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MEETING	Executive
DATE	16 January 2007
PRESENT	Councillors Steve Galloway (Chair), Sue Galloway, Macdonald, Orrell, Reid, Runciman and Waller
APOLOGIES	Councillors Jamieson-Ball and Sunderland

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## **PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS**

### **132. Declarations of Interest**

The Chair invited Members to declare at this point any personal or prejudicial interests they might have in the business on the agenda. Cllr Waller declared a personal, non prejudicial interest in agenda item 9 (Capital Programme Budget 2007/08 to 2010/11), insofar as it related to Westfield Primary School, Oaklands Secondary School and York High School, as a governor of those three schools.

### **133. Minutes**

RESOLVED: That the minutes of the Executive meeting held on 19 December 2006 be approved and signed by the Chair as a correct record.

### **134. Exclusion of Press and Public**

RESOLVED: That the press and public be excluded from the meeting during any detailed discussion of Annex B to agenda item 7 (Capital Programme Monitor Two) and Annex 6 to agenda item 9 (Capital Programme Budget 2007/08 to 2010/11), on the grounds that they contain information relating to the financial or business affairs of particular persons, which is classed as exempt under Paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

### **135. Public Participation and Other Speakers**

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme. However, there had been two requests to speak from trades union representatives in relation to the Revenue Budget savings proposals (Agenda Item 8).

With the agreement of the Chair, representations were heard from:

A) Liz Young, UNISON Deputy Convenor, who commented on the proposal to reduce the corporate facility time made available to trades unions (no. CXS11 in Annex 4) and the

proposal to combine the New Horizons and Community Base Day Resources (no. HAS4 in Annex 4). She urged the Executive not to recommend these proposals to Council, on the basis that CXS11 was unreasonable and arbitrary and may be in breach of the ACAS Code of Practice, while HAS4 would amount to a cut in provision of services to a vulnerable group and there were concerns that the Community Base site was inadequate to accommodate the transfer.

- B) Mark Dawson, UNISON Branch Steward, who commented on the proposal to reduce the provision of the Messenger service (no. CXS06 in Annex 4) and circulated written comments to Members. He advised against the proposal, on the basis that it would result in higher costs across the Council and disruption to Council departments. He also expressed concerns about a lack of consultation on the proposal.

### **136. Executive Forward Plan**

Members received and noted an updated list of items included on the Executive Forward Plan at the time the agenda for this meeting was published.

### **137. Second Performance and Financial Monitor - 2006/07**

Members considered a report which provided details of the headline performance issues from the performance monitor session held on 21 December 2006 and presented the latest projection of the Council's revenue income and expenditure for the current financial year.

With regard to performance issues, it was noted that:

- Draft Delivery & Innovation Plans (DIPs) were being produced, setting out key actions and measures for the 13 priorities included in the Corporate Strategy. These would be used to monitor future progress on the corporate priorities.
- Priorities 3 (York Pride) and 4 (Safer City), had continued to show an improving trend in the majority of performance areas, although data for some of the York Pride indicators would not be available until May. Notably, York had experienced continuous reductions in crime levels over the past six months, in contrast with the national trend.
- Sickness absence and staff turnover levels were continuing to fall, although the Council was likely to remain within the bottom performance quartile in respect of the former.
- Comprehensive Performance Assessment (CPA) ratings for 2006 would be published in February 2007. It was expected that York would maintain its 3-star ('good') corporate CPA rating.
- Customer First statistics showed fairly high levels of performance, with the exception of telephone answering in Resources and complaints in City Strategy and Housing / Adult Social Services.
- Overall, the Council's services across directorates were either performing well by comparison with other authorities, or improving.

With regard to budget issues, it was reported that the General Fund net expenditure budget for 2006/07, originally set at £99,058k, had increased to £100,315k. Details of the revised budget were set out in Annex 7 to the report. Table 1 at paragraph 46 of the report provided a summary of departmental budgets and variations, as reported to individual Executive Members and Advisory Panels (EMAPs) in each portfolio area. This included amendments to the position in Neighbourhood Services and in Adult Social Services, which had not been available at the time of the EMAP meetings. Table 1 indicated that the increased spending pressures in service areas amounted to £4,878k. However, action being taken to address overspends, if successful, could result in the Council underspending by £229k. In respect of the variations on budget / efficiency savings items summarised in paragraph 49, it was noted that the alternative staff park and ride scheme was still subject to consultation and had not yet been finalised with UNISON as indicated.

