



Notice of meeting of

Executive

To:	Councillors Waller (Chair), Ayre, Steve Galloway, Moore, Morley, Reid and Runciman
Date:	Tuesday, 16 February 2010
Time:	2.00 pm
Venue:	The Guildhall

AGENDA

Notice to Members - Calling In:

Members are reminded that, should they wish to call in any item on this agenda, notice must be given to Democracy Support Group by:

10:00 am on Monday 15 February 2010, if an item is called in *before* a decision is taken, *or*

4:00 pm on Thursday 18 February 2010, if an item is called in *after* a decision has been taken.

Items called in will be considered by the Scrutiny Management Committee.

1. Declarations of Interest

At this point, Members are asked to declare any personal or prejudicial interest they may have in the business on this agenda.

2. Minutes (Pages 3 - 6)

To approve and sign the minutes of the Executive meeting held on 2 February 2010.

3. Public Participation

At this point in the meeting, members of the public who have registered their wish to speak regarding an item on the agenda or a matter within the Executive's remit can do so. The deadline for registering is **5:00 pm on Monday 15 February 2010**.

4. Executive Forward Plan (Pages 7 - 8)

To receive details of those items that are listed on the Forward Plan for the next two Executive meetings.

5. 10:10 Campaign and Sustainability Update (Pages 9 - 28)

This report responds to the council motion of October 2009 on the national 10:10 Campaign and sets out how City of York Council will look to achieve a 10% reduction in CO₂ emissions in 2010 as required by the campaign. The report also provides updates on some of the major projects being carried out across York with the Sustainability team.

6. Community Stadium - Update Report (Pages 29 - 46)

The purpose of this report is to provide the Executive with an update on the progress of the Community Stadium project.

7. Review of Discretionary Concessions Provision and the Introduction of a "Taxicard" for Disabled York Residents (Pages 47 - 60)

This report is presented in response to the recommendation made at the Executive meeting of 20 January 2009 to explore the possibility of introducing an electronic, stored value, taxi-card to replace the national transport tokens being issued to entitled disabled residents.

8. Comments from the Health Overview & Scrutiny Committee Regarding the Referral from the Executive on Overspends in Adult Social Services (Pages 61 - 76)

This report sets out the comments of the Health Overview & Scrutiny Committee on the referral from the Executive regarding overspends in Adult Social Services. Councillor Alexander, Chair of the Health Overview & Scrutiny Committee, will be in attendance at the meeting to present the Committee's comments.

9. Third Performance and Financial Monitor for 2009-10 (Pages 77 - 98)

This report provides details of the headline performance issues for the third performance monitor of 2009-10 covering the period from 1 April to 31 December 2009.

10. Capital Programme Monitor 3 (Pages 99 - 126)

This report presents the likely outturn position of the 2009/10 Capital Programme based on the spend profile and information to mid January 2010, and seeks approval for changes to the programme and slippage of funding, where required.

11. Treasury Management Monitor 3 and Prudential Indicators 09/10 (Pages 127 - 142)

This report presents an update on the Treasury Management performance for the period 1 April 09 to 31 December 2009 compared against the budget presented to Council on 21 February 2009.

12. Capital programme Budget 2010/11 to 2014/15 (Pages 143 - 178)

This report presents the 5 year capital programme budget for the period 2010/11 to 2014/15 including new capital schemes and appropriate funding arrangements, and asks Members to recommend it to Budget Council for approval.

13. Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15 (Pages 179 - 220)

This report asks the Executive to recommend that Budget Council approve an integrated Treasury Management Strategy Statement, the proposed Prudential Indicators for 2010/11 to 2014/15, adoption of the revised CIPFA Treasury Management Code of Practice, revised Treasury Management Policy Statement, reporting arrangements, Treasury Management Scheme of Delegation and role of the section 151 officer.

14. Financial Strategy 2010 - 2016 (Pages 221 - 330)

This report presents the Financial Strategy for the period 2010 - 2016, including the detailed Revenue Budget proposals for 2010/11, and asks Members to recommend the proposals to Budget Council.

15. Urgent Business

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

Name: Fiona Young

Contact details:

- Telephone – (01904) 551027
- E-mail – fiona.young@york.gov.uk

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

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- ensure that what you want to say speak relates to an item of business on the agenda or an issue which the committee has power to consider (speak to the Democracy Officer for advice on this);
- find out about the rules for public speaking from the Democracy Officer.

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Further information about what's being discussed at this meeting

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Holding the Executive to Account

The majority of councillors are not appointed to the Executive (40 out of 47). Any 3 non-Executive councillors can 'call-in' an item of business from a published Executive (or Executive Member Decision Session) agenda. The Executive will still discuss the 'called in' business on the published date and will set out its views for consideration by a specially convened Scrutiny Management Committee (SMC). That SMC meeting will then make its recommendations to the next scheduled Executive meeting in the following week, where a final decision on the 'called-in' business will be made.

Scrutiny Committees

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:

- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

Who Gets Agenda and Reports for our Meetings?

- Councillors get copies of all agenda and reports for the committees to which they are appointed by the Council;
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City of York Council

Committee Minutes

MEETING

EXECUTIVE

DATE

2 FEBRUARY 2010

PRESENT

COUNCILLORS WALLER (CHAIR), AYRE,
STEVE GALLOWAY, MOORE, MORLEY, REID AND
RUNCIMAN**146. 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. No interests were declared.

147. MINUTES

RESOLVED: That the minutes of the Executive meeting held on 19 January 2010 be approved and signed by the Chair as a correct record.

148. PUBLIC PARTICIPATION

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

149. EXECUTIVE FORWARD PLAN

Members received and noted details of those items that were listed on the Forward Plan for the next two Executive meetings at the time the agenda was published.

150. FEEDBACK ON ONE PLACE WEBSITE / APPROVAL FOR YORK'S PROFILE ON THE YORK & NORTH YORKSHIRE LOCAL INFORMATION SYSTEM

Members considered a report which presented feedback from the analysis work requested on the Audit Commission's 'One Place' website data. The report also outlined progress on the York & North Yorkshire Local Information System (LIS), aimed at sharing information with members of the North Yorkshire Strategic Partnership, and sought approval to launch the first stage of the LIS.

The Audit Commission had confirmed the accuracy of the data about York presented on their One Place website. A recent internal analysis on those indicators which were verifiable had also shown the data to be correct. Discussions were taking place with the Audit Commission to gain feedback

on a number of observations, relating mainly to presentation and interpretation of the data, as detailed in paragraph 7 of the report. Officers reported at the meeting that the issues identified on specific indicators had now been corrected. It was clear that One Place would in future be a very useful source of data which would inform performance management reports and decision making across the Council and the City, with links to the proposed York & North Yorkshire LIS. Officers

In June 2009, York had agreed to join York and North Yorkshire Strategic Partnership in developing an LIS, on the proviso that funding was made available and links with Leeds City Region were explored. The lead authority, North Yorkshire County Council, had received 3-year funding from the Regional Improvement and Efficiency Partnership to support the project. The LIS would provide a map-based, on-line local statistics service for the public and a large shared data warehouse facility for the use of partners. It was now at a point where the first stage of the York profile could be demonstrated and made live at any point after final approval from Members. A summary of the anticipated benefits of the project was set out in Annex 1 to the report. Example screen shots of the York profile were provided at Annex 2.

RESOLVED: (i) That the results of the analysis exercise carried out on the Audit Commission's One Place site, and the further work under way with auditors and other organisations, be noted.

REASON: So that Members are informed of progress in ensuring that public data relating to the City is accurate and presented clearly.

(ii) That the launch of the York profile on the North Yorkshire & York Local Information System, to enable the move from the draft stage to a live stage on the NYCC website (Option 1) be approved.¹

REASON: To take advantage of an external funding opportunity, further improve knowledge about our communities and share information with partners and other organisations.

(iii) That Officers be required to monitor the use of City of York Council officer time in joining with the Local Information System, and that this be delivered at no additional cost to the Council.²

(iv) That future reports indicate clearly what outcomes have resulted from the application of the new system.³

REASON: To ensure that the value of the system can be clearly demonstrated.

(v) That the Assistant Director of Resources (Customer Services and Governance) be requested to take on responsibility for the cross-referencing of data held on the LIS

with the information held by the Audit Commission on the One Place website.⁴

REASON: In order to avoid any future conflicts of content and presentation between the two systems.

Action Required

- | | |
|--|----|
| 1. Implement the launch of the York profile on the LIS | PS |
| 2. Arrange for the use of Officer time and cost on the LIS to be monitored | PS |
| 3. Ensure that future reports include outcomes from LIS | PS |
| 4. Ensure that LIS / One Place data is cross-referenced | PS |

A Waller, Chair

[The meeting started at 2.00 pm and finished at 2.10 pm].

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EXECUTIVE FORWARD PLAN (as at 28 January 2010)

Table 1: Items scheduled on the Forward Plan for the Executive Meeting on 2 March 2010		
Title & Description	Author	Portfolio Holder
No items now scheduled for this meeting		

Table 2: Items scheduled on the Forward Plan for the Executive Meeting on 16 March 2010		
<p>Information Governance Policy and Strategy 2010</p> <p><i>Purpose of report: For information at: Review and update of the 2007 strategy taking account of new guidance and internal developments.</i></p> <p><i>Salient points are: No Request of additional resources. Service by service review is the strategy. LGA backing. Internal drivers are HQ move and More for York.</i></p> <p><i>Members are asked to: support the strategy that CMT has adopted, which will improve service delivery, enhance information governance and reduce financial and reputational risk to the council</i></p>	Robert Beane	Executive Member for Corporate Services

Table 3: Items slipped on the Forward Plan with the agreement of the Group Leaders					
Title & Description	Author	Portfolio Holder	Original Date	Revised Date	Reason for Slippage
<p>Fleet Management and Vehicle Maintenance</p> <p><i>Purpose of report: To update members on progress with the vehicle maintenance facility and consider options for the future of fleet management and vehicle maintenance.</i></p>	Geoff Derham	Executive Member for Neighbourhoods	16 February 2010	June 2010	Owing to staffing issues.

<p><i>Members are asked to: Consider the options and approve the option recommended by officers.</i></p>					
<p>Minutes of Working Groups</p> <p><i>Purpose of Report: This report presents the minutes of recent meetings of the Young People's Working Group, the LDF Working Group and the Social Inclusion Working Group and asks Members to consider the advice given by the Groups in their capacity as advisory bodies to the Executive.</i></p> <p><i>Members are asked to: Note the minutes and to decide whether they wish to approve the specific recommendations made by the Working Groups, and /or respond to any of the advice offered by the Working Groups.</i></p>	<p>Jayne Carr</p>	<p>Executive Leader</p>	<p>2 March 2010</p>	<p>30 March 2010</p>	<p>This was the only item scheduled for this meeting.</p>



Executive

16th February 2010

Report of the Assistant Director: Planning and Sustainable Development

City Strategy

10:10 Campaign and Sustainability Update

Summary

1. This report responds to the council motion of October 2009 on the national 10:10 Campaign and sets out how City of York Council (CYC) will look to achieve a 10 per cent reduction in CO₂ emissions in 2010 as required by the Campaign.
2. The report also provides information updates on some of the major projects being carried out across York, within the Sustainability team of CYC, including; the Climate Change Framework and Action Plan, Renewable Energy Viability Study for York, and Green Streets Challenge.

