

Joint Report of the Director of City Strategy and the Director of Resources

Economic Development - Revenue and Capital Budget Estimates 2009/10

Summary

1. This report presents the 2009/10 budget proposals for Economic Development. It includes:
 - the revenue budget for 2008/09 (Annex 1) to show the existing budgets
 - the budget adjusted and rolled forward from 2008/09 into 2009/10
 - the provisional allocation of pay and price increases for the portfolio
 - proposals for budget service pressure costs and savings options for the portfolio area (Annex 2)
 - fees and charges proposals (Annex 3)
 - the existing approved capital programme (Annex 4).
2. Budget Council will be held on 26 February 2009 and will make decisions on the overall budget for the Council. In order to facilitate the decision making process the Executive are meeting on 16 February 2009 to consider the preferences identified by the individual portfolio Executive Members and the results of the consultation exercise.
3. The Executive Leader 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. 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 23 September 2008. 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 2009/10 gives an increase in formula grant of £1.159m, an increase of 2.74%

Budget Proposals for Economic Development

6. 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	7	2,457
Provisional allocation for pay increases	8	62
Provisional allocation for price increases	9	-32
One-off savings identified in 2008/09 not available in 2009/10	10-11	70
Service Pressure proposals	12	0
Savings proposals (Annex 2)	13	-70
Proposed Budget 2009/10		2,487

Base Budget (£2,457k)

7. This represents the latest budget reported to Members, updated for the full year effect of decisions taken during 2008/09, e.g. supplementary estimates.

Provisional Pay Inflation (£62k)

8. These calculations are based on a pay increase for APT&C of 2.25%. The negotiations for the 2009/10 settlement have not yet started, although there is pressure from the Treasury that increases are kept under 2%.

Provisional Price Inflation (-£32k)

9. The budget proposes that a 2.5% increase on both controllable expenditure and income budgets. Only increases for fees and charges above 2.5% are included in the savings proposals. The figure is negative due to the high level of income raised within the directorate.

Full Year Effect of 2008/09 Saving Items

10. Several saving items were approved in 2008/09 where there is either a full year cost or a non-recurrence in 2009/10.
11. The costs shown in table 2 below represent the additional funds needed in 2009/10.

Table 2 - Full Year Effect of 2008/09 Pressures

	£'000
Full Year effect of recurring departmental pressures in 2008/09	
One-off saving in contribution to Future Prospects	20
One-off saving in Contribution to Science City York	50
Total Full Year Costs	70

General Contingency

12. Members should note that there are potential expenditure pressures that may materialise in 2009/10 but which are not yet certain or not quantifiable at this stage. There are no issues identified within the Economic Development service that are assumed to be calls on the contingency which is proposed to be set at £600k.

Service Pressures (£0k)

13. A range of options for service pressure proposals has been considered and in view of the overall available resources it is not proposed to fund any pressures within the service. There are pressures identified that will need to be managed particularly in relation to the continuing downward trend of income at Newgate Market. Members will need to be kept aware of budget pressure points as part of the regular monitoring cycle.

Savings Proposals (£-70k)

14. Members will be aware that the 2008/09 budget savings were significant and that all Directorates are operating within a tight financial environment. In seeking to achieve savings for the 2009/10 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
15. In addition to the initiatives listed above the list of savings also includes 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.
16. Annex 2 shows the full list of savings proposals for the Economic Development portfolio.

Fees and Charges

17. The details of the proposed fees and charges for the services provided by this portfolio are set out in Annex 3. Where fees and charges increases are being set above the inflation requirement they have been included in Annex 2. Further explanation for the rationale over the proposed fees set for the markets is provided in the following paragraphs.
18. For a number of reasons over the past few years Newgate Market has experienced a steady decline in both its stall occupancy and consumer footfall. Subsequently, this *lose lose* situation has had an impact of income from Newgate's fees & charges. In-house financial management by way of a restructure has helped reduce the shortfall, however, further action is required both to address the demise in the demand for and interest in Newgate Market and to achieve the budget required of the overall markets service.
19. In this respect, a completely new charge structure is proposed for Newgate whereby stall areas are categorised into new 'zones' that have charges against them that reflect trader demand on a day-by-day basis. In addition, it is proposed two stalls are removed from the 'block' opposite the meat & fish stalls that would then 'open up' an otherwise life-less aisle. The two stalls in question are very much under-demanded anyway and their removal would instead create four 'end' or corner stalls, of which type are always in demand.
20. Though many stalls would be reduced in price or remain similarly priced to that at present, it does offer an incentive for traders to remain at Newgate Market, and furthermore encourage those from other days or other markets.
21. Financially, the reduction in overall income from Newgate would be covered by above inflation increases to the speciality and event markets in other parts of the city centre.

Capital Programme

22. The Council's existing capital programme as approved at monitor 2 is shown at Annex 4.
23. There are no further schemes proposed to be considered for this portfolio.

Consultation

24. 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

25. As part of the consultation process Members of EMAP are asked for their comments or alternative suggestions on the proposals shown in Annexes 2 and 3.

Analysis

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

Corporate Priorities

27. The Economic Development Service supports the Council's corporate priority to improve the economic prosperity of the people of York with a focus on minimising income differentials. The budget proposals regarding savings have been identified primarily where efficiencies can be made within current operations and taking into account the new regional remit of Science City.

Implications

28. The implications are:
- Financial - the financial implications are dealt with in the body of the report.
 - Human Resources – there is a proposal to withdraw the reception facility at 20 George Hudson St which is currently provided by two staff. Where requested HR has been involved in the development of the budget proposals and has worked with local managers to identify the HR implications of the proposals. HR implications will be managed in accordance with established council change management procedures.
 - Equalities - 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

29. 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.
30. 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

31. The Executive Member Advisory Panel is invited to consider whether the

budget proposals are in line with the Council's priorities.

32. 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 16 February 2009.
33. 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 16 February 2009.
34. The Executive Leader is invited to consider whether the budget proposals are in line with the Council's priorities.
35. The Executive Leader is asked to consider the budget proposals for consultation for the Economic Development service for 2009/10 contained in this report and listed below and provide comments to be submitted to the Budget Executive on 16 February 2009.
 - 2009/10 Base budget as set out in paragraph 7;
 - Savings proposals as set out in Annex 2;
 - Fees and charges as set out in Annex 3.

Reason: As part of the consultation for the 2009/10 budget setting process.

Contact Details

Authors:

Patrick Looker
City Strategy Finance Manager
Tel: 551633

Chief Officers responsible for the report:

Bill Woolley
Director of City Strategy
Tel: 551330
Ian Floyd
Director of Resources
Tel: 551100

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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

Annexes

Annex 1 - 2008/09 Budget
Annex 2 - Savings Proposals
Annex 3 - Fees and Charges
Annex 4 - Existing Capital Programme