Paragraphs 58 to 78 of the report presented a number of requests for virements, supplementary estimates and other adjustments to the budget. These included, among others, requests to:

- Release £55k contingency to reflect the shortfall in crematorium fees compared to the budget;
- Transfer £17,090 between general fund and the traded activities profit from Neighbourhood Services, relating to procurement savings;
- Vire £710k from one-off resources to help fund the costs of Equal Pay;
- Approve the use of a further £330k from one-off resources to progress the Job Evaluation project.

The Chair congratulated Members and Officers the Council's good performance in the past year, particularly on Safe City and York Pride, despite increased budget pressures.

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

REASON: So that corrective action on these issues can be addressed by Directorates and EMAPs.

(ii) That responsibility for determining the final format of the amended Park and Ride scheme be delegated to the Director of Resources, taking into account the consultation exercise currently being undertaken and considering the practical implications of implementing the amendments, as outlined in paragraph 49 of the report.

REASON: So that the revised scheme can be implemented within budget and as promptly as possible.

(iii) That the applications for supplementary estimates of £55k to be funded from contingency, as set out in paragraph 59, be approved.

REASON: In accordance with the Executive's Constitutional powers to make decisions on the level and granting of supplementary estimates.

(iv) That the transfer between general fund and the traded activities profit from Neighbourhood Services of £17,090 relating to procurement savings, as set out in paragraph 61, be approved.

REASON: This virement request is within the budget areas where the Executive is the responsible body.

(v) That the release of the £1,500k provision for Equal Pay, to fund the estimated costs as set out in paragraph 63, be approved.

REASON: The Executive is the responsible body for release of this provision.

(vi) That the transfer of £710k from the one-off resources in 2006/07 to the specific costs of equal pay, as set out in paragraph 63, be approved.

REASON: This virement request is within the budget areas where the Executive is the responsible body.

(vii) That the transfer of £330k from the one-off resources in 2006/07 to the project costs of job evaluation to cover the the period to October 2007, as set out in paragraph 65, be approved, but that further regular reports be requested on the detail of how this provision is being utilised and that Officers be instructed to make every effort to control expenditure in this activity area.

REASON: This virement request is within the budget areas where the Executive is the responsible body and the Executive also has a responsibility to monitor the budget.

(viii) That it be agreed that the balance of the one-off resources for equal pay and job evaluation be transferred to Reserves at the year end, as set out in paragraph 65.

REASON: The transfer to reserves is within the budget areas where the Executive is the responsible body.

(ix) That departments be instructed to continue to look for savings within their own budgets rather than requesting

supplementary estimates for additional expenditure pressures.

REASON: To ensure that all practicable action is taken in departments prior to seeking additional funding from the Executive.

(x) That the proposal to incorporate the £480k additional dividend from Yorwaste into the general fund reserves when it is received, as set out in paragraph 78, be endorsed.

REASON: This is a unique income source to the Council and should become part of the Council's overall resources, controlled by the Executive.

(xi) That the action currently being taken by departments to manage the overspends identified be endorsed.

REASON: To enable the Executive to continue to monitor the budget.

(xii) That, subject to sufficient year end underspends being available, £100k be earmarked for carry forward and use for ward committee budgets (£70k) and the local York Pride actions (£30k).

REASON: To enable the continued funding of ward committees and York Pride neighbourhood activities in 2007/08 at current levels, in view of the fact that the budget is predicted to out-turn at or better than the target level at the end of the financial year.

### **138. Capital Programme - Monitor Two**

Members considered a report which informed them of the likely out-turn position of the Council's 2006/07 capital programme, based upon the information up to November 2006, and presented requests for slippage and options to fund overspends.

The current approved programme for 2006/07 amounted to £53.408m, of which £39.379m was financed by external funding, leaving a cost to the Council of £14.029m to be funded from capital receipts. The projected out-turn was £52.157m, or £1.251m less than the approved budget. Key budget variances were summarised in paragraph 8 of the report. Key implications of the programme, as reported to individual Executive Member and Advisory Panel meetings (EMAPs) were outlined in paragraphs 11 to 36. Achievements during the year were highlighted in paragraph 10 – it was noted that these should also include provision of the replacement Depot.

In respect of the City Strategy programme, the Executive was asked to consider the following options to fund a likely overspend of £410k on the replacement Depot scheme:

**Option 1** – Fund through capital receipts surplus. This would reduce the funding available for future schemes.

**Option 2** – Fund through Prudential Borrowing. This would incur an ongoing charge and interest cost to the revenue budget of £23k per annum.