10:10

3. In October 2009 Full Council passed a motion signing up to the national 10:10 campaign and requiring officers to bring a paper to Executive setting out how CYC will meet the campaign requirement to reduce carbon dioxide emissions from council operations by 10 per cent in 2010.
4. The overall aim of the Campaign is for people, business, education and organisations to reduce their CO₂ emissions by 10 per cent over the course of 2010. Further information can be found at www.1010uk.org
5. For CYC this means reducing CO₂ emissions by approximately 1,220 tonnes between 1st April 2010 and 31st March 2011. The emission reduction is based on 2008/09 figures. A definitive emission reduction total will not be known until June 2010, when NI185 data is submitted to DEFRA.
6. **The 10 per cent reduction target excludes schools and outsourced services.** Therefore CYC's emission reductions will come principally from buildings (excluding schools), transport and street lighting.
7. Through the Council's Carbon Management Programme (CMP) projects are being identified to enable a 25 per cent reduction in CO₂ emissions by 2013. A number of these projects will also contribute to the 10 per cent reduction target allocated to the Campaign. To date over 1100 tonnes of carbon dioxide have been saved through the CMP.

8. Table 1 sets out the proposed projects which will contribute to a 10 per cent reduction in 2010/11.

Table 1: 10:10 Campaign projects – project breakdown

1. Mercury lanterns replacement				
Project description				
1,300 mercury vapour lanterns will be replaced with modern alternatives. On completion, all mercury vapour lanterns will have been removed from the City.				
Lead department	Estimated CO2 savings (t)	Estimated cost (£)	Financial savings (£)	Funding secured?
Highway infrastructure	120	132,000	21,242 / year	Funding anticipated from 2010/11 capital programme*
2. 250 watt to 150 watt lantern conversions				
Project description				
50 250 watt lanterns will be replaced with 150 watt white light examples. The project will build on the work undertaken in 2009/10 which installed 50 such lanterns in the city centre.				
Lead department	Estimated CO2 savings (t)	Estimated cost (£)	Financial savings (£)	Funding secured?
Highway infrastructure	12	17,500	2,080 / year	Funding anticipated from 2010/11 capital programme*
3. Solar bollards				
Project description				
The project involves disconnecting 50 bollards/signs from the mains electricity supply and using solar panels to provide the power needed to operate them.				
Lead department	Estimated CO2 savings (t)	Estimated cost (£)	Financial savings (£)	Funding secured?
Highway infrastructure	11	25,000	2,000 / year	Funding anticipated from 2010/11 capital programme*
4. LED lanterns				
Project description				
50 lanterns will be replaced with LED alternatives. The project builds on a trial which took place during 2009/10 with 10 LED lanterns in the South Bank area of the city.				
Lead department	Estimated CO2 savings (t)	Estimated cost (£)	Financial savings (£)	Funding secured?
Highway infrastructure	2	25,000	427 / year	Funding anticipated from 2010/11 capital programme*

5. powerPerfector voltage optimisers

Project description

powerPerfector is a voltage power optimiser, giving energy, cost and carbon savings by efficiently optimising a site's supply voltage. By optimising the voltage, electrical equipment runs more efficiently and consumes less energy. The project will install one device in the workshops at the EcoDepot.

Lead department	Estimated CO2 savings (t)	Estimated cost (£)	Financial savings (£)	Funding secured?
Energy team	18	16,901	3,388 / year	Funding anticipated from Salix Finance.

6. Staff awareness, training visits and turn heating down

Project description

Smart meters have been installed in a number of Council buildings. The installation of new meters will help in monitoring and inform staff on site of how well their improvement measures are working through:

- bespoke training and building audits in carbon reduction;
- league tables and target setting for energy reduction in Council buildings; and,
- traffic light switches – label all switches so people know what they are and if they can be switched off. Posters to be displayed in offices so it is clear what equipment is to be left on.

A programme of training is to be established for key staff and will include:

- building managers and caretakers – general awareness training, correct setting of controls and making use of monitoring information;
- building users – general awareness and good housekeeping;
- procurement staff – awareness of long-term energy costs when purchasing equipment, including the use of lifetime costings; and,
- architects and design staff – training in low energy building design and integration of renewable energy technologies into building design.

A programme of disseminating clear advice to building users will be developed via a network of Energy Champions. This will include:

- switching off computers when not in use and enabling energy management software;
- using energy save options on photocopiers and other office equipment;
- switching off lights in empty rooms or when daylight provides sufficient light;
- correct use of thermostats for heating and air conditioning;
- closing windows and external doors in winter; and,
- purchasing energy efficient goods.

The maximum recommended temperature for heating offices is 19°C. The turning the heating down project involves ensuring that all Council buildings are heated to a maximum temperature of 19°C. Doing so will ensure less energy is used.

Lead department	Estimated CO2 savings (t)	Estimated cost (£)	Financial savings (£)	Funding secured?
Energy and sustainability team	300	0	5,000 / year	Yes

7. Oaklands Sports Centre

Project description

The existing Oaklands Sports Centre has been extended to incorporate a new swimming pool. This replaces Edward Wilson swimming pool which has closed.

Lead department	Estimated CO2 savings (t)	Estimated cost (£)	Financial savings (£)	Funding secured?
Property services	349	n/a	No saving – 10,000 cost	Yes. £10,000 cost is as a result of the fuel for the biomass boiler, which is more expensive than gas at present.

8. Building rationalisation

Project description

As a result of the new Oaklands Sport Centre, Edward Wilson swimming pool is surplus to requirements. Therefore, the Council is no longer paying for the fuel to heat/run the buildings and as a result has made carbon savings.

Lead department	Estimated CO2 savings (t)	Estimated cost (£)	Financial savings (£)	Funding secured?
Property services	450	0	No saving	Yes. The budget which was used to run the swimming pool has been transferred to Oaklands Sports Centre.

Total carbon savings	1,262 tonnes
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* £200k is required to fund these projects. Funding is being sought from the Capital Programme through the CRAM process at the current time. If funding is not identified, 145 tonnes will have to be found from as yet unidentified other projects to allow the Council to meet its commitment under the 10:10 Campaign. Please see section 10 for more details.

9. As set out above it is estimated that 1262 tonnes will be saved in 2010/2011. This is 42 tonnes over the anticipated 1220 tonnes target.
10. However, experience through the CMP, projects shows that estimated CO2 savings and actual CO2 savings can vary for a number of operational reasons. For this reason, and should CRAM funding and Salix funding not be secured, a series of contingency projects will also be investigated by the Sustainability Team and Carbon Management Programme Core Team over the coming months. These potential projects for possible inclusion in 10:10 (and CMP) are:

- Webaspx route optimisation software to allow efficiencies (carbon and financial) to be made in the refuse vehicles' collection rounds;
 - Printer/photocopier rationalisation programme as part of More for York;
 - Power configuration software for all newly purchased PCs; and,
 - Transport behaviour change in partnership with Human Resources and Development and Transport teams, e.g. public transport policy, re-evaluation of business mileage payments.
11. Joining 10:10 is not just about reducing CYC's own emissions: it's about becoming part of a national drive to reduce the entire country's carbon footprint. As such, an important part of the 10:10 commitment is spreading the word and seeking to get other people and organisations involved. CYC will develop a 10:10 communication campaign by March 2010 and promote and invite staff, residents and other organisations across York to take part in the campaign.

Climate Change update

12. As part of the Sustainable Community Strategy, the City of York Council and the Without Walls Partnership are committed to creating a Sustainable City.
13. The Without Walls Partnership are also committed to combating and adapting to Climate Change. They are finalising a draft Climate Change (CC) Framework and Action Plan by April 2010.
14. To date the CC Framework and Action Plan have been drafted and circulated to members of the Environment Partnership Board and Climate Change subgroup seeking to set targets and actions agreed with Partners across the City.
15. Currently the Climate Change Subgroup of the Environment Partnership Board, and supported by the Sustainability team, are finalising the Framework and Action Plan. The drafts will be presented to the Without Walls Board and CYC Executive from April 2010. Public consultation will also follow in the summer. It is envisaged that the documents will be officially launched and implemented from September 2010. To date consultation has been internal across CYC and through the Without Walls Partnership. A communication plan will also accompany the drafts.
16. A briefing paper summarising the Framework and Action Plan can be found in Appendix 1.
17. It is likely that the Framework and Action Plan will look to meet the national Climate Change Act 2008 targets. This act legally binds the UK to at least a 80 percent reduction in greenhouse gas emissions by 2050. Figure 1. illustrates what these targets mean for York's emission reduction (based on the most up to date data available for York from Department for Energy and Climate Change (DECC)).



Figure 1. Actual and projected carbon emissions, per sector, for York in line with the national 80% reduction target by 2050 (source DECC 2009)

18. However, following the Full Council motion (approved on 3rd December 2009) this framework and action plan will now need to reference the Council's commitment to the Covenants of Mayors and the Friends of the Earth 'Get serious' campaign. These commit the City to a 40% reduction in carbon emissions by 2020. Officers are investigating how such a target can be met in York and what resources are needed to support this work.
19. In September 2009 CYC's Sustainability Team held a 'Working Together to Tackle Climate Change Event'. Part of this event begun to investigate and identify future threats and opportunities associated to climate change. Using regional projected climate data, key impacts, consequences and suggested future action that will allow York to adapt and prepare for a changing climate were all discussed. This work is now being followed up with relevant officers across CYC (the main areas are flood risk, risk to buildings, staff, residents, essential infrastructure and services). This work will fed into the Climate Change Framework and Action Plan.
20. To support this work, and essential to meeting requirements of national indicator 188 (NI 188 adapting to climate change), a local climate impact profile is also to be carried out to identify York's current and past vulnerability to weather related events, including extreme weather events such as heavy rainfall. This work will help York to risk assess and see the areas that it needs to address to better prepare the City for a changing climate in the future. The Profile will also fed into the Climate Change Framework and Action Plan.
21. NI 188 is currently ranked as red as CYC failed to meet level 1 of the NI 188 criteria. However, an action plan to achieve NI 188 level 1 by March 2010 is in place. This should see CYC back on track with meeting the LAA target of level 1 for 2009/10.

