

Joint Report of the Director of People and Improvement and the Director of Resources

Revenue Budget Estimate 2010/11 – Chief Executive’s

Purpose of Report

1. This report presents the 2010/11 budget proposals for Chief Executive’s. It includes:
 - the base revenue budget for 2010/11 (Annex 1) to show the existing budgets
 - the cost of pay and price increases, increments and settlement of pay and grading appeals for the portfolio
 - proposals for budget service pressure costs and savings options for the portfolio area (Annexes 2 and 3)
 - fees and charges proposals (Annex 4)
2. Budget Council will be held on 25 February 2010 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 2010 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 the preferences (after considering the proposals in annexes 2, 3 and 4) which will be considered by the Executive as part of the consultation exercise. The Executive Leader is invited to provide comments on the budget proposals in this report.

Background

4. The Council’s 2010/11 budget is being developed within the constraints of an extremely challenging financial climate. An extensive transformational programme has begun which will promote efficient delivery of services whilst at the same time ensuring funding is available for investment in key areas across the Council.
5. The 2009/10 revenue budget monitoring process has identified areas of activity that currently have insufficient capacity to deal with the increased demands on those services. In addition consideration has been given to the Councils top priorities, and the need to ensure that key front line areas of activity, particularly those in respect of adults and children, can continue to be provided. From this analysis, specific areas of investment will be proposed within the Councils 2010/11 budget , in particular within the following areas:

- Adult Social Care
 - Children's Social Care
 - Waste Management
6. The proposed budget for 2010/11 reflects the need to direct investment into these areas in order that planning and monitoring of service delivery and improvement can take place against an adequate resourcing platform.
 7. In addition, the Council recognises that adequate provision needs to be created within the budget to ensure that the continuing financial impact of the economic downturn can be contained effectively. Following detailed review of economic pressures both on front line services and the Council's Treasury Management function, it is proposed that in the region of £3m will be set aside within the budget to contain the impact of these pressures.
 8. In order to create the financial capacity to enable adequate investment in these priority areas the budget strategy has been based around certain key financial management principles. A fundamental maxim of the strategy is that Directorates have been made clearly responsible for the robust and effective self-management of their existing financial resources and that restraint has been expected in putting forward for additional growth in budget to be funded corporately.
 9. Directorates have been expected to contain their net expenditure within clearly defined and strictly enforced cash limits with a clear expectation that Directorates self manage all non-exceptional budget pressures within this cash limit. These pressures include the anticipated cost of the pay award and any incremental increases due in year. Explicitly linked to self-management within defined cash limits has been the requirement for directorates to demonstrate the re-allocation of budgets in order to contain internal financial pressures.
 10. As part of the development of the budget, the Council's transformation programme has also been robustly reviewed in view of the need to create capacity to invest in priority areas. A realistic acceleration of efficiency savings will be included within the corporate budget proposals in order to ensure that the additional financial capacity introduced in this budget is based around a challenging but realistic approach to driving out efficiency savings across the organisation. However, it must be stressed that achievement of these efficiencies will not be easy to deliver, but they are essential in order to deliver investment into priority areas. The scale and pace of the transformation process in coming years will be critical to the Council maintaining financial stability. In addition, clearly with the future pressures on public spending, combined with known forecast increased pressures in children's care, adult care, and waste management, the Council will face the need to both achieve significant transformational change, and review the overall type and level of service provision in coming years.
 11. The key issue within Chief Executive's has been the impact of the economic downturn on the Commercial portfolio as well as Legal services supporting Children's social care requirements. It is however recognised that reviews of service activity need to take place in order to develop and implement mitigation plans that will constrain the impact of these financial pressures.

12. The Director of Resources' report '2010/11 Budget Strategy and Medium Term Financial Planning 2011/12 to 2013/14' was adopted by the Executive on 15 December 2009. This paper is the result of ongoing work against this agreed framework.
13. The Local Government Finance settlement for 2008/09 and included indicative figures for 2010/11 to enable the Council to consider future budget issues. The provisional settlement for 2010/11 gives an increase in formula grant of £1.090m, an increase of 2.51%

Budget Proposals for Chief Executive's

14. 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 2009/10	15	4,933.7
Allocation for pay increases	16	72.0
Allocation for price increases	17	0.0
Service Pressure proposals (Annex 2)	18	513.0
Savings proposals (Annex 3)	20-23	-468.0
Proposed Budget 2010/11		5,050.7

Base Budget (£4,934k)

15. This represents the latest budget reported to Members, updated for the full year effect of decisions taken during 2009/10, e.g. supplementary estimates. The breakdown of the base budget is shown in Annex 1.