**Option 3** – Fund from overage on the Foss islands retail development. This was the recommended option, as the level of overage was now expected to be £0.26m more than budgeted for.

Table 10, at paragraph 37 of the report, provided a summary of the revised capital programme resulting from the changes reported to EMAP meetings, including scheme adjustments, re-profiling of budgets and requests for additional funding. As a result of these changes, the total revised programme for 2006/07-2009/10 stood at £153.684m, of which £47.386m must be funded from capital receipts. Further details of this revised programme were set out in Annex A to the report and details of capital receipts for this period were set out in (exempt) Annex B.

Members commented that the Council had made good progress in implementing its most ambitious programme ever, which would provide tangible improvements to the City.

RESOLVED: (i) That the £99k of additional funding highlighted in the report at Table 10 be approved.

(ii) That the re-profiling of £1.61m of budget from 2006/07 to future years, as indicated in Table 10, be approved.

(iii) That the addition of overage to fund the potential overspend of up to £0.26m on the new depot, as detailed in paragraph 24, be approved.

(iv) That the revisions to the capital receipts position for 2006/07 to 2009/10, as summarised in Annex B, be noted.

REASON: To enable the Capital Programme to be managed effectively and to exercise the Executive's responsibility to approve changes to the programme.

### **139. Lord Mayoralty 2007-2008**

Members considered a report which asked them to decide which of the political groups should be invited to nominate the Lord Mayor for the municipal year 2007/2008.

The system for nominating the Lord Mayor was based upon an accumulation of points. Currently, the Labour group had 18 points, the Green group 8 points, the Liberal Democrat Group 34 points and the Independent Member –32 points. Under this system, the Liberal Democrat group qualified to nominate the next Lord Mayor.

Members could therefore choose either to invite the Liberal Democrat Group to make the nomination (Option 1) or to re-visit the procedure (Option 2). Option 2 would require a change to the Council's agreed procedure. Option 1 was the recommended option.

RESOLVED: That the Officer recommendation be noted and that a nomination for the position of Lord Mayor for the municipal year 2007/2008 be announced at the next Council meeting.

REASON: In accordance with the agreed procedure, and to ensure that the Council has the necessary leadership to undertake its civic functions.

## **PART B - MATTERS REFERRED TO COUNCIL**

### **140. Revenue Budget 2007/08 to 2009/10**

Members considered a report which presented the Council's revenue budget proposals for the 2007/08 financial year and the potential financial position of the Council in 2008/09 and 2009/10.

The proposals represented a balanced budget for 2007/08, with the following key features (references in brackets are to the relevant sections of the report):

- a) Revenue investment of £12.106m, the funding for which would be achieved through:
  - Revenue savings of £4.799m (Table 2)
  - An additional £3.416m from a Council Tax rise of 4.5% (Table 2)
  - Meeting £1.312m one-off expenditure from reserves (para. 50)
  - Additional Revenue Support Grant funding of £1.191m (Table 14)
  - An £850k share of the projected 2006/7 collection fund surplus (para. 45)
  - Other adjustments on corporate budgets totalling £538k (Annex 1);
- b) A net revenue budget of £104.538m, to be funded by:
  - Council Tax income of £64.883m (para. 74)
  - Government grant of £38.343m (Table 12)
  - Use of reserves of £1.312m (para. 50);
- c) Funding for pupil-led aspects of education, primarily schools, of £83.835m, to be met by the Dedicated Schools Grant (Table 16).

It was stressed that the proposed budget was very 'tight' in a number of key areas. The report highlighted the following issues as likely to add significant pressure either to the 2007/08 budget or to future Council budgets:

- The deficit on the pension fund (para. 21)
- The introduction of job evaluation (para. 26)
- The future costs of waste management (para. 127A)
- The increasing numbers of elderly persons and costs of services for them (para. 127E)
- The threatened cuts in grants for 'supporting people' (para. 127F)

- The backlog of outstanding works needed to the City infrastructure; in particular, roads and Council buildings (para. 127G).

If the income and expenditure proposals set out in the report were approved, this would result in an increase of 4.5% in the City of York element of the Council Tax. The Director of Resources advised against any increase above 4.5%, as this would significantly increase the chance of government intervention. The total Council Tax increase, including parish, Police and Fire Authority precepts, would be agreed at the Budget Council meeting on 21 February 2007.