Renewable Energy Viability Study

22. In June 2009 City Strategy DMT approved the commissioning of a Renewable Energy Viability Study. This study will support the LDF's Core Strategy and its evidence base for renewable energy and carbon dioxide reduction targets.
23. The Study will be completed by April 2010 and will identify local viability and potential for renewable and low-carbon technologies in York. It will also illustrate the potential such technologies will have in meeting York's regional renewable energy target. A full report will be taken to LDF working group, DMT, CMT and Executive once this study is in a completed draft format.
24. Good progress has been made on this study – meetings between the consultant team and CYC officers have seen initial stages of the work programme complete.
25. This study will also be used to generate suitable projects across the City as part of the Climate Change Framework and Action Plan. It will also support the work of the Green Jobs Task Force by highlighting the potential for the creation of renewable energy related jobs/sectors in York.
26. Based on the results the study will inform the policy approach taken to renewable energy and energy efficiency in the LDF Core Strategy and all subsequent LDF documents, including the Allocation DPD and the two Area Action Plans. In addition it will also be incorporated into Supplementary Planning Documents and will have a direct influence over the development control process

Sustainable City Community Projects

Green Streets Challenge

27. As requested by the Executive Member for City Strategy, this update covers the Green Streets Challenge, one of the Without Walls Local Area Agreement Delivery Grant funded projects.
28. This project is led by the Stockholm Environment Institute (SEI) on behalf of the Environment Partnership Board (EPB) (of the Without Walls Partnership). Regular progress updates have been presented to the EPB, most recently in January 2010.
29. This project calculated the carbon footprint for York's neighbourhoods and used this data to then identify the areas in the City where there was a high potential to help homes reduce their carbon footprint by 10 per cent.
30. To date the carbon footprint for York has been published by the SEI. A full copy of this report and its findings is available at: <http://sei-international.org/?p=publications&task=view&pid=1312>
31. As part of phase II of this project, the SEI have identified areas in Holgate and Micklegate wards that have a high potential to reduce their

carbon footprint through energy saving measure and smarter /sustainable lifestyle and transport choices.

32. In these chosen wards, 500 homes have been contacted and invited to take the Green Streets Challenge. From January 2010 – June 2010 homes taking part will aim to reduce their carbon footprint by 10%. Residents are offered expert advice and access to a Green Street Mentor (through SEI) , plus a carbon footprint action plan from the SEI.
33. CYC staff are a part of the planned expert advice package, including Recycling, Transport and Sustainability officers. The Energy Saving Trust Advice Centre are also playing a significant part offering expert advice. CYC Officers will need to provide degrees of support and assistance to the SEI from February 2010 with advice and guidance in the above areas.
34. So far 5 community events have been undertaken and total of 102 Residents have been recruited on the doorstep.
35. Three additional teams have also joined the challenge. These include a Church team at St Edwards the Confessor Church in Dringhouses (14), Park Grove Primary School (4-10) and Heworth Primary School (10).
36. In January 2010 the Challenge started fully. A pledge party was held for all the participants by SEI. Over the next 6 months participating homes will try to reduce their footprint. A prize is to be offered to winner(s).
37. A full report is attached as Appendix 2.

Options

38. This report presents the project proposals which will enable CYC to meet the 10:10 commitment and also provides an update on other sustainability projects across the City. Executive are asked to endorse the 10:10 projects, note the good progress being made with other sustainability projects and support the Without Walls Green Streets project.

Corporate Priorities

39. The projects outlined above relate to the priority to reduce the environmental impacts of Council activities. The 10:10 Campaign will help to reduce CO₂ emissions from our buildings, street lighting and transport by 10 per cent within a year and support a 25 per cent reduction by 2013 as required by the Carbon Management Programme (CMP).
40. The projects are necessarily in accordance with the Sustainable Community Strategy.

Implications

41. **Financial:** Funding for certain 10:10 projects (where identified) requires CYC / partner funding.
42. **Human Resources (HR):** There are no HR implications.

43. **Equalities:** There are no equalities implications.
44. **Legal:** There are no legal implications.
45. **Crime and Disorder:** There are no crime and disorder implications.
46. **Information Technology (IT):** There are no IT implications.
47. **Property:** Due to the lack of resources (officer time) available to implement projects for the 10:10 campaign within transport, property are delivering a greater proportion of the projects which will deliver a 10 per cent reduction. This may present a capacity issue for property.
48. **Other:** There are no other implications.

Risk Management

49. Risk - Failure to secure Salix and CRAM funding for 10:10 projects 1-5. Without funding from Salix and CRAM projects 1 –5 will not be carried out. This will potentially affect the ability of CYC to meet the 10:10 target.
50. Mitigation - To ensure that this does not happen contingency planning and the investigation of the projects detailed in section 10 should be undertaken.
51. Risk – failure to secure CYC funding for Street lighting projects would result in a failure to deliver these projects (see project table). This will potentially affect the ability of CYC to meet the 10:10 target.
52. Mitigation - To ensure that this does not happen contingency planning and the investigation of the projects detailed in section 10 should be undertaken.
53. Risk - Sustainability Officers and other CYC Officers have competing demands on their time which may result in one or more of the projects identified above not being delivered within the timescales set out in this paper. To ensure this does not happen rigorous project planning / performance management measures should be put in place and regular updates provided.

Recommendations

54. Executive are asked to endorse the 10:10 projects, note the good progress being made with other sustainability projects and support the Without Walls Green Streets project.

Reason: To update Members on the progress to date.

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Report Approved	√	Date	3 Feb 2010

Specialist Implications Officer(s) *List information for all*
Implication ie Financial *Implication ie Legal*
Name *Name*
Title *Title*
Tel No. *Tel No.*

Wards Affected: *List wards or tick box to indicate all*
Micklegate and Holgate for one section of the report

All *tick*

For further information please contact the author of the report

Annexes

- Appendix 1 – York’s Climate Change Framework and Action Plan
- Appendix 2 – York Green Streets Challenge Project
- Appendix 3 – Campaign Project Breakdown



Appendix 1

York's Climate change Framework and Action Plan York

Background

The Climate Change Framework is the first of a series of documents that will enable York to accelerate actions to reduce carbon emissions across the city. It demonstrates the actions already on-going across the city and highlights the key areas the city needs to begin to address.

The Framework will be reviewed and refined every three-five years in order to eventually reach the 2050 UK target of an 80% reduction in carbon dioxide emissions. The framework is to be used by organisations across the city to focus and develop a coordinated climate change action plan for York. A draft framework and action plan has been created and is currently being finalised with Partners. It will be complete by spring 2010.

Figure 1 demonstrates the composition of the climate change framework and the components that make up the climate change action plan for York. The framework is the overarching document focusing the creation of the action plan.

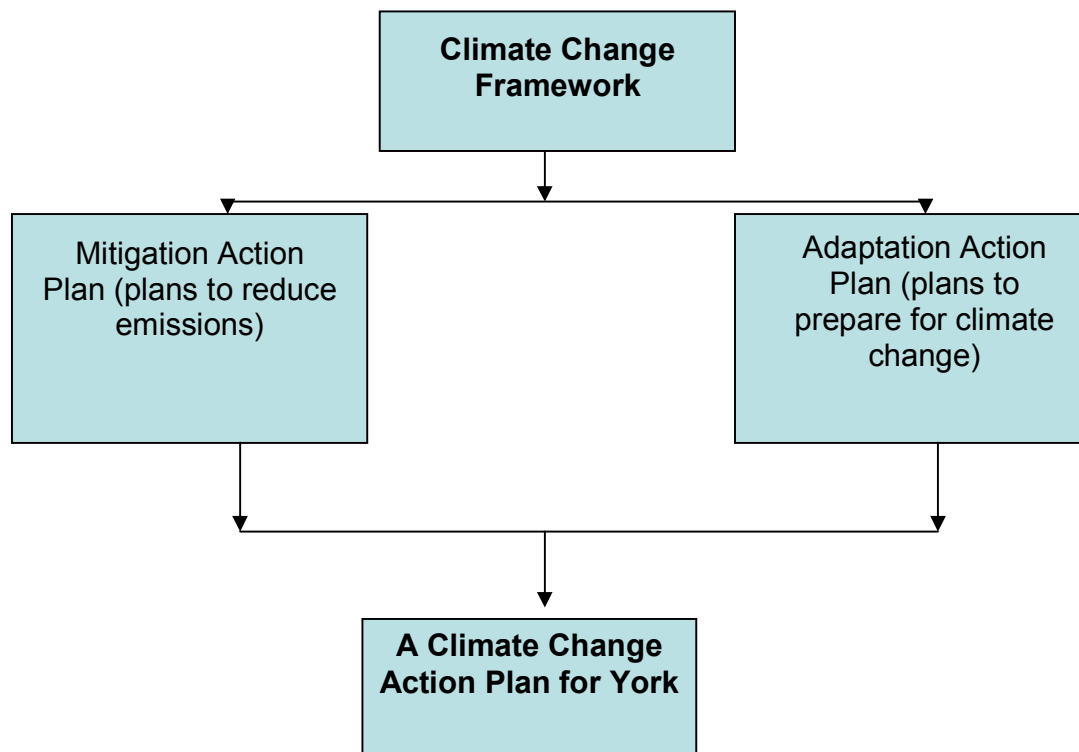




Figure 1. Composition of the Climate Change Framework for York.

The Climate Change Action Plan for York will be a combination of specific action plans, guided by the Climate Change Framework. The plans are broken into mitigation actions, actions that will reduce emissions from across the city, and adaptation actions, action that will help the city to better prepare and adapt to climate change. This is summarised below. Figure 2 illustrates this structure.

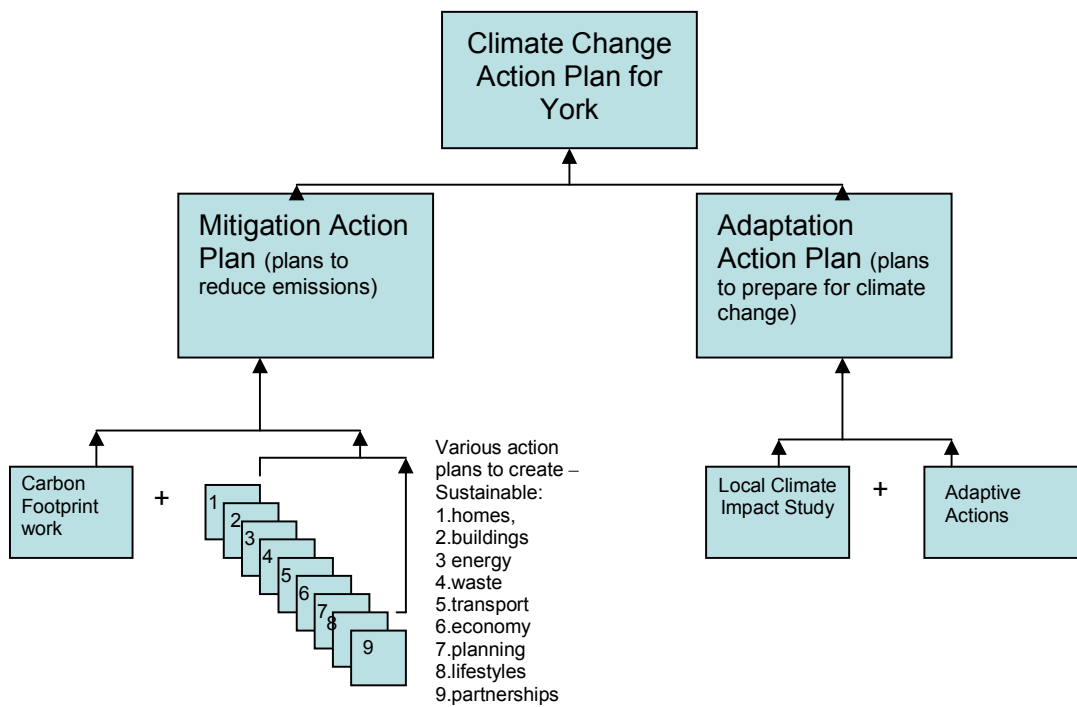


Figure 2 summarises the composition of the detailed action plans

The Draft Climate Change Framework

Draft Vision

To reduce greenhouse gas emissions across York and better prepare and adapt York’s communities and businesses for the likely impacts associated with climate change.



