City of York Council	Committee Minutes
MEETING	EXECUTIVE
DATE	15 FEBRUARY 2011
PRESENT	COUNCILLORS WALLER (CHAIR), AYRE, STEVE GALLOWAY, MOORE, MORLEY, REID AND RUNCIMAN
IN ATTENDANCE	COUNCILLORS ALEXANDER AND CRISP

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS

155. DECLARATIONS OF INTEREST

Members were invited to declare at this point in the meeting any personal or prejudicial interests they might have in the business on the agenda.

The following Members declared personal, non prejudicial interests in agenda items 9 (Capital Programme Budget 2011/12-2015/16) and 10 (Financial Strategy 2011-2017), insofar as these items related to their specific interests:

- Cllr Ayre – matters relating to the CAB, as a Trustee of York CAB
- Cllr Galloway – matters relating to benefits for the over-60s, as a person over the age of 60
- Cllr Morley - matters relating to benefits for the over-60s, as a person over the age of 60, matters relating to allotments, as an allotment holder and matters relating to fostering allowances
- Cllr Reid – matters relating to schools, as a school governor
- Cllr Runciman - matters relating to schools, as a school governor
- Cllr Waller - matters relating to schools, as a school governor, and matters relating to allotments, as an allotment holder.

156. MINUTES

RESOLVED: That the minutes of the Executive meeting held on 1 February 2011 be approved and signed by the Chair as a correct record.

157. PUBLIC PARTICIPATION / OTHER SPEAKERS

It was reported that there had been two registrations to speak at the meeting under the Council's Public Participation Scheme and two requests to speak, from a Member of Council and a union representative. All speakers wished to comment on the Financial Strategy 2011-2017 (agenda item 10).

Ceri Owen spoke on the impact of the revenue budget proposals and government cuts upon vulnerable people, with reference to a petition for which she had collected over 700 signatures to date.

Denise Craghill, of the York Green Party, spoke on the impact of the revenue budget proposals on services for young people, particularly against the current background of youth unemployment.

Cllr Alexander spoke about his concerns in relation to the revenue budget as a whole, as well as the process adopted by the Executive to bring forward their recommendations and the reasons provided for the budget savings. He stressed that the Labour Group's alternative proposals would prioritise vulnerable people.

Heather McKenzie, of UNISON, spoke about the impact of the revenue budget proposals on staff in a number of areas, including young people's services, social care services and property services. She also raised concerns about the lack of staff consultation in respect of the Review of City Strategy (agenda item 13) and the possibility of staff being transferred to a new company under plans for Creating a Local Authority Company (agenda item 12).

158. EXECUTIVE FORWARD PLAN

Members received and noted details of those items currently listed on the Forward Plan for the next two Executive meetings.

159. CAPITAL PROGRAMME - MONITOR 3

[See also under Part B Minutes]

Members considered a report which presented the likely out-turn position of the Council's 2010/11 Capital Programme, based upon the spend profile and information up to mid January 2011, and sought approval for changes to the programme and for the use of additional prudential borrowing and contingency to progress certain schemes.

The current approved programme, taking into account amendments reported in Monitors 1 and 2, amounted to £73.306m, financed by £37.818m of external funding and £35.488m of internal funding. Against this an out-turn of £64.926m was predicted, representing a net decrease of £8.38m made up of:

- Adjustments to schemes, increasing expenditure by £523k
- The re-profiling of £7.857m of schemes into future years.

Variances reported against each portfolio area were set out in Table 2 at paragraph 6 of the report.

Key outcomes of the programme, and progress to date on major schemes, were detailed in paragraph 8 of the report. Key exceptions and implications on the programme were summarised in paragraphs 9 to 46, with a summary of the revised 5 year programme in Table 13, at paragraph

47. Approval was sought to use prudential borrowing to fund the introduction of self-issue machines in local libraries and to use contingency to progress flood defence work at the James Street Travellers Site.

RESOLVED: (i) That the 2010/11 revised budget of £64.802m, as set out in paragraph 6 and Table 2, be noted.

(ii) That the re-stated capital programme for 2010/11-2014/15, as set out in paragraph 14 and Table 13, and detailed in Annex A, be noted.