Comments were invited from relevant Officers on the points made by UNISON representatives under Public Participation / Other Speakers in relation to specific savings proposals. They indicated that:

- On CXS11, Officers would be happy to work with UNISON and other unions to monitor the effects of this saving;
- On HAS4, it was considered that the Community Base site had capacity to accommodate the transfer, but checks were being made;
- On CXS06, arrangements had been made to consult trades unions and affected staff before bringing the proposal forward. The Chair indicated that the Executive was prepared to delete this proposal.

**RECOMMENDED:** That Council approve the budget proposals as outlined in the report, in particular:

- a) The net revenue expenditure requirement for 2007/08 of £104.538m, as set out in Table 1 at paragraph 15;
- b) The Housing Revenue Account proposals outlined in Annex 10;
- c) The Dedicated Schools Grant proposals outlined from paragraph 78 onwards;
- d) The revenue growth proposals outlined in Annex 3, which include the post-EMAP amendments detailed at paragraph 42 plus:
  - Investing an additional £40k into increased investment in CCTV allowing the extension of provision into priority areas;
- e) To allow the Chief Executive, if required, to utilise in 2006/07 £50k of the proposed £215k budget for the 2007/08 elections;
- f) The revenue savings proposals for 2007/08 outlined in Annex 4, whilst:
  - Increasing TMS 02 (Debt Restructure) from £100k in 2007/08 to £146k, to reflect the one-off beneficial impact of recent changes in interest rates
  - Deleting CXS06 (Reductions to the Messenger Service, £6k)
  - Replacing CSS20 (Design and Conservation, £14k) with comparable savings secured through vacancy savings within City Strategy;
- g) In terms of the Council's reserves, to:



- Agree the use in 2007/08 of £1.312 of revenue reserves, as outlined in paragraph 50
  - Authorise the transfer of balances held on the Bellwin reserve into the general reserve, as detailed in paragraph 54
  - Endorse the adoption of a risk-based calculation to inform the Director of Resources' opinion on the appropriate minimum level of general reserves, as described in paragraph 52;
- h) The release of further funds to support the job evaluation project, as outlined from paragraph 26 onwards;
- i) The fees and charges proposals set out in Annex 8.

REASON: To provide a balanced set of budget proposals which the Council can consider in reaching its decision on the budget and the resultant Council Tax to be set for 2007/08.

#### **141. Capital Programme Budget 2007/08 to 2010/11**

Members considered a report which set out the Council's proposed capital budget for the period 2007/08 to 2010/11, highlighted capital bids from departments that had been through the revised Capital Resource Allocation Model (CRAM) process and provided options to achieve a balanced four year capital programme. Details of the current programme, the externally funded CRAM bids for 2007/08, the rolling programme CRAM bids and rolling programme scheme changes were set out in Annexes 1-5 to the report. The capital receipts forecast was set out in (exempt) Annex 6 and the proposed programme for 2007/08-2010/11 in Annex 7.

The current approved capital programme ran from 2006/07 to 2008/09. It was proposed that the 2007/08 budget process would set a programme that would run over 4 years, reflecting best practice and bringing it in line with the Council's political cycle. The proposals in the report therefore represented a 2 year extension of the current programme. If approved, they would result in a capital programme for 2007/08 to 2010/11 of £139.123m and an underlying funding shortfall of £1.6m. Paragraph 5 summarised the main areas of spend in each department, comprising:

- Children's Services - £26.m, including £12.5m investment in the new York High School;
- City Strategy - £31m, including £10.8m on carriageway resurfacing and bridge maintenance;
- Housing - £27.1m, including £19.3m on Major Replaces Allowance schemes, making improvements to 2,350 Council homes across York;
- Leisure and Culture - £12m, including £5.2m on a new 25 metre public pool on the York High School site, subject to final approval;

- Resources - £34.7m, including £33.9m on the Council's Administrative Accommodation project, centred around the Hungate site.

Proposals to close the £1.6m funding gap were presented in paragraphs 22 and 23, as follows:

Proposal 1 (para. 22) – reduce the property investment budget by £50k per annum, subject to review in the light of the outcome of the Administrative Accommodation project. This would reduce the deficit by £150k.

Proposal 2 (para. 23) – use prudential borrowing in 2010/11 to fund the residual gap left after implementing proposal 1.