Draft Objectives

- To reduce York's greenhouse emissions in line with government targets
- To guide and coordinate carbon/ greenhouse gas reduction initiatives across York
- To guide and coordinate actions to better prepare York for future climate change
- To raise awareness and understanding of climate change throughout the Without Walls Partnership, City of York Council, residents/communities and businesses across York
- Contribute to the City's Sustainable Community Strategy, Local Development Framework and emerging Local Transport Plan 3.

Draft Headline target

This framework sets out and commits the city to long term, overarching targets associated to reductions in CO₂ emissions.

- York will look to reduce end user emissions – emissions based on the energy consumption from the business and public sector and residential housing, along with fuel purchase data demonstrating road transport use, within the boundaries of the city. As a city we will:

' reduce York's carbon emissions from 1.2 million tonnes of CO₂ by 80% to 240,000 tonnes of CO₂ by 2050.'

- Over the next 6 months intermediate targets will be established inline with the Climate Change Committee targets. The contribution that policies generated by City of York Council and Partners will be established and this will form the short and long term targets.
- York will also look to reduce its resident's carbon footprint and will:

' reduce the average York resident's Carbon Footprint of 12.58 tonnes to 2.5 tonnes (80%) by 2050.'

The climate change action plan will take these headline targets and break them down in to specific categories of actions and will set shorter and medium term targets to ensure these headline targets are met. These targets will be reviewed at least every 3/5 years.

Significant progress has already been made across York. The City and it partners now need to focus attention in keys areas to achieve the headline targets above.



The Environment Partnership has formed a climate change sub-group. This group of experts will take this framework as the starting point to create a detailed action plan that will deliver the necessary reductions outlined above.

The 10 areas of the framework

In order to tackle climate change, York will address the following essential areas which the city and its partners can influence and focus future action towards. These areas of action that the framework focuses on creating are:

1. Sustainable homes
2. Sustainable buildings
3. Sustainable energy
4. Sustainable waste management
5. Sustainable transport system
6. Sustainable low carbon economy
7. Sustainable planning and land use
8. Sustainable low carbon lifestyles
9. Sustainable WoW
10. Prepared Sustainable York



Progress Report

13 January 2010

This report aims to provide an update on progress of the York Green Streets Challenge project.

Selection of Neighbourhoods

The project successfully undertook a comprehensive assessment of the neighbourhood carbon footprint. This was published in September 2009 and is available here: <http://sei-international.org/?p=publications&task=view&pid=1312>. This provided an overview of the neighbourhood carbon footprint of York and identified neighbourhoods where there would be greatest potential for change. Based on the study it was decided that five streets in the Scarcroft Road area (Area 1) and the five streets in Holgate (Area 2) would be targeted.

Recruitment

Approximately **500 households** were targeted in the two areas in November 2009. A total of **102** Residents were recruited on the doorstep (Area 1: Saturday 14 November 2009; Area 2: Saturday 21 November 2009). They were then invited to a neighbourhood workshop (Area 1: Wednesday 18 November 2009 at Scarcroft Primary School; Area 2: Wednesday 25 November 2009 at Holgate Methodist Church). At the workshop their data was used to calculate their carbon footprint. In addition, people were available to give advice on energy saving and waste recycling. Those residents who could not attend were asked to return the questionnaires by post. In total 25 residents attended the workshops.

Those residents who completed and returned the questionnaires total 41.

The Holgate team event was held on Monday 7 December at Holgate Working Men's club while the Scarcroft team event was held on Tuesday 8 December at the Winning

Post pub. These events provided an opportunity for residents to meet other neighbours taking part in the challenge, receive a print-out of their carbon footprint and an action plan to reduce it. In addition, residents played a green quiz as an icebreaker to get people taking about the issues.

A total of 15 people attended the events.

Additional Teams

Three additional teams have joined the challenge. These include a Church team at St Edwards the Confessor Church in Dringhouses (14), Park Grove Primary School (4-10) and Heworth Primary School (10).

These additions, whilst outside the initial areas of the Challenge, will provide a new dimension to the approach being tested. It allows SEI to examine how effective a range of community groups from contrasting wards can work to reduce their collective carbon footprint.

The final number of people who have completed the carbon footprint questionnaire and have signed up to take the challenge total **83**. However, five people have dropped out of the challenge since initially signing up. These people were mainly recruited on the doorstep.

It was decided to extend the deadline until 31 January 2010 to allow other community based teams to join the challenge. This will mean the final challenge will not end until the end of July. One month later than initially envisaged.

Green Streets Launch Event

The official launch of the York Green Streets Challenge took place at the Kings Manor on Saturday 9 January 2010. All participants were invited to attend. The event was attended by approximately 50 people including children, local councillors (Cllrs Merret, Taylor and D'Agorne) as well as local MP Hugh Bayley. At the event participants pledged what actions they will take to reduce their carbon footprint over the period January to July 2010.

FOR BREAKING NEWS ONLINE thepress.co.uk

Residents urged to lead greener lives



CAMPAIGN: The launch of the Green Street Challenge initiative at King's Manor, York

Picture: David Harrison

COMMUNITY groups in York have turned to University of York researchers for advice on cutting their carbon.

Six groups entered the York Green Street Challenge, which was launched on Saturday.

Neighbourhood teams, Scarcroft Road, Bishopthorpe Road and the

Holgate areas of York competed alongside groups of parents from Heworth CE, Park Grove Primary Schools and St Edward's Church in the challenge.

Dr Gary Haq, Green Street Challenge co-ordinator, said: "Most people want to reduce their impact on the environment, but

many find it difficult to turn those good intentions into action. Taking part in the York Green Street Challenge is a fun way for people to join in with their friends and neighbours and learn how they can lead greener lives."

The scheme has been co-ordinated by the Stockholm

Environment Institute at the University of York and researchers provided expert advice for the teams to cut emissions in areas such as energy, recycling and composting. Teams that succeed in meeting their ten per cent target will be entered into a draw to win £1,000 worth of vouchers.

York Press, Tuesday 12 January 2010

The project website is now being finalised and will provide a central source of information on the project with blogs/updates from the teams. In addition, it will provide information on what people can do to reduce their carbon footprints that are not are not involved in the challenge.

Next Steps

The next stage of the project is to hold local team meetings before the end of February. Events will be held at Park Grove and Heworth Primary Schools on the 26 and 27 January 2010. This will provide an opportunity to recruit additional people.

Each local team will be offered a list of speakers to talk to them about saving energy, transport, recycling and composting. In addition, the teams will be encouraged to host their own events or suggest a Green Streets event.

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Major Service Areas (excluding schools and housing)	tCO2 emissions 2008/09 (taken from NI 185)	10% CO2 reduction target
Streetlighting	2650	265
Buildings Electrical	2660	266
Buildings Heating	3250	325
Transport	3640	364
TOTAL	12200	1220

Activity	Project	Total CO2 emissions for activity	Estimated CO2 savings (t)	Cumulative	% saving	Estimated cost (£) Capital Revenue	Financial savings (£)	Funding secured?	Notes (including other impacts e.g on air quality)	Risks (e.g. requires behaviour change)	Lead department
Streetlighting											
1. Mercury lanterns replacement	1,300 mercury vapour lanterns will be replaced with modern alternatives. On completion, all mercury vapour lanterns will have been removed from the City.	120	120	120	9.51%	£132,000.00	21,242 / year	Funding anticipated from 2010/11 capital programme*		Funding is not allocated from the capital programme; lanterns do not perform as expected	Highway infrastructure
2. 250 watt to 150 watt lantern conversions	50 250 watt lanterns will be replaced with 150 watt white light examples. The project will build on the work undertaken in 2009/10 which installed 50 such lanterns in the city centre.	12	12	132	0.95%	£17,500.00	2,080 / year	Funding anticipated from 2010/11 capital programme*		Funding is not allocated from the capital programme; lanterns do not perform as expected	Highway infrastructure
3. Solar bollards	The project involves disconnecting 50 bollards/signs from the mains electricity supply and using solar panels to provide the power needed to operate them.	11	11	143	0.87%	£25,000.00	2,000 / year	Funding anticipated from 2010/11 capital programme*		Funding is not allocated from the capital programme; bollards do not perform as expected	Highway infrastructure
4. LED lanterns	50 lanterns will be replaced with LED alternatives. The project builds on a trial which took place during 2009/10 with 10 LED lanterns in the South Bank area of the city.	2	2	145	0.16%	£25,000.00	427 / year	Funding anticipated from 2010/11 capital programme*		Funding is not allocated from the capital programme; lanterns do not perform as expected	Highway infrastructure
TOTAL		2650	145								
Buildings Electrical											
5. powerPerfector voltage optimisers	powerPerfector is a voltage power optimiser, giving energy, cost and carbon savings by efficiently optimising a site's supply voltage. By optimising the voltage, electrical equipment runs more efficiently and consumes less energy. The project will install one device in the workshops at the EcoDepot.	18	18	163	1.43%	£16,901.00	3,388 / year	Funding anticipated from Salix Finance.		Funding is not allocated from Salix Finance, powerPerfector does not perform as expected	Energy team
TOTAL		2660	18								
Buildings Heating also (note includes some Electrical savings)											
6. Staff awareness, training visits and turn heating down	Smart meters have been installed in a number of Council buildings. The installation of new meters will help in monitoring and inform staff on site of how well their improvement measures are working. A programme of training is to be established for key staff. A programme of disseminating clear advice to building users will be developed via a network of Energy Champions. The turning the heating down project involves ensuring that all Council buildings are heated to a maximum temperature of 19°C.	Currently unable to quantify the amount of CO2 emissions which are caused directly by staff.	300	463	23.77%	£0.00	5,000 / year	Yes		Requires behaviour change; activities have limited effect in reducing emissions	Energy and sustainability teams
7. Oaklands Sports Centre	The existing Oaklands Sports Centre has been extended to incorporate a new swimming pool. This replaces Edward Wilson swimming pool which has closed.	n/a	349	812	27.66%	n/a	No saving - £10,000 cost / year as a result of the fuel for the biomass boiler, which is more expensive than gas at present.	Yes	Potential air quality issues as a result of the use of a biomass boiler at the site	Building does not perform as well as expected; building is managed in a poor manner; biomass fuel found to be too costly	Property services
8. Building rationalisation	As a result of the new Oaklands Sport Centre, Edward Wilson swimming pool is surplus to requirements. Therefore, the Council is no longer paying for the fuel to heat/run the buildings and as a result has made carbon savings.	450	450	1262	35.66%	£0.00	No saving - The budget which was used to run the swimming pool has been transferred to Oaklands Sports Centre.	Yes		n/a	Property services
TOTAL		3250	1099								
Transport											
TOTAL		3640									
TOTAL		12200	1262								