(iii) That the use of an additional £124k of Prudential Borrowing for the funding of Self Issue Library machines which will generate future savings, as detailed in paragraph 24, be approved.[1]

(iv) That the underspend of £28k on the special bridge maintenance scheme, which has been transferred to a winter resilience approved in accordance with financial regulations by the Director of Customer & Business Support Services, as detailed in paragraph 30, be noted.

(v) That the use of capital contingency to the value of £40k, to enable work on the James Street Travellers' Site Flood Defence to progress, be approved.[2]

REASON: To enable the effective management and monitoring of the Council's capital programme.

<u>Action Required</u>

1. Take action to implement use of Prudential Borrowing for self-issue library machines, as approved	RB
2. Take action to implement use of contingency for James Street Travellers' Site flood defence work, as approved	RB

160. QUARTER 3 FINANCE & PERFORMANCE MONITOR FOR 2010-11

Members considered a report which presented details of the headline performance and finance issues for the third quarter of 2010-11, covering the period from 1 April to 31 December 2010.

Some good performance results had been achieved over this period, including more residents helped to live independently, significant improvements to street cleanliness, a continued reduction in waste going to landfill, reduced crime levels, and a 60% reduction in the number of people killed or seriously injured on the roads. It was noted that York continued to buck the national trend in many areas of the economy, with less unemployment, fewer young people not in employment, education or training (NEET), a 73% increase in affordable housing and a reduction in homelessness.

With regard to finance, pressures of £1,668k were currently forecast, representing an improvement of £1,404k since the second monitoring report. This was inclusive of £2,287k in-year cuts in grant funding from central government. Directorates were working to reduce these pressures, in line with the strategy agreed at Monitor 2.

RESOLVED: (i) That the performance issues identified in the report be noted.

REASON: So that corrective action on these issues can be taken by Members and directorates.

(ii) That the finance issues identified in the report be noted.

REASON: So that the Council's expenditure can be contained with in budget, where possible, by the end of the financial year.

161. TREASURY MANAGEMENT MONITOR 3 AND PRUDENTIAL INDICATORS 2010/11

Members considered a report which provided an update on the Treasury Management performance for the period 1 April to 31 December 2010, as compared to the budget approved by Council on 25 February 2010.

The report reviewed performance in respect of short term investments, long term borrowing, the Venture Fund and the Treasury Management Budget, in the context of the economic environment for the first nine months of the 2009/10 financial year.

It was noted that:

- Activity indicators suggested a modest growth in the economy, with improvements in consumer spending, despite deterioration of conditions in the labour market and a continuing fall in house prices.
- In respect of short term investments, favourable / competitive interest rates had been obtained whilst ensuring the required liquidity and security of funds.
- The Council's long-term borrowing portfolio currently totalled £136.1m, with no large concentration of loan maturity, thus spreading the interest rate risk dependency.
- New loan advances of £1,551k had been approved on the Venture Fund, including £650k for easy@york and a £500k contribution to the Treasury Management budget for the economic downturn.
- The projected out-turn on the 2010/11 Treasury Management budget was £11,536k, an estimated underspend of £200k.

RESOLVED: (i) That the performance of the Treasury Management activity be noted.

(ii) That the projected underspend of £200k on the Treasury Management budget be noted.

REASON: To ensure the continued performance of the Council's Treasury Management function.

162. HOUSING RENT INCREASE 2011/12

Members considered a report which asked them to consider the 2011/12 rent guidelines issued by the Department for Communities and Local Government (CLG).

The CLG had proposed a guideline rent increase of 6.5%. Taking into account the rent calculations on individual properties and the impact of moving all rents towards the target rent, this would result in an actual average increase of 6.4% in council rents. Failure to follow the guideline increase would result in withdrawal of some of the government's housing subsidy.

It was recommended that rents be increased in line with government guidance (Option 1), in order to match the assumed level of the Housing Revenue Account (HRA) subsidy calculation and HRA budget. Implementing a lower rent increase (Option 2) would mean either extending the date for rent convergence beyond 2015/16 or making higher increases in future years.

RESOLVED: (i) That the current system, whereby council home rent levels are effectively set by central government, be noted.

