

Report of the Director of Resources

RESOURCES DIRECTORATE REVENUE BUDGET ESTIMATES 2007/08

Summary

1. This report presents the 2007/08 budget proposals for the Resources Directorate. It includes:
 - the budget for 2006/07 (Annex 1) to show the existing budgets
 - the budget adjusted and rolled forward from 2006/07
 - the allocation of pay and price increases for the portfolio
 - budget service pressure proposals and savings options for the portfolio area (Annexes 2 and 3)
 - fees and charges proposals (Annex 4)
 - Service Plans (Annex 5)
2. Budget Council will be held on 21 February 2007 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 January to consider the preferences identified by the individual portfolio Executive Members and the results of the consultation. The Executive Member for Corporate Services is therefore asked to consider the budget proposals and identify their preferences, which will be considered by the Executive following consultation. The Executive Member and Advisory Panel (EMAP) is invited to provide comments on the budget proposals in this report.

Background

3. The Council's Medium Term Financial Strategy was adopted by the Executive on 11 July 2006. This paper is the result of ongoing work against this agreed framework.
4. The provisional Local Government Finance settlement for 2007/08 was included in the settlement papers for 2006/07 received in January 2006, which alongside the 2006/07 settlement provided indicative figures for 2007/08. A consultative draft settlement for 2007/08 is expected by early December. However, it is not expected that there will anything other than minor changes from the figures currently used.

5. The figures in the 2006/07 settlement indicated that the increase in government funding in 2007/08 nationally would be 4.0% but for York the figure is 3.2% or an additional £1.192m. However, there is no guarantee that this allocation will not change when the final grant settlement is announced in late January 2007, although any changes are expected to be minor.

Resources Service Planning 2007/08

6. As part of considering the budget for 2007/08, it is helpful for Members to consider proposed service planning issues. In previous years, actions and targets set out in the service plans which were approved by EMAPs in December, often changed once the budget was approved and/or when more meaningful performance information became available nearer the end of the year.
7. To help address this and deliver more integrated service and financial planning, the council's service planning process has changed. EMAPs are now being presented with information in 2 stages:

Stage 1 – summarised service plan templates have been completed which focus on headline challenges and/or changes our services are facing for 2007/08 and beyond. These are presented to EMAPs for consideration and comments.

Stage 2 – once the budget has been approved service managers will be able to finalise improvement actions and 3 year targets. The full version of the service plans will be presented for approval to EMAP's in March 2007.

8. The stage 1 templates attached provide members with a snapshot of service planning issues facing Resources in the near future. Appendix 5 sets out service plans stage 1 templates for
 - 1) Audit and Risk Management
 - 2) Property services
 - 3) Financial services
 - 4) Public services
 - 5) IT&T

Budget Proposals for Resources Directorate

9. 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 2007/08	10	3,092
Provision for pay increases	11	245
Provision for price increases	12	112
Other Budget Pressures:	13	

Staff Increments		130
Rent reviews on administrative accommodation		27
Rates bill at new Depot		133
New expenditure/income due to grant and service transfers	15	0
Full year effect of 2006/07 growth and supplementary estimate items	17	132
Service Pressure proposals (Annex 2)	21	319
IT Development Plan	23	467
Savings proposals (Annex 3)	24	-717
Proposed Budget 2007/08		3,940

Base Budget (£3,092k)

10. This represents the latest budget reported to Members, updated for the full year effect of decisions taken during 2006/07, e.g. supplementary estimates. This budget is shown in greater detail in Annex 1 which shows a gross budget for the Resources Directorate of £58,336k with income totalling £55,244k.

Pay Inflation (+£245k)

11. These calculations are based on a pay increase for Administrative, Professional Technical and Clerical (APT&C) staff of 2.5%. The negotiations for the 2007/08 settlement have not yet concluded, although there is pressure from the Treasury that increases are kept under 2%.

Price Inflation (+£112k)

12. 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 fuel bills. This figure is a net figure. Fees and charges are generally increasing by 2.3%, but this is varied by directorates as part of growth/savings by national constraints/requirements. Where increases are proposed in excess of this the additional income is reflected in the savings totals offered. A full schedule of proposed fees and charges is shown at Annex 4

Other Budget Pressures (+£290k)

13. These represent pressures over which the service has no influence, e.g. changes to funding and expenditure which are due to national policy initiatives or to, for example, the implications of the moving dates of Easter on service provisions.
14. There are three such pressures within the Resources Directorate
- Staff increments for the year are calculated as being £130k. This excludes increments for staff funded by external income / grants.
 - Rent reviews relating to administrative accommodation has resulted in additional costs of £27k.