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Executive

Report of the Director of City Strategy

Community Stadium – Update Report

Summary

1. The purpose of this report is to provide the Executive with an update on the progress of the Community Stadium project.
2. The project is on track and proposals with options to take the project forward will be reported to the Executive by July 2010.
3. The feasibility work is being finalised and a range of options is being tested. Development appraisals for the most appropriate sites and uses are underway. The project will have a major capital cost, however the feasibility work has identified an opportunity to lever-in significant funds from commercial development. This may provide the funding required to deliver the stadium, the wider community benefits and the future of the City's professional sports clubs.
4. Due to the commercial sensitivities of this work it is not possible at this stage to provide specific details regarding sites, costs and uses. This might jeopardise the interests of the council and its partners, as well as the successful delivery of the project.

Background

5. An Outline Business Case which established the vision of a hub of sport, well-being and learning was considered by the Executive on 23rd July 2009. It was agreed that more detailed feasibility be commissioned to develop a robust and deliverable proposal. The following principles have been established to provide a framework as the project's scope is developed:
 - A shared stadium for York City and York Knights to meet minimum league requirements.
 - A replacement athletics facility to a minimum of county standards (not inside the main stadium).
 - A location that maximises access opportunities for the people of York, the wider region and its visitors.
 - A facility that maximises community use including sport, education and health / well-being.
 - A viable business venture which is commercially sustainable.

- An environmentally sustainable development.
6. It is in its capacity as a community facilitator that the Council is leading this project to improve the range and accessibility of sports / well being facilities and assist York City FC to secure its future. The Council has identified the project as a corporate priority and has allocated resources to assist in its delivery.

Project Progress

7. This is a complex development project that has now reached an important stage in the feasibility. This work is almost complete, but it is not yet possible to draw all the strands of the feasibility together. Due to the commercially sensitive and confidential nature of certain elements, it is not prudent to provide specific details. This information may prejudice the Council's and its partners' position and the ability to develop the most cost effective and beneficial option. The information below summarises the work currently underway. A chronology of key actions that have been undertaken since the Executive last consider a report regarding the project is provided in Annex 1.

Need Analysis

8. A full needs analysis has been undertaken for each of the potential component uses identified in the Outline Business Case. These have been assessed and considered in terms of priority, cost benefit and deliverability. The key areas identified were:
- The size, capacity, format and design of the stadium. Detailed analysis of stadia across the country. Performance of similar teams. Demographic profile of the town / city. Scope for growth and supporter bases etc. The findings have been discussed with the key stakeholders and consideration given to the entry requirements for higher league status. Both teams favour a mix of seats and terracing. This will likely have a minimum capacity of 6,000 which is capable of being extending up to 10,000 if required. There is no support for an athletics track inside the stadium. Plans are now being finalised for the high level design of a core stadium.
 - Design and extent of hospitality and support uses within the stadium. A study has been undertaken assessing the need, design and size of executive boxes, hospitality and other support areas. The objective is to maximise the generation of match-day and non-match day use and income. Scope to utilise these areas for non-match day use is being examined, particularly for training, development and small scale conferencing.
 - Community health and well-being uses. The opportunity exists to provide a range of health services as part of the stadium, benefiting from the synergies with sporting uses, the profile of the professional sports clubs and the improved accessibility. These ideas develop models that have been used across the country for uses such as physiotherapy, podiatry, rehabilitation, strength and conditioning, long-term health conditions,

inequalities and weight management etc. Discussions are continuing with the PCT, Hospital Trust and York Health Group.

- Community sports facilities. The outline business case identified a need for an athletics track, 3G (Astroturf) and grass sports pitches and closed circuit cycling. Drawing on the objectives set out in the Council's sports and leisure strategic plan, detailed demographic and market analysis has been undertaken, backed up by discussions with relevant governing bodies and sports groups to finalise a mix of community sports facilities that would make an effective hub or sports village.
 - Education, learning, training and skills development: Initial discussions with York St John's University and other educational providers have been developed to look at the potential of creating a 'sports institute' as part of the stadium. There are powerful synergies between the professional sports clubs and health uses; particularly physiotherapy, strength and conditioning, creating the potential for research and educational placements. Options for multi-use learning space and seminar rooms is strongly supported by city schools and colleges.
 - Ancillary commercial uses: Additional commercial activity is required to subsidise non-profitable elements of the project and ensure full community access. Demand for commercial office space, hotel provision and other associated commercial uses has been analysed on a site specific basis. Further market testing is taking place and a schedule of options is being prepared. The potential to incorporate a number of public sector, blue light and CYC uses is also being further considered. As a package these have the potential of offering a valuable commercial covenant that will increase market interest in the wider scheme and enhance its deliverability.
9. The findings from this needs analysis are being assessed on a site specific basis. A draft proposal will be formalised which will inform the cost benefit and options appraisal exercise.

Site Selection and Development Appraisal

10. A study of stadium uses and designs has been undertaken, which examined how community and commercial uses can be effectively accommodated together. A template was developed identifying the land required and then applied to each potential site as part of the selection exercise. A long-list of sites has been identified from principal areas of search across the City. These sites have been assessed against key planning issues including:
- Primary and secondary policy constraints and considerations (visual impact, green belt, flood zones, nature conservation, residential amenity).
 - Access to other community facilities.
 - The ability to accommodate enabling development and whether it is deliverable (essentially complexity, timescale and cost).
 - Accessibility and the potential for sustainable travel policies for a stadium and its supporting uses.

11. The starting point of this exercise is to assess whether the project can be provided at one of the existing facilities (either Huntington Stadium or Bootham Crescent). Options such as; improving stands on a piecemeal basis, redeveloping the grounds completely and providing the new stadium on either site are being considered. Opportunities that may arise from the development of adjacent sites is also be explored. Each of the existing stadium sites have considerable constraints and funding limitations, thus the site selection exercise has been extended across the City. This performs the 'sequential test' that is required by national planning policy guidance. It ensures all options are fully considered and can be carefully balanced against one another, to identify the most sustainable and deliverable solution.
12. To achieve all the potential community facilities identified in the need analysis a large site is required. York has few such sites that fall within the existing developed area. Careful consideration is being given to the benefits of providing all the facilities on one site, against the availability and impact of developing such a site. Although less desirable, options for delivering certain elements (e.g. athletics and some of the outdoor sports uses) at a different location are being considered as a fall-back position.
13. The stadium and associated community facilities will have a considerable capital cost. A detailed study analysing relevant planning decisions has been undertaken. In certain circumstances, funding has been provided by commercial development that, under normal circumstances, would not be allowed. In making the decision, the Secretary of State has concluded this to be the only realistic means of funding the project and securing the clubs' future on the basis that they played an important cultural role in the community.
14. Thus, establishing the commercial viability and deliverability of each site is of critical importance. Once the initial short-list was established, high-level development appraisals were undertaken. The options have been tested with a range of developers and operators and their feedback has informed a more detailed and focused exercise which is currently underway.

Environmental Sustainability

15. Feasibility work has been commissioned to assess the potential for this to be an 'Eco-Stadium'. A sustainability and energy assessment has been undertaken which examines different technologies, cost, potential financial and carbon savings, potential available renewable energy, commercial viability and other benefits. The assessment specifies the types and number of sustainable elements which should be considered as part of the future detailed design and energy systems.
16. The report concludes that a range of green technologies could be successfully incorporated into the development that would reduce CO₂ output and maximise the amount of renewable energy that could be generated. A site specific sustainability and energy assessment is now underway. This will consider issues including options for funding, feed-in-tariff impact and the role of Energy Service Companies (ESCOs) may play.

Strategic Fit and Economic Impact

17. A study has been undertaken which considered how qualitative and quantitative outputs affected and fulfilled the strategic ambitions and priorities; identified needs of the City, region and key public sector organisations.
18. The project will have a significant positive impact on the City's economy, however this will be entirely dependent on the scope and nature of the final proposal. The more associated commercial development the greater the impact. An Economic Impact Assessment has been undertaken and this will be updated and refined on a site specific basis once the proposals are finalised.
19. Initial analysis shows that the stadium can achieve a number of potential wide-ranging benefits. These have been grouped into 7 strategic themes and are shown in the table below which considers the range of uses that may be included in the project. The more community facilities and economic activity included in the project the greater the range of outputs, contribution to the city's strategic framework and benefits to the wider community. Obviously there is a direct effect of increased cost to the delivery of these outputs.

Strategic Theme	Potential Stadium Outputs	
Thrive	<ul style="list-style-type: none"> • Job creation • Hotel provision • Office space provision • Targeted recruitment and training 	<ul style="list-style-type: none"> • Learning, training & skills development • Conference/Exhibition facilities • Support & promotion of resident & visitor economy
Sustainability	<ul style="list-style-type: none"> • Low carbon building • Leading by example • Waste reduction • Increase recycling 	<ul style="list-style-type: none"> • New green technologies • Re-useable energies • Accessible by green forms of transport • Built with sustainable materials
Safety	<ul style="list-style-type: none"> • A base for blue light services • Community hub & centre 	<ul style="list-style-type: none"> • Closed road cycling • Promotion of community engagement
Learning	<ul style="list-style-type: none"> • Learning, training & skills • Reduction in number of NEETs 	<ul style="list-style-type: none"> • Non-traditional educational setting • Student learning /syllabus contribution
Inclusive	<ul style="list-style-type: none"> • Potential location in area of deprivation • Community hub/centre • Accessibility to all 	<ul style="list-style-type: none"> • Volunteering opportunities • Community sport • Tackle health inequalities
Culture	<ul style="list-style-type: none"> • Community sport • Sports village • Improved sports & active leisure facilities • Professional sport 	<ul style="list-style-type: none"> • Promote a sporting culture • Events & hospitality facilities • Encourage & increase volunteering • Conference/exhibition facilities
Health	<ul style="list-style-type: none"> • Health service provision • Hub of well being • New pathways into sport & active leisure 	<ul style="list-style-type: none"> • Easy access to health services • Encourage sport participation • Address health inequalities

External Funding Assessment

20. Discussions with relevant funding agencies have yielded a positive initial response. Yorkshire Forward and European funds may be accessed for the sustainability and skills elements. Funds will also be available for some of the

sports uses through Sport England and the relevant National Governing Bodies. The educational, learning, skills and training uses offer scope to access other funding pots.