(ii) That Officers be requested to progress plans which would allow the Council to take more direct control of housing revenue decisions, including rent levels.[1]

REASON: To enable the Council to set rent levels that take account of tenants' ability to pay, and to use rent revenues to benefit York residents.

(ii) That Option 1 be approved, with the average rent increases of 6.4%.[2]

REASON: To ensure a balanced Housing Revenue Account.

<u>Action Required</u>

1. Progress plans for Council to take more control of housing revenue decisions, as requested	SW
2. Implement agreed 6.4% rent increase	SW

163. CREATING A LOCAL AUTHORITY COMPANY

Members considered a report which sought approval for the creation of a local authority company, through which the Council could provide services and carry out works for profit on behalf of other public bodies and private organisations.

The setting up of a company would allow the Council to maximise the potential of its resources and contribute in the medium term to the efficiency agenda. The initial structure and scope of the company would be developed primarily around the services currently provided by the CBSS Directorate. Four options were presented:
Option 1 – CBSS to continue as it is.
Option 2 – to look at ‘sharing’ some services with other organisations.
Option 3 – to look to be a ‘provider’ to others.
Option 4 – to look to be a buyer from others.

Option 3 was the preferred way forward, as outlined in paragraphs 10 to 13 of the report, on the basis that it would given the Council control over its plans and already had the commitment of staff. The precise form of the company would be developed over the coming months. It was proposed that a small board of senior Officers be appointed to act as the Board of Directors, with the option to appoint further Directors in future. An outline of potential trading opportunities within CBSS was provided at Annex 1 to the report; with initial financial projections and a risk assessment at Annexes 2 and 3 respectively.

In response to comments made by the Unison representative on this item, Officers confirmed that there were currently no plans to transfer staff to the new company; however, should this occur in the future, consultation would be carried out.

RESOLVED: (i) That Option 3, the creation of a local authority company with the primary purpose of providing business support activity to public sector and other organisations, be approved.[1]

REASON: To allow the Council to take advantage of income opportunities and make efficient use of its assets, workforce and knowledge.

(ii) That the Director of Customer & Business Support Services (CBSS) and the Assistant Directors (ADs) of CBSS be appointed as Directors of the Company, with the Director of CBSS acting as Chief Executive and the AD Governance & ICT acting as Company Secretary.[2]

REASON: To ensure that the company works under a suitable governance structure.

(iii) That regular further reports be brought back to the Executive.[3]

REASON: To ensure transparency at all stages of the company’s development and to ensure that the company’s activities are in keeping with the Council’s priorities and operating model.

(iv) That the company name be determined by the Director of CBSS and the Executive Member for Corporate Services, following a consultation with staff. [4]

REASON: To ensure staff involvement in the setting up of the company.

(v) That any additional costs incurred as a result of establishing the company be capped at a maximum of £20,000, to be funded from a £20k carry-forward of CBSS budgeted underspend.

REASON: To provide set-up costs, but in such a way as to minimise the cost to the Council.

Action Required

1. Take action to create a local authority company, as agreed	PK
2. Appoint directors of the company, as agreed	PK
3. Schedule update reports on the Executive Forward Plan	PK
4. Consult with staff on the company name	IF

164. REVIEW OF DIRECTORATE OF CITY STRATEGY

Members considered a report which set out proposals for amending the City Strategy Directorate structures to reduce costs and provide a more streamlined and effective approach to service delivery.

Details of the proposals were set out in paragraphs 5 to 39 of the report, with the current and proposed structure of the directorate illustrated in Annex A. The main proposed changes included:

- Rationalising the overall management structure and combining administration and support services functions
- Combining the main strategic spatial functions to produce a more integrated strategy approach
- Reducing engineering and transport capacity to reflect the downturn in expenditure due to government grant reductions
- Disbanding the Engineering Consultancy
- Creating a new major projects team
- Combining current resources on sustainability, carbon reduction and energy management, to maximise capacity.

Consultation had been carried out in accordance with the consultation plan attached at Annex B and had resulted in a large number of constructive responses, some of which were reflected in the proposals presented in the report. Areas of concern raised during consultation were summarised in paragraph 42. It was estimated that the proposed re-structure would achieve savings of £731k.

In response to the comments made by the Unison representative on this item, Officers indicated that they had done everything possible to engage staff in the process, including carrying out consultation in line with HR advice.