- The new depot at Hazel Court has an additional National Non-Domestic Rates bill of £133k higher than the depot at Foss Islands Road. The council had successfully appealed to the District Valuer over the rates bill at Foss Islands due to poor state of the old depot and had been given a rebate.

New Expenditure/Income due to Grant and Service Transfers (+£0k)

15. In the provisional settlement there were several transfers between FSS and direct grant that have budgetary impact on the net cost of this portfolio.
16. There are no such assumed transfers for this portfolio.

Full Year Effect of 2006/07 Growth and Supplementary Estimate Items

17. A growth item was approved in 2006/07 where there is a full year cost in 2007/08.
18. In addition approval was given in 2006/07 for a one-off growth items where the cost was split partially in 2006/07 and partially in 2007/08. The 2006/07 element was funded by the use of Council's reserves.
19. The costs shown in table 2 below represent the additional funds needed in 2007/08.

Table 2 - Full Year Costs of 2006/07 Part Year Approvals

	£(000)
Additional Costs of 2006/07 Growth Items	
Additional post in benefits – full year effect of 2006/07 growth bid	7
Cost in 2007/08 of 2006/07 One-Off Growth Items	
FMS Replacement (yr 3 of 3) – funds required to undertake project management to replace the Financial Management System	100
Housing Benefit post funded from additional RSG	25
Total Full Year Costs	132

General Contingency

20. Members should note that there are potential expenditure pressures that may materialise in 2007/08 but which are not yet certain or not quantifiable at this stage. The issues are listed in Table 3 below and it is assumed that if they materialise then funding will be requested from the General Contingency.

Table 3 - Contingency Issues for 2007/08

	£(000)
Contingency Issues for 2007/08	
Property Services -- Health and Safety Building Works	100
Total	100

Service Pressures (£+319k)

21. In the Finance Strategy report to the Executive on 11 July 2006 a sum of £7.291m was included as the estimated amount that would be needed to meet increasing demand for services across the council and to allow for reprioritisation of service provision.
22. 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 the Resources Directorate. The proposals put forward are the result of a rigorous assessment process, which included looking at the benefit and risk to customers and staff, legislative requirement, proven customer demand and the Council's corporate objectives.

IT Development Plan (£+467k)

23. This represents the revenue costs of the priority investment in technology that was agreed in principle by Members as part of the IT development plan report received by the Executive. This funding supports IT developments for all council directorates.

Savings Proposals (£-717k)

24. Members will be aware that the 2006/07 budget savings were significant and that all Directorates are operating within a tight financial environment. In seeking to achieve savings for the 2007/08 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
25. Annex 3 shows the full list of savings proposals for the Resources Directorate.

Fees and Charges

26. The details of the proposed fees and charges for the services provided by this portfolio are set out in Annex 4. The increase in fees and charges over and above inflation at the Registrars is to deal with their current budget overspends. Following large increases in court cost fees introduced actioned as part of the 2006/07 budget it is proposed to maintain them at current levels.

Treasury Management

27. The Treasury Management function which manages the council's loans and investments is part of the Resources Directorate. The staff employed in this function have an integral role in achieving significant savings on behalf as the Council as a whole. As the function is so specialised the budget proposals are shown separately in the table below :

	£(000)
Base Budget 2007/08	6,875
Full year effect of 2006/07 growth and supplementary estimate items	
Interest on Property sales income (one off saving in 2006/07)	120
Minimum Revenue Provision (LGR)	-180
Other Budget Pressures:	
Capital Programme financing costs	414
Additional cost of MRP - new borrowing	331
Additional cost of MRP - commutation adjustment	99
Savings proposals (Annex 3)	-180
Proposed Budget 2007/08	7,479

