days 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. Line managers should not issue notices to dismiss employees before the collective 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
- **Other** -there are no other implications to this report

Risk Management

- 32 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.

- 33 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

- 34 The Executive Member Advisory Panel is invited to consider whether the budget proposals are in line with the Council's priorities.
- 35 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.
- 36 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.
- 37 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.
- 38 The Executive Member is invited to consider whether the budget proposals are in line with the Council's priorities.
- 39 The Executive Member is asked to consider the budget proposals for consultation for Resources 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 paragraph 8;
 - Service Pressure proposals as set out in Annex 2;
 - Savings proposals as set out in Annex 3;
 - Fees & Charges Proposals as set out in Annex 4;
 - Options for New Capital Schemes in Annex 6

Reason: As part of the consultation for the 2008/09 budget setting process.

- 40 That the Advisory panel advises the Executive Member to provide any advice or comments on the proposals within the service plans in Annex 7 for monitoring of progress.

Reason: As part of the service planning process across the council.

Contact Details

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Specialist Implications Officer(s) None

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

Background Working Papers

Reports to individual EMAP meetings

Budget Papers held within City Strategy Finance

Annexes

Annex 1 - 2007/08 Budget

Annex 2 - Service Pressure Proposals

Annex 3 - Savings Proposals

Annex 4 - Fees and Charges Proposals

Annex 5 - Existing Capital Programme

Annex 6 - Options for new Capital Schemes

Annex 7 - Directorate Service Plans