RESOLVED: (i) That the outline proposals, established through phase 1 of the review of the Directorate of City Strategy, be approved. [1]

(ii) That authority be delegated to the Director of City Strategy to complete the review through the detailed phase 2 and to implement the outcome of the review. [2]

REASON: In order to improve efficiency in the delivery of projects and improve the monitoring of those contracts put out to external providers, takjng account of a reduced capital programme and potential income that has previously financed this work.

Action Required

1. Take action to implement phase 1 of the re-structure	BW
2. Take action to complete phase 2 of the review	BW

PART B - MATTERS REFERRED TO COUNCIL

165. CAPITAL PROGRAMME - MONITOR 3

[See also under Part A Minutes]

Members considered a report which presented the likely out-turn position of the Council's 2010/11 Capital Programme, based upon the spend profile and information up to mid January 2011, and sought approval for changes to the programme and for the use of additional prudential borrowing and contingency to progress certain schemes.

The current approved programme, taking into account amendments reported in Monitors 1 and 2, amounted to £73.306m, financed by £37.818m of external funding and £35.488m of internal funding. Against this an out-turn of £64.926m was predicted, representing a net decrease of £8.38m made up of:

- Adjustments to schemes, increasing expenditure by £523k
- The re-profiling of £7.857m of schemes into future years.

Variances reported against each portfolio area were set out in Table 2 at paragraph 6 of the report.

Key outcomes of the programme, and progress to date on major schemes, were detailed in paragraph 8 of the report. Key exceptions and implications on the programme were summarised in paragraphs 9 to 46, with a summary of the revised 5 year programme in Table 13, paragraph 47. Approval was sought to use prudential borrowing to fund the introduction of self-issue machines in local libraries (paragraph 24) and to use contingency to progress flood defence work at the James Street Travellers Site.

Having noted the revised programme and approved the applications for use of prudential borrowing and contingency *(see Part A Minutes)*, it was

RECOMMENDED: That Council approve the net adjustments of (£8.504m) in 2010/11, £2.337m in 2011/12, (£5.851m) in 2012/13, (£6.023m) in 2013/14 and (£3.517m) in 2014/15, as set out on a scheme by scheme basis in the report and contained in Annex A.

REASON: To enable the effective management and monitoring of the Council's capital programme.

166. CAPITAL PROGRAMME BUDGET 2011/12 TO 2015/16

Members considered a report which outlined the current position of the 2010/11 – 2014/15 capital programme, highlighted the existing funding position and associated pressures, and presented the bids received as part of the current year's Capital Resource Allocation Model (CRAM) process.

The current approved programme for 2010/11 to 2014/15 amounted to £221.229m, financed by £121.209m of external funding and Council controlled resources of £100.020m. The programme included three key elements – schemes fully funded by government departments (£104.472m), politically imperative schemes (£86.797m - mostly funded from corporate resources) and rolling programme schemes (£29.988m). In terms of the funding position, significant reliance continued to be placed on the achievement of a small number of high value asset disposals which had been affected by the economic downturn. There was currently a temporary shortfall of £2.411m on the required level of receipts.

A total of 30 bids had been received under the CRAM process, of which 10 were fully funded from external sources, 6 were rolling programme bids and 14 required additional discretionary resources. The bids were summarised in Table 4, in paragraph 19 of the report, and detailed in the following paragraphs. Schemes recommended for approval were set out in Table 5. The total value, and revenue implications, of all recommended bids were shown in Tables 6 and 7. Externally funded schemes proposed for addition to the programme were set out in Table 8. The capital programme for the next five years, should the proposals in the report be accepted, was summarised in paragraph 131 and detailed in Annex A.