21. Research in to the eligibility of funding criteria shows that there is a stronger case for funding where a wider range of outputs can be delivered and a commercially sustainable business case exists. It is currently too early in the project to either make bids or secure funding. Many of the potential funds identified run to specific timeframes which do not align with current timetable.

Procurement and Timescale

22. A number of procurement routes are being considered as part of the options appraisal, however as this is a council led project it is likely that the any development will fall within the European Procurement regulations. For a project of this complexity the Competitive Dialogue process will probably be used which will take 16 to 18 months. Dependent on the complexity of the land assembly arrangements and number of sites involved, this timeframe may need to be extended.
23. With all procurements of this nature, the more certainty that exists when the process is started, the greater the chance of achieving the desired outcome and most cost effective solution. A number of key requirements will need to be in place before the procurement process begins. Clarity regarding land assembly and planning issues are crucial. To this end the Council may need to consider Compulsory Purchase Order powers to ensure the project can be successfully delivered. Also, approved planning briefs will be required to support the process.
24. A key milestone in the project is the end date for an application to the Football Foundation for the Stadium Improvement Grant. Failure to make an application by May 2012 could seriously jeopardise the future of the club.

Next Steps

25. The feasibility work is in the process of being finalised and site specific development / planning appraisals are being undertaken. More focused market testing is underway with developers, operators and other interested parties. Discussions and negotiations have been initiated with relevant land owners. Once the results of these exercises have been drawn together a detailed options appraisal will be undertaken to identify the risks and opportunities.
26. A draft Memorandum of Understanding (MOU) has been distributed to all key partners. This sets out the head of terms that will act as the basis of the development and operation of the stadium, the relationship between the relevant partners and how costs will be appropriated. The partners have signed up to an 'open book accounting' approach. This will enable each party to share financial information and ensure the project progresses in the spirit of true partnership.

27. It is not possible to be precise as to when this process will be complete, due to the complexity of some of the land assembly issues and the timing of the forthcoming general election. However, the project is on track and a report will be brought to this Executive by July 2010 as agreed at the meeting of 23rd June 2009.

Options and Analysis

28. This is primarily an update report informing Members on the progress of the Community Stadium project.

Corporate Priorities

29. The provision of a new community stadium for the City is a priority action in the Corporate Strategy 2009-2012 which states: "We will develop proposals to complete the building of a Community Stadium for the City that will provide high quality sport recreation and other community focused opportunities." It is also identified in Active York's 'Sport and Active Leisure Strategy' which was signed up to at the Leisure and Heritage EMAP in June 2005. The facilities section of this strategy was updated in May 2007.
30. As set out above in the Strategic Fit section, the project has the potential to deliver significant outputs that will contribute to the wider objectives of the Corporate Strategy, the Sustainable Community Strategy, Strategic Partnership and key organisations across the City and region.

Implications

Financial

31. This project currently has both a revenue and capital budget allocation. £200K has been committed from the Local Authority Business Growth Incentive at the Staffing and Urgency Committee in May 2008. A further £100K was allocated at the Council meeting of 7 July 2009. These funds will cover the revenue costs of the project up to July 2010.
32. As part of the 2009/10 budget process a capital budget of £4,000k was approved in February 2009. The Football Foundation have indicated that a grant of £2,000K will be available if a satisfactory application is received by May 2012. York City Football Club has also pledged to contribute an additional capital contribution. Depending on the relevant circumstance other potential partners may bring a mixture of capital and revenue.
33. A draft financial model has been developed which estimates the potential capital and revenue costs of the project. It highlights the cost effectiveness of different options and mixes of use. The assumptions required to develop the model are currently being used as a starting point to consider different operating mechanisms for the stadium.
34. The successful delivery of the project relies on the identification of an appropriate site that will be able to generate sufficient additional capital and revenue to deliver a commercially sustainable facility.

Equalities

35. Consideration is being given to the impact the project will have on equalities. As part of the detailed feasibility study the Social Working Inclusion Group was encouraged to comment on the project at an Equalities Impact Assessment Fair. An Equalities Impact Assessment will be required once a site and proposal has emerged.

Risk Management

36. There are a number of risks associated with this project that have been highlighted through the work that has been undertaken to date. The purpose of this report is to update the Executive on the progress of the project so far and is not intended to provide a means of mitigating any of the key risks. Detailed work will be undertaken as the business case is developed to identify risk and consider options for their mitigation. A detailed analysis of these risks will be provided as part of the next report to the Executive.

Legal – There are no legal implications at this stage.

Human Resources – There are no implications.

Crime and Disorder – There are no implications

Information Technology – There are no implications

Property – There are no implications at this stage

Recommendations

1. That the Executive note the progress made on the Community Stadium Project to date.
2. That the Executive agree with the approach set out, to continue with the detailed feasibility work and preparation of the business case and to further explore potential partnerships to achieve wider community benefits.
3. That a report summarising the business case be reported to the Executive by July 2010.

REASON: To update Members on progress on the project.

Contact Details

Author:	Chief Officer Responsible for the report:			
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	Report Approved	<input checked="" type="checkbox"/>	Date	<i>4 February 2010</i>
	Report Approved	<input type="checkbox"/>	Date	<i>Insert Date</i>
Wards Affected: <i>List wards or tick box to indicate all</i>				All <input type="checkbox"/>
				<i>tick</i> <input type="checkbox"/>
For further information please contact the author of the report				

Annex 1 – Key strands of work undertaken since June 2009

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Key strands of work undertaken since June 2009

Action	Description	Status
Legal		
Draft Memorandum of Understanding	Discussed, amended, issued in draft format to key partners (work in progress).	Ongoing
Options appraisal of key legal issues	Examination of procurement routes, governance, risk to the council and its powers. Draft document prepared, discussed, amendments made, further discussions underway.	Ongoing
Draft procurement timetable and resource plan	Drafted, discussed with stakeholders and CYC procurement team, further amendments to be made as other strands of work develop.	Draft complete - Ongoing
Financial & Economic		
Draft financial model	Developed, discussed, amended, used as starting point in confidential 'open book accounting exercise' with key partners. Will also help with development appraisal and business case options.	Draft completed – ongoing.
Needs assessment	Undertaken in two stages: 1. Generic need model for stadium, community sport and well being uses for City. 2. A more focused site specific assessment.	1 Completed. 2 Ongoing.
Public sector commercial uses	Assessing options for the provision of public sector uses. This includes CYC uses, Blue Light services and other City services.	Ongoing.
Economic Impact Assessment	Undertaken in two stages. 1. Generic EIA. 2. Site specific EIA will be	1. Completed. 2. To

(EIA)	undertaken on when development appraisals finalised.	be completed when finalised proposals developed.
Design & Cost Management		
Land take exercise	Develop a generic model for the component uses and establish how much land is required for the different options.	Completed
Master planning	1. Apply the land take model to short-listed sites. Assess compatibility and scope for enabling development. 2. Refine work to relate to the development appraisal work. 3. Develop more detailed master plans for the final short-list.	1&2. Completed. 3. Ongoing.
Stadium Design	1. Undertake a study of potential designs for cost effectiveness and suitability to this project. 2. Finalise options, consult with stakeholders and apply on a site specific basis.	1. Completed. 2. Ongoing
Cost Modelling	1. Develop a high-level generic cost model for the capital works, maintenance needs and sinking fund for the proposals developed in the design / master-planning work above. 2. Develop a range of options for different quality specifications / designs. 3. Develop more detailed models on a site specific basis for final proposals.	1. completed. 2 & 3 ongoing.
Stakeholders		
Key Partner Engagement	Project Partnership Group Meetings for the principal partners (York City FC, York Knights RLFC, City of York Athletics Club, Active York and CYC). Meetings on 24 th September 2009 and 11 th January 2010. Project Board Meeting Scheduled 22 nd February 2010.	Ongoing

Sports Bodies	Discussed project with a range of governing bodies, sports clubs, funding agencies including: Sport England, British Cycling, Football Foundation, Active York, UK athletics, England Athletics, Amateur Swimming Association, York Hockey Club, York Cycling clubs / representatives, York Football Leagues representatives, , York Football Facilities Development Steering Group, York Athletic Clubs, North Yorkshire Athletics Network.	Ongoing
Strategic Fit	1. An exercise that assesses the contribution the potential uses / facility will have on relevant strategies and policy objectives of the council and other key stakeholder. This is in draft format and is summarised in the main body of the report. 2. It will be further developed with the progress of the specific proposals and EIA.	1. Completed 2. Ongoing
Funding	1. In addition to discussions with the sports governing bodies above, discussions with Yorkshire Forward have been undertaken regarding the positive economic impact of the project, links with skills and sustainable development and potential funding streams. 2. Undertake initial external funding assessment.	1. Ongoing 2. Draft completed
Environmental Sustainability		
Business Case	Undertaken in two stages. 1: An outline business case for the potential green cost effective and low carbon technologies that could be used at the stadium. Stage 2: Site specific options and further investigation into funding possibilities including ESCOs and the feed-in tariff.	1: Complete 2: Ongoing
Community Health		
Discussions with stakeholders	Ongoing discussions with the following potential stakeholders regarding project: York Hospital Trust, North Yorkshire PCT, York Health Group, Healthy City partnership.	Ongoing

Development of well-being hub	Examination of Polyclinic / health uses as part of stadium project. NY PCT and York District Hospital Trust, Department of Health, Strategic Health Authority. Also visited and discussed with exemplars from across the country – Hull PCT, Warrington PCT, North Lancashire PCT, Leeds Met University / Headingley stadium.	Ongoing
Education, Skills and Training		
Discussion with stakeholders	York St John University, University of York, Askham Byran College, York College, York High, York secondary School Head teachers, Higher York, Learning City, 14-19 Curriculum Implementation Group, NYBEP, Constructions Schools Academy.	Ongoing
Business Champion Model	Working with Learning City and schools to use project as a learning tool for diploma courses. Pilot scheme with York High School. As the project progresses the scope for using this as a 'live learning tool' will grow.	Terms agreed, work in progress.
Targeted Recruitment and Training	Working with CYC Planning Service, City Development, Higher York and Economic Development to implement a model which will satisfy training and recruitment needs through a the procurement of services and through the approval of planning applications.	Discussions on how to implement model 9 th March
Site Selection		
Sequential site selection	1. Internal CYC planning team established to work on planning issues for the stadium. 2. Board areas of search identified, narrowed to a long-list and then a short-list. 3. More detailed assessments now being undertaken. Stage 2 workshop undertaken in October 09. Stage 3 workshop Feb 10.	1&2 completed. 3. ongoing

Study of stadium planning decisions	Examination of relevant planning decisions across the UK.	Ongoing
Development Appraisals	1. High level appraisal and market testing for key sites. 2. Detailed short-list appraisals for land values, development mixes, market testing, land assembly options.	1. completed. 2. ongoing.
Transportation study	Undertake two stage transport study. 1. Develop stadium transport model and apply to long-list of sites across city, prepare summary report. 2. Refine study and apply more detailed model to short-list of sites , contributing to the development appraisal process.	1. Completed. 2. ongoing
<p>Benchmarking</p> <p>Projects / initiatives discussed with or visited with operators / providers outside York.</p>	<ul style="list-style-type: none"> ▪ Preston north End Deepdale Stadium: Health / commercial partnership & innovative stadium design (piecemeal ground improvement). ▪ Preston NE PCT Health Centre: innovative health provision for long-term conditions and links to sports clubs. ▪ Leeds Met Uni: Educational / commercial partnership with Headingley stadium. ▪ Tackling Mens' Health Initiative; Leeds Met Uni, Leeds Rhinos and department of Health – using sport to tackle mens' health inequalities ▪ European Healthy Stadia Conference (Liverpool): contribute to the developments in the concept of healthy stadia ▪ Blackpool FC: commercial development of undercroft and new 	Ongoing discussions and visits.