Pay Inflation (£+72k)

16. These calculations are based on a pay increase for APT&C of 1%. The negotiations for the 2010/11 settlement have not yet started, although there is pressure from the Treasury that increases are kept to a minimal level.

Price Inflation (+£0k)

17. 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.

Service Pressures (+£513k)

18. 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 Chief

Executive's. 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.

Contingency Items

19. Members should note that there are potential expenditure pressures that may materialise in 2010/11 but which are not yet certain or not quantifiable at this stage. There are a number of income shortfalls across the Directorate that have been identified primarily as a result of the Economic downturn. The issues are listed in Table 2 below. The Executive will decide on 16 February 2010 whether or not to set a general contingency for 2010/11.

Table 2 - Contingency Issues for 2010/11

	£'000
Contingency Issues for 2010/11	
Reduced income as a result of Economic Downturn	
Downturn in rent from Commercial Portfolio	200
Additional costs of holding onto unsold surplus properties	50
Total	250

Savings Proposals (-£468k)

20. Members will be aware that the 2009/10 budget savings were significant and that all Directorates are operating within a tight financial environment. In seeking to achieve savings for the 2010/11 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 and are not already included in the blueprints for More For York. 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
21. In addition to the initiatives listed above the price increases and list of savings also include proposals to increase fees and charges (see also section below). Generally these are in line with inflation, but this is varied by directorates as they are affected by national constraints/requirements.
22. Annex 3 shows the full list of savings proposals for the Chief Executive's Directorate.

23. It should also be noted that the Directorate is significantly involved in a number of savings proposals that are being agreed through the More for York programme. There are blueprints specifically considering Human Resources and Property services as well as a blueprint being compiled for the other functions due to be under the control of the Chief Executive following the organisational review such as Policy, Performance, Equalities and Marketing and Communications. The savings assumed from More for York in 2010/11 will be considered corporately at the Executive meeting 16th February 2010.

Fees and Charges

24. The details of the proposed fees and charges for the services provided by this portfolio are set in Annex 4. Where fees and charges increases are being set above the inflation requirement they have been included in Annex 3.

Consultation

25. This paper forms part of the Council's budget consultation. The other streams being undertaken include a public consultation leaflet circulated city wide (results should be known by mid-January), a public meeting where participants debated savings and growth proposals attended by the Leader of the Council and the Chief Executive, and a further session with a the business communities of the city.

Options

26. As part of the consultation process the Executive Leader is asked for their comments or alternative suggestions on the proposals shown in Annexes 2, 3 and 4.

Analysis

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

Corporate Priorities

28. The budget represents the opportunity to reprioritise resources towards corporate priority areas. The Chief Executive's Directorate primarily supports the other directorates in achieving their corporate priorities. Savings have been targeted primarily where efficiencies can be made from better working practices thus protecting front line services.

Implications

29. The implications are:
- Financial - the financial implications are dealt with in the body of the report.
 - Human Resources – the savings proposals identified relate to the reduction of upto 4.8 posts across the directorate of which 2.8fte posts are vacant. This means there is potentially two redundancies across the service area. 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 – an equalities impact assessment has been undertaken to support the budget process. This has not flagged any significant equalities issues.
- Legal - there are no legal implications to this report.
- Crime and Disorder - there are no specific crime and disorder implications to this report.

Risk Management

30. 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.
31. 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

32. The Executive Leader is invited to consider whether the budget proposals are in line with the Council's priorities.
33. The Executive Leader 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 2010.
34. The Executive Leader is asked to consider the budget proposals for consultation for Chief Executive's for 2010/11 contained in this report and listed below and provide comments to be submitted to the Budget Executive on 16 February 2010.
 - 2010/11 Base budget as set out in paragraph 15;
 - Service Pressure proposals as set out in Annex 2;
 - Savings proposals as set out in Annex 3;
 - Fees and Charges proposals as set out in Annex 4.

Contact Details

Authors:

Patrick Looker
City Strategy Finance Manager
Tel 551633

Chief Officers responsible for the report:

Heather Rice
Director of People and Improvement
Tel: 551700
Ian Floyd
Director of Resources
Tel: 551100

Specialist Implications Officer(s) None

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

All

√

Background Working Papers

Budget working papers held in City Strategy Finance

Annexes

Annex 1 - 2010/11 Base Budget
Annex 2 - Service Pressure Proposals
Annex 3 - Savings Proposals
Annex 4 - Fees and Charges