Members discussed and agreed some amendments to the proposals recommended for approval in the report. They then

RECOMMENDED: That Council:

(i) Agree to the revised capital programme of £175.318m, that reflects a net overall increase of £18.891m (as set out in the 'growth' column of Annex A **with the amendments totalling £2.616m set out in (d) and (e) below**). Key elements of this include:

a) the bids recommended in paragraph 114 (table 5) totalling £7.205m, **subject to the following amendment**:

- the timing of Yearsley Pool energy solution moved to 2012/13 from 2011/12 to permit thorough investigation of necessity and appropriate technology;

b) the schemes funded from external resources in paragraph 122 (table 8) totalling £3.629m;

c) the revised prudential borrowing profile for the IT development plan in paragraph 126 (table 9) totalling £3.750m that shows a decrease of £250k per annum in years 11/12 - 14/15 and an extension of the programme by £750k in 2015/16 containing specific schemes;

d) the use of HRA balances to fund HRA capital schemes as set out in paragraph 130 (table 10) totalling £5.691m **subject to the following amendment:**

- the inclusion of £700k (including work at The Glebe) towards a building insulation programme, including the fitting of double glazed windows, to commence in 2011/12 to bring the increase in the HRA capital programme to £6.391m;

e) **the inclusion of the following new/amended schemes totalling £1.916m with a revenue implication of £29k in 2011/12:**

- £1.000m in 2012/13 to be utilised in conjunction with the Environment Agency for the provision of the Leeman Road flood defences
- an additional £50k p.a.(to the £80k p. a. already included in the LTP line) allocation for the street lamppost replacement programme from 2011/12 to 2015/16, totalling £250k
- £100k p.a. from 2011/12 to 2015/16 to fund an energy generation project which will exploit modern technologies such as photovoltaic cells and which is aimed at providing an additional revenue stream, through the sale of energy, by utilising

the availability of new “feed in” tariffs, totalling £500k
- an additional capital investment in structural highways of £166k for 2011/12.

(ii) Note that the revenue implications of the above amendments in 2011/12 are £29k, to be reflected in the revenue budget proposals.

(iii) Note the overall funding position identified in the report, which highlights a current shortfall in resources over the next five years, which the Council will need to address through increased revenue contributions in the medium term.

(iv) Approve the full restated programme as summarised in Annex A totalling £175.318m (£172.702m plus £2.616m amendments) up to 2015/16.

REASON: To set a balanced capital programme as required by the Local Government Act 2003.

167. FINANCIAL STRATEGY 2011-2017

Members considered a report which presented the Financial Strategy for 2011-2017, including the detailed Revenue Budget proposals for 2011/12, and asked them to recommend the proposals to Council.

The report presented a balanced budget for 2011/12, key features of which included:

- Transfer of £14,404k grant income from service specific and area based grants into formula grant calculations
- Removal of direct service grant funding amounting to £5,729k, supported by savings proposals
- Revenue investment of £9,836k
- A net revenue budget of £123,900k
- Funding for pupil-led aspects of education (primarily schools) of £107,076k, to be met by the Dedicated Schools Grant.

The latest estimate of the budget position for 2011/12 was set out in Annex 1 to the report. Annex 2 summarised the same information on a directorate basis. The corporate, priority investment and directorate spending pressures, including recommended revenue growth proposals of £9,836k, were outlined in Annex 3. Revenue savings proposals, totalling £21,170k for 2011/12, were set out in Annex 4. If accepted, the recommended income and expenditure proposals would result in a zero per cent increase in the City of York element of the council tax.

Executive Members responded individually to issues within their own portfolio areas and responded to the comments made under Public Participation / Other Speakers. Reference was made to the Equalities Impact Assessment (EIA) produced on the budget, which had been circulated to Members and Officers. The EIA has since been published on-line as an additional annex to the report. It was then:

RESOLVED: (i) That the Equalities Impact Assessment on the budget be noted.

(ii) That priority be given to growth expected to have a positive effect on older and younger people who are disabled, and their carers.

(iii) That the savings expected to have a negative effect on the groups mentioned above be noted.

(iv) That, regarding increases in fees and charges, particularly in adult social care, Officers be asked to make appropriate provision for people from the groups above, especially those who have limited financial means.

(v) That, in cases where service provision is passed on to independent providers, Officers be asked to ensure that contractual agreements ensure that people from the groups above receive the same level of service as before, or better.