**RECOMMENDED:** That the four year capital programme proposals presented in the report be approved, in particular:

- a) The inclusion in the capital programme of all existing approved schemes, as detailed in Annex 1 and paragraph 8;
- b) The inclusion in the capital programme of all fully funded schemes, as detailed in Annex 3 and discussed at paragraph 18;
- c) The continuation of the York Pools Scheme and Museums Lottery Scheme, as detailed in paragraph 20;
- d) The extension of existing rolling programme schemes, as illustrated in Table 2, *except for*:
  - The Ward Committees Scheme, which will be reduced by £70k per annum from 2008/09, as outlined in paragraph 16 (with a compensatory increase in revenue funding)
  - The Property Investment Scheme, which will be reduced by £50k per annum from 2008/09, as outlined in paragraph 23;
- e) The use of £250k of prudential borrowing in 2010/11, as per paragraph 23;
- f) The asset sales shown in (exempt) Annex 6, subject to the deletion of one of the items listed under "Usable Capital Receipts Previously Approved for Sale" (the 21<sup>st</sup> item on that list).

**REASON:** To achieve a balanced four year capital programme which will ensure the continuation of existing approved schemes.

#### **142. Treasury Management Strategy Statement and Prudential Indicators for 2007/08 to 2010/11**

Members considered a report which asked them to recommend to full Council the proposed Prudential Indicators for 2007/08, an integrated Treasury Management Strategy Statement, and the use of Lender Options Borrower Options (LOBOs) for debt restructure purposes.

The Council was required to set Prudential Indicators (PIs) to ensure that its capital investment plans were affordable, prudent and sustainable. The

PIs for 2007/08-2010/11 were illustrated and explained in Annex A to the report. The annual investment strategy reviewed projected interest rates over the next 3 years and sought to maximise returns to the Council, whilst minimising risks. In view of the significant capital investments which the Council was set to make over the next five years, the borrowing strategy aimed to minimise the risks of borrowing large amounts in any single year by giving the flexibility to borrow in advance, taking advantage of favourable interest rates as they arose.

Currently, the Council could restructure its debts by the use of Public Works Loans Boards (PWLBs). Another potential option was available in the form of Lender Options Borrower Options (LOBO) loans, which were offered by large financial institutions such as banks and offered very cheap primary period rates. It was therefore suggested that the Council restructure a limited amount of its current short term maturity PWLB debt into lower rate LOBO debt with matching primary periods.

RECOMMENDED: That Council approve:

- a) The Prudential Indicators for 2007/08 to 200/11, as set out in Annex A to the report;
- b) The proposed Treasury Management Strategy for 2007/08 to 2010/11;
- c) The annual investment strategy;
- d) The use of LOBOs for debt management purposes;
- e) The adoption of a predetermined LOBO repayment rate of 4% for LOBOs taken out before 31 March 2008;
- f) The use of the PWLB in year borrowing trigger rate as a trigger to repay LOBO loans;
- g) A maximum limit of 10% of total debt portfolio to be funded through LOBO loans at any one time.

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

### **143. Amendments to Council Constitution**

Members considered a report which proposed amendments to the Council's Constitution, to enable the Monitoring Officer to review, monitor and amend the Constitution more effectively in the longer term.

As part of a review of the implementation of the new Constitution, approved by full Council on 27 April 2006, a number of minor drafting amendments had been identified. Several issues had also been raised on aspects requiring further amendment in order to improve the effectiveness of the Council's decision making process. Currently, Article 16 of the Constitution required all amendments, however minor, to be approved by full Council.

In view of the resource implications of the Article 16 requirement, and after consultation with all Political Groups, it was recommended that the Constitution be amended to enable amendments to be made by the Head of Civic, Democratic and Legal Services (the Monitoring Officer), in consultation with the Chief Executive and, for more substantial amendments, with Group Leaders, without the approval of full Council.

RECOMMENDED: (i) That the Constitution be amended to authorise the Head of Civic, Democratic and Legal Services, in consultation with the Chief Executive, to make the following amendments to the Constitution without requiring the approval of full Council:

- Minor drafting amendments
- Any other amendment in consultation with Group Leaders.

REASON: To ensure that the Constitution is more effectively reviewed and monitored and that the business of Council properly reflects the important issues to be discussed by that forum.

(ii) That any changes made to the Constitution be reported to the Executive, circulated to all Council Members and incorporated into an up to date version of the Constitution, which should be accessible via the Council's website.

REASON: In the interests of openness and transparency.

S F Galloway, Chair

[The meeting started at 2.00 pm and finished at 3.05 pm].