	<p>stadium development (piecemeal ground improvement)</p> <ul style="list-style-type: none"> ▪ Huddersfield stadium: sports village / community benefits associated with modern stadium development. ▪ The Peak – Stirling sports village: sports village concept / cost effective development. ▪ Rangers training ground: range of high quality indoor & outdoor sports provisions. ▪ Kirkintilloch leisure centre: cost effective sports provision. ▪ Scotstoun Stadium: athletics facility / cost effective stadium development ▪ KC Stadium: innovative modern stadium development & community provision. ▪ Hull PCT: weight management programme – ‘Fit Fans’ ▪ Leigh Sports Village: Sports Village concept as part of major regeneration programme, includes athletics, shared stadium, education, leisure uses, commercial development and sports pitches. ▪ Wigan Council: discussion re. Involvement with Leigh project. ▪ Brighton & Hove Albion: new stadium project, planning issues and educational provision ▪ Colchester Stadium: community stadium project 	
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	<ul style="list-style-type: none">▪ Dartford Football Stadium: community stadium project for lower league football team and considered to be country's most sustainable stadium.▪ Warrington Wolves Stadium: stadium provided through planning gain proposal on back of supermarket development.▪ Warrington PCT long-term conditions clinic: commercial / community partnership with sports club and PCT.▪ Oxford United FC: New stadium development with mixed use commercial enabling development.	
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Executive16th February 2010

Report of the Director of City Strategy

Review of discretionary concessions provision and the introduction of a 'Taxicard' for disabled York residents**Summary**

1. This report has been written in response to the recommendation made by Members at the Executive meeting of 20 January 2009 to explore the possibility of introducing an electronic, stored value, taxi-card to replace the national transport tokens currently being issued to entitled, disabled, residents.
2. The Executive meeting of 22 September 2009 agreed to defer any decision on this report to allow for additional consultation to take place.
3. The report outlines the costs and implications of introducing a taxi-card and recommends adoption of Option 1 to introduce the card for April 2011.

Background

4. The English National Concessionary Travel Scheme (ENCTS) was introduced in April 2008 offering all over 60s and registered disabled free-fare, off-peak, bus travel anywhere in England. The provision of this benefit is a statutory requirement placed upon all local authorities. Prior to 2008 the Council operated a local concessionary travel scheme offering half price (and latterly free) local bus journeys to pass holders.
5. The cost to the Council of funding bus pass concessions has increased in stages, from around £600,000 in 2003/4 (the last year of half-fare local travel) to an estimated £5.1 million in 2009/10.
6. Government funding is intended to meet the costs of providing the statutory minimum concession. Any enhancements, using discretionary powers, must be funded by councils themselves. The Council's current scheme includes the following enhancements.
 - Free weekday travel between 0900 and 0930, also between 2300 and 0600, available to any National Concessionary pass holder
 - Free all day travel wholly within York for York residents qualifying on grounds of blindness

- Free travel for necessary companions of persons with disability
7. The Council also offers a further discretionary alternative to the bus pass for disabled residents (of any age) in the form of national transport tokens which are accepted by a number of taxi operators.
 8. The popularity of tokens has declined in recent years as a result of the increasingly generous bus travel concessions for older and disabled people. Token take-up decreased significantly in 2008/09 due to the Council halving the amount of tokens offered (to £20), coincident with the introduction of a free national bus pass.
 9. For 2009/10 the amount of tokens offered was increased to £50 but was only made available for disabled people. The value of tokens issued over the past seven years is shown in the table below:

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Total value of tokens issued	£510k	£1,099k	£831k	£624k	£519k	£158k	£122k (year to date)
Tokens issued per claimant	£24.00	£50.00	£40.00	£40.00	£40.00	£20.00	£50.00(*)

(*) Only issued to the eligible disabled

10. The current system allows the eligible disabled, aged under 60, to purchase an additional £50 worth of tokens at a cost of £25 (a total of £100 worth of tokens). This additional sum is offered in the interests of aiding this age demographic in their travel to work.
11. The main weakness of the current system is that once the tokens are distributed, the Council has no way of monitoring how (or indeed, if) they are used and cannot ensure that the tokens are not exchanged fraudulently.
12. Alternatives in the form of a 'taxi card' exist in the market place and are used by other local authorities (e.g. Newcastle, Milton Keynes, Chiltern, etc). These schemes have relatively low capital and running costs and provide reliable data on usage. In addition, at the end of a given period (eg monthly, quarterly or annually), cards can be re-set to ensure the Council is spending no more than is used on journeys made during this period, ensuring that there is better financial control.

Options

13. The provision of an alternative concession to the ENCTS (the bus pass) is a discretionary decision for the Council to make. Three options are therefore presented for the consideration of Members.

Option 1 – Replace the provision of national transport tokens for the eligible disabled with a stored value taxi-card and permit officers to conduct a tendering exercise, working with both the taxi industry and disability group

representatives to deliver best value and a product which will be fit-for-purpose.

Option 2 – Withdraw the provision of an alternative concession to the bus pass.

Option 3 – Retain the existing arrangement for the distribution of national transport tokens.

Analysis

Option 1

14. Officers have held informal meetings with the two principal suppliers of a 'taxi card' product in the United Kingdom to understand the functionality that might be delivered and the timescales required
15. The following table provides an initial indication of the work which would be required to launch a 'taxi card' scheme:

Task	Timescale
Procure taxi card provider	6 – 9 months
Licence taxi firm(s) for operation of the taxi card scheme (including installation of readers)	6 – 9 months (concurrent to the procurement of the taxi car provider)
Publicise and promote the new scheme	3 months (concurrent with the run up to the launch of the card) and ongoing

16. The taxi card scheme requires that all of the eligible individuals who want to use this facility are provided with a stored value smartcard which has a certain financial value loaded onto it (eg £50). The sum of money would be valid for a defined period (eg quarter of a year, half a year or a full financial year) to pay for all or a proportion of a taxi journey. Both of the suppliers consulted advised that the cards would be issued for a three year period. The values on the card (eg £50 for 2010/11, £50 for 2011/12, etc) will automatically lock and unlock themselves at the start and conclusion of each designated time period.
17. To use their taxi card, the cardholder would only be able to use companies equipped with card readers (which deduct value from the user's card when trips are made). Officers recommend that a tendering exercise be conducted to select a small number of operators with a variety of (and sufficient numbers of) vehicles to be fitted with the taxi card readers. As these operators would have 'exclusive rights' to the equipment, this would potentially make the scheme more attractive to them although the sums of money involved are still very low.

18. The Council would pay the taxi card supplier to operate the re-imbursement to taxi companies and for maintenance of the system hardware. This fee would be a proportion of the revenue invested into the system (estimated to be 5 – 10% per annum) but different companies have different reimbursement methodology to be determined through the procurement process.
19. The taxi companies would then recoup the money from the taxi card supplier on a regular basis (monthly or quarterly).
20. The capital cost of introduction of a taxi card scheme is estimated to be in the region of £25,000 on the assumption that 100 taxis are fitted with smartcard readers. This could be funded through an allocation from the Local Transport Plan.
21. Consultation with taxi operators has resulted in a mixed response for the initiative. It is difficult to be certain as to the taxi operator response at this stage, but if there is a possibility that operators are not prepared to fit their taxis with the equipment, irrespective of cost, then the project will not be deliverable. Officers believe however, that it is unlikely that all taxi operators would refuse to participate in the scheme. Further information on consultation with the taxi operators is provided at paragraphs 28-29.
22. The ongoing revenue cost is estimated to be £100,000 per annum, based on the current number of tokens claimants (2000) multiplied by the amount currently received by each claimant (£50).
23. The Council Procurement team has advised that it would be unlikely that a new taxi card scheme could be introduced before April 2011 due to the timescales outlined in paragraph 15. It is therefore proposed that national transport tokens are issued for 2010/11, to be made available from the Council's finance centre, pending introduction of the card as soon as possible (and no later than September 2011).

Option 2

24. Many local authorities provide no discretionary alternative to ENCTS (the bus pass). A number of current national transport token claimants may choose to take a bus pass instead. The move to restrict token distribution to those with qualifying disabilities in 2009/10 means that the numbers making this transition are likely to be relatively low.
25. The saving to be made through the withdrawal of a discretionary concession is likely to be £150,000 (estimated full year expenditure inclusive of token distribution events).
26. For both options one and two, our remaining stock of tokens would be re-sold to National Transport Tokens.

Option 3

27. Tokens could continue to be provided at a continuing annual cost of £150,000. The two-year contract for the purchase of transport tokens has now expired. A procurement exercise would therefore have to be carried out to ensure best value. If there is a short term need to procure a small number of tokens to enable transition to a taxi card product, a financial waiver will be sought.

Consultation

28. Officers have consulted with the Taxi Licensing team to identify any issues which may need to be resolved before launching the scheme outlined in option 1. Whilst generally satisfied that the introduction of such a product would not do anything to de-stabilise the York taxi business, concerns were expressed that officers may find it difficult to identify one specific company who would be able to sufficiently meet the needs of the taxi card. A majority of York's taxi companies do not have fleets of significant size to accommodate a number of simultaneous demands for disabled transport. Licensing Team representatives believed that the services of more than one operator may be required and this will be fully considered in the procurement process.
29. Officers met with representatives from the hackney cab and private hire industries on 8th September to understand any concerns they might have about either discontinuation of the transport token scheme or introduction of a taxi card. The meeting generated the following outcomes:
- Private hire operators were broadly supportive of the taxicard and understood the argument for replacing tokens.
 - Hackney operators collect a relatively small volume of tokens at present, so a full-scale equipping of their vehicles with card readers would be unlikely to prove cost effective.
 - However, around 35 hackney carriages are fully-wheelchair accessible. Equipping some of these vehicles would add to the pool of accessible vehicles within the taxicard scheme. Drivers' telephone numbers would have to be published individually as they do not have a common base in the same way as private hire operators.