(vi) That, having considered:

a. Expenditure pressures facing the Council in 2011/12, as detailed at Annex 1, including the loss of departmental grant income;
b. The impacts in 2011/12 of the growth requirements and savings proposals outlined in Annexes 3 and 4;
c. Medium term financial factors facing the Council, as outlined in the report;
d. The level of reserves projected to be held at 31 March 2011, 2012, 2013, 2014, 2015, 2016 and 2017 (Annex B);
e. The significant future pressures identified;
f. The statutory advice from the Director of Customer and Business Support Services;
g. The need to ensure that any adjustments to these proposals are self-balancing within the requirements laid down by the Director of Customer and Business Support Services, as the Council's responsible financial officer;

It be

RECOMMENDED: That Council approve the budget proposals outlined in the report of the Director of Customer and Business

Support Services and set out in detail within the financial strategy, in particular:

(i) the net revenue expenditure requirement for 2011/12 of £125,728k (£123,900k after deducting the grant assistance to keep the council tax rise to zero), as set out in Annex 1;

(ii) the housing revenue account proposals outlined in Annex 6;

(iii) the dedicated schools grant proposals outlined in the report;

(iv) the revenue growth proposals of £9,394k on-going for 2011/12, plus one-off growth of £442k, outlined in Annex 3, **subject to the following amendments:**

a) reduce growth proposals by £301k as follows:

- CORG04 - Corporate contingency reduce from £400k to £99k

b) include new growth proposals totalling £824k as follows:

- one-off investment in highways maintenance of £657k to be funded from reserves
- Winter maintenance budget for ward committees in the sum of £40k
- Jobs fighting fund in the sum of £98k
- Revenue impact of capital programme amendment for street lighting in the sum of £5k
- Revenue impact of capital programme amendment for photovoltaic scheme in the sum of £9k
- Revenue impact of capital programme amendment for highways maintenance in the sum of £15k

resulting in revised figures of £9,260k for ongoing growth in 2011/12, plus one-off growth of £1,099k;

(v) the revenue savings proposals of £21,170k for 2011/12 outlined in Annex 4, **subject to the following amendments**;

a) reduce saving proposals by £100k as follows:

- ACES12 - reduce saving for review of young people's service from £200k to £100k to help sustain the Urbie bus, skatepark and Duke of Edinburgh schemes.

b) reject savings proposals totalling £34k as follows:

- CSTS43 / SCTED04 Welcome to Yorkshire in the sum of £34k

resulting in a revised figure of £21,036k;

(vi) use of prior year collection fund surplus of £1,000k;

(vii) in terms of the Council's reserves, the use in 2011/12 of £657k from general reserves for highways maintenance.

(viii) note the medium term financial strategy projections that indicate the need for savings/efficiencies in future years of £10m per annum,

REASON: In order to set a balanced budget, taking into account the priorities and considerations identified by the Executive.

168. TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS FOR 2011/12 TO 2015/16

Members considered a report which asked them to recommend to Council the Integrated Treasury Management Strategy Statement and Proposed Prudential Indicators for 2010/11 to 2014/15.

The Local Government Act 2003 required the Council to set out its treasury strategy for borrowing and to prepare an annual investment strategy. In doing so, the Council must have regard to the CIPFA Prudential Code and set Prudential Indicators for at least the next three years. The Department of Communities and Local Government (CLG) had issued revised investment guidance from 1 April 2010, but no major changes were required beyond those set out in the revised CIPFA Treasury Management Code of Practice adopted by the Council in February 2010, as outlined in paragraph 9.

The report outlined the Council's current treasury portfolio position and its borrowing and investment policies, in the context of the national economic background, as detailed in Annex C. Prudential Indicators for 2010/11 to 2015/16, interest rate forecasts, a schedule of Specified and Non-specified Investments, approved countries for investments and the Scheme of Delegation and Role of the Section 151 Officer were attached at Annexes A, B, D, E and F respectively.

RECOMMENDED: That Council approve:

(i) The proposed Treasury Management Strategy for 2011/12, including the annual investment strategy and the minimum revenue provision policy statement;

(ii) The Prudential Indicators for 2011/12 to 2015/16 (Annex A);

(iii) The Specified and Non-specified Investments Schedule (Annex D)

(iv) The Scheme of Delegation and the Role of the Section 151 Officer (Annex F).

REASON: To enable the continued effective operation of the Treasury Management function and to ensure that all Council borrowing is prudent, affordable and sustainable.

A Waller, Chair
[The meeting started at 2.00 pm and finished at 3.30 pm].