28. The table above shows that there will be additional costs in 2007/08 of £784k. This is comprised of £844k of additional expenditure which will be necessary to finance the funding of the capital programme, less £180k for the minimum revenue provision. The figures above also take into account the one-off saving in 2006/07 relating to interest on property sales (£120k) dropping out.
29. Treasury Management have identified two one off savings. Interest earned on capital receipts from the sale of property will generate £80k. This figure is derived from the cash flow benefits of receiving the capital receipt and spending it on the capital programme. Pressure on overall capital receipts mean that this saving is lower than it has been in past years.
30. In addition the Council will benefit from proactive treasury management by borrowing in advance of need to fund the capital programme. Long term interest rates on borrowing are at historic lows, as part of the treasury management strategy the Council borrows when rates are low and runs down cash balances when rates are high. It is assumed that this will provide a recurring saving of £50k. Currently there is a differential between what the Council can borrow at and what it can earn in interest. This will generate a

one off saving of £50k in 2007/08 until the borrowing is required to fund the capital programme in 2008/09. It is illegal for the Council to borrow with the prime purpose to invest and the Council has to prove that any surplus borrowing, such as this, is to finance future capital programmes.

Consultation

31. This paper commences the Council's budget consultation, both in terms of formal discussions with the Business and Voluntary sectors, but also as a mechanism for the public to comment on the proposals made in the report. The impact of the budget have been discussed with the Unions who are understanding of the budget pressures faced by the Directorate. Resources Management Team have provided assurances that they will work with the unions where staffing numbers are likely to be reduced.

Options

32. Members of EMAP are asked for their comments or alternative suggestions on the investment and savings proposals shown in Annexes 2 and 3 and the fees and charges proposals in Annex 4. Members should note that the savings in annex 3b are further savings considered however these are not recommended for approval.

Analysis

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

Corporate Priorities

34. 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. The increase in the IT development fund is allowing a number of new IT initiatives progress forward in improving customer contact through the Easy@york programme. Savings have been targeted primarily where efficiencies can be made from better working practices thus protecting front line services.

Implications

35. The implications are:
 - **Financial** - the financial implications are dealt with in the body of the report.
 - **Human Resources** – the savings proposed equate to the loss of 6.5 full time equivalent posts.
 - a) Loss of one fte posts in Corporate Procurement (RSS10)
 - b) Loss of 0.5fte posts within Housing Benefit / Council Tax benefit administration (RSS12)
 - c) Loss of two fte posts within Revenues and Benefits management and administration (RSS14)
 - d) Loss of two fte posts from incorporating revenues and benefits within the Customer Contact centre (from October 2007) (RSS15)
 - e) Loss of one fte post within Property Support Services (from October

2007) (RSS21)

The CYC “Management of Change” Policy which outlines the Council’s procedure for dealing with redundancy and redeployment will be applied where reductions in staffing numbers are proposed. The procedure takes into account the impact of redundancy and observance of fair selection criteria.

- **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

36. Key reporting mechanisms to Members on budget matters will continue to be through two mid-year monitoring reports and the final Revenue Outturn report for the year. These reports will also address the progress made on investments and savings included in the budgets.
37. 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

38. The Executive Member Advisory Panel is invited to provide comments on the budget proposals for consultation for 2007/08 contained in this report, which will be considered by the Executive on 16 January 2007.
39. The Executive Member is asked to consider the budget proposals for consultation for the Resources Directorate for 2007/08 contained in this report and listed below and provide comments to be submitted to the Executive on 16 January 2007.
 - 2007/08 Base budget as set out in paragraph 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.
 - Treasury Management Budget as set out in paras 27-30

Reason: As part of consultation in setting the overall 2007/08 council budget.

40. That Executive Member approve the 2007/08 Stage 1 Service plans for

Resources Directorate as set out in Annex 5.

Reason: As part of the consultation in agreeing 2007/08 Service Plans for the Directorate.

Contact Details

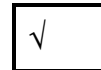
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Simon Wiles
Director of Resources

Report Approved



Date

29th Nov
2006

Specialist Implications Officer(s)

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Wards Affected:

All

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For further information please contact the author of the report.

Background Papers:

Budget papers held within City Strategy Finance.

Annexes

Annex 1 - 2006/07 Budget
Annex 2 - Service Pressure Proposals
Annex 3 - Savings Proposals
Annex 4 - Fees and Charges
Annex 5 – Service Plans

28 November 2006