Questions posed by taxi operators at the meeting are addressed in Annex A.

30. Further to the meeting with the York Private Hire Association, the following paragraph, extracted from an email to the Council from the Association Secretary was received:

"Despite the attending members at our last meeting being keen on the smart card to replace the current travel tokens, there was, overall, a slightly negative reaction from the full executive to-day, though some including myself supported. I cannot say this means we as an association disagree at this stage but rather that reaction could have been classed as "mixed", leaning to negative. The main reasons for those against being a lot of hassle for little number of journeys/income. The representative of one of the larger private hire companies stated he would categorically not be interested in any such scheme for his company. Some also felt this would have a negative effect on the disabled as they appeared to be singled out for special attention which a lot of them don't like."

31. 'York Access Group' represents disability issues on the Social Inclusion Working Group along with the Valuing People Partnership, York People First and York Mental Health Forum. The Access Group focuses on issues about access for people with physical and sensory disabilities in particular.
32. The 'York Access Group', a forum for promoting the issues that effect people with disabilities in getting around, have also been consulted on this proposal. The group was not opposed to the launch of the taxi card scheme but raised a number of concerns. A comprehensive list of the issues raised is contained at annex A. The key concern raised was to establish how taxi card users would know whether they had any money on their card before making their journey. This is an issue which will be addressed in the procurement process as it is vital that taxi card users can commence their journey with the confidence that they will have sufficient money to pay for it at the other end.
33. Representatives from the team working on 'More for York' for the Council have also been approached to understand if the taxi card may be expanded to serve a wider purpose (eg library cards, etc). Officers have been advised that whilst there are no plans for this to happen at present, the card could be used for other purposes in the future if it proves successful.
34. Two suppliers of taxi cards to the UK market have attended informal meetings with officers to provide a better understanding of the functionality of the product.
35. Current taxi card customers have also been contacted for their opinions on the products. This consultation included an in depth discussion with a representative from NEXUS (Tyne & Wear PTE). Almost all of the customers spoke positively about the concept and product.
36. The Procurement team has been consulted for advice on options one and three (see paragraphs 23 and 27).
37. Quality Control Group advised that the recommendation of this report to move to card transactions will assist the City Finance Centre in its move away from dealing with cash (or equivalent) transactions.

Corporate Objectives

38. Council involvement in the provision of an alternative to the bus pass contributes towards the “Sustainable City” and “Inclusive City” strategic objectives in the Community Strategy.
39. Council involvement also contributes towards achievement of the objectives embodied in the Council’s Second Local Transport Plan; to reduce congestion, improve safety, improve air quality, improve accessibility, and improve other aspects of quality of life. The extent of the involvement possible is however governed by legislative restrictions and the willingness of bus service operating companies to co-operate with the Council in partnership working.

Implications

40. Financial –

The total budget for provision of concessionary travel is £5.1m. This budget funds the cost of concessionary fare reimbursements as well as provision of tokens to disabled groups.

Option 1

The introduction of a taxi card scheme would be lower than the current cost of providing travel tokens as it would eliminate the requirement for a token distribution event, which in 2009/10 cost £21,500. Unfortunately it is not possible to accurately determine the reduction in cost resulting from the introduction of the scheme. Taxi card providers estimate, however, that approximately 15% of the sum issued to card holders will not be used. This would be offset by a potential 5-10% management fee resulting in 5 – 10% of the initial budgeted allowance being returned to Council funds (equating to £2.50 to £5.00 for every participant in the scheme).

Both of the taxi card suppliers consulted have stated that they would want to agree a minimum three-year contract. This would include agreement being given by Council on the level of concession to be offered for a three-year period in advance of the cards being issued.

The Capital cost in year 1 would be broadly similar to the cost of the current tokens distribution and could be accommodated within the Capital programme with Member approval.

The anticipated savings achieved through ending the annual distribution of tokens could provide an additional sum of £5 per eligible disabled taxi card claimant, increasing the annual allowance to £55.

Option 2

The withdrawal of a discretionary concession would reduce Council

expenditure in this area by £150,000. It is assumed that this saving would not be realisable as a proportion of users would be likely to transfer to other concessionary benefits (i.e. the bus pass).

Option 3

This option would result in a continuing annual cost of £150,000.

41. **Human Resources (HR)** – The cessation of the annual national transport tokens distribution will end the need to employ a number of casual staff to manage the Guildhall and door-to-door events. There would also be a reduced burden on the Council Finance Centre who would no longer be required to distribute tokens throughout the year.
42. **Equalities** – Whilst only some of the taxi operators in York accept national transport tokens, the operator is free to decide whether they do or do not wish to participate in the scheme. The introduction of a taxi card scheme would limit the taxi choice open to cardholders to specific companies who are issued with the taxi card readers.
43. **Legal** – None
44. **Property** – If either option 1 or option 2 is selected, the remaining transport tokens will be sold back to National Transport Tokens. If option 1 is selected, the taxi card readers will be issued to taxi companies but will remain the property of the Council.
45. **Crime and Disorder** – The introduction of a taxi card scheme greatly reduces the opportunity for fraud currently possible through misuse of national transport tokens.
46. **Information Technology** – The third party provider will manage the taxi card scheme.

Risk Management

47. The main risk associated with this initiative would be an inability on the part of the Council to engage with sufficient taxi operators to deliver a wide enough network of taxi card reading cabs to make the scheme feasible. Every effort will be made to ensure that this is not the case.
48. The above risk and any other potential risks associated with the introduction of the taxi card have been measured in terms of impact and likelihood using the Council's risk management system. The risk score for the recommendation is less than 16 and thus, in line with the risk management system, at this point the risks need only to be monitored, as they do not provide a real threat to the achievement of the objectives of this report.

Recommendations

The Executive is asked to

- a. Note the contents of this report.
- b. Support option 1 – To replace the provision of national transport tokens for the eligible disabled with a stored value taxi-card.

Reason: To deliver an alternative concession to ENCTS for those who cannot, for reasons of disability, use the bus which will deliver the best value and which will be fit-for-purpose.

Whilst the overall cost of the taxicard would be comparable to the current token scheme, the principal benefit is to ensure that eligible residents are benefiting from the council's travel concessions expenditure as intended.

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Report Approved Date 28.01.2010

Report Approved Date

Specialist Implications Officer(s)

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Wards Affected: all

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Annex A – Answers to questions raised by the York Action Group

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Answers to the questions raised by the York Access Group

Q. Would the scheme reduce the number of taxis available to eligible disabled persons?

A. Although many local operators are currently on record as accepting tokens, the reduced amount of tokens in circulation over the last few years means that smaller operators often struggle to collect the minimum amount of tokens (£300) required for reimbursement.

In order to launch the taxicard, the Council would aim to fit one vehicle for every 20 cards in circulation. It is believed that this would be more than adequate for the volume of journeys likely to be made. By having an agreed number of fully-fitted taxi operators, all participating operators will have a clearer understanding of the taxicard and its users' needs.

Q. How would taxicard users check the value of their card?

A. The taxicard would have to be presented to a card reader for an exact display of the stored value. The Council will be provided with monthly reports showing outstanding card values of all cardholders, which could be provided by telephone if a user would like to know their balance at the last month-ending.

It should be technically feasible to provide low-cost read-only personal card readers to display the remaining stored value. This will be investigated further through the procurement process.

Q. Would the card work on trains and buses?

A. The only train service where tokens are officially accepted is the hourly service between York and Poppleton. Although we have not yet made any approaches to the rail industry, in theory, one card reader each at York & Poppleton stations would suffice providing Northern Rail were amenable to participating in the taxicard scheme (the taxicard could be used to purchase a full-fare single/return ticket at the station ticket office before travelling, so would not require revenue protection staff to be trained to recognise the taxicards).

It has never been the intention of the York token scheme to subsidise any form of travel outside the City of York area.

Although bus operators have long accepted tokens, the Council's opinion is that anyone capable of travelling by bus would receive far greater value from an English National Concessionary Bus Pass. It will be possible to use the taxicard on Dial & Ride services, which are intended for those unable to use local service buses.

Q. Would the taxicard be susceptible to misuse?

A. The taxicard provides a far more secure and accountable payment system than tokens. Indeed is one of the principal reasons for the Council to introduce the card.

All taxicard transactions will be logged and a monthly report provided to the Council. There will be a maximum amount per journey which can be deducted from the card, and a short time delay of 5 minutes following a transaction during which the card cannot be debited again to prevent duplicate transactions. Any taxi operator suspected of irregular use would be subject to investigation.

Q. What would happen if a fitted taxi is not available?

A. The intention is to ensure that any taxi operator wishing to participate in the taxicard scheme fits their entire fleet with card readers, so any available vehicles sent out by a participating taxi company would be guaranteed to be capable of accepting the taxicard.

Q. Will the taxicard fit in with the new Taxi Accreditation scheme?

A. Once the accreditation scheme is running smoothly, the Head of Licensing may be amenable to incorporating the taxicard into this scheme.

Q. Would there be a wider scope to launch the card as a commercial product?

A. The current technology does not allow the card to operate on a pay-as-you-go basis. The card could however, in theory, be sold commercially as a pre-loaded product, possibly incorporating a modest discount as an incentive to take-up.

Each taxicard issued is intended to have a 3-year lifespan, but there is no reason why a shorter-term card could not be issued (albeit at a higher overall cost per user).

It should be noted that the Transport Planning Unit does not presently have any mandate to launch the taxicard as a commercial product.

Answers to the questions raised by the York Taxi Association

Q. Will there be a central location for taxi operators to download their stored value cards?

A. Operators would be more inclined to participate if the Council set up one or more locations where drivers could download their stored value cards for immediate reimbursement. This could potentially be any vehicle-accessible council site, for example the larger Park & Ride site offices. The additional equipment cost would be £300 per site (not including staff costs).

Q. Would it be possible to power the card reader from batteries to reduce in-car clutter?

A. Card readers with a rechargeable battery (instead of taking power from the cigarette lighter) would be useful to reduce clutter for some drivers who already have a number of in-car electronic devices. Whilst the card readers currently on offer do not have built in batteries, rechargeable mobile power packs are available commercially for around £15 per unit.

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Executive16th February 2010

Report of the Interim Head of Civic, Legal & Democratic Services

Comments from the Health Overview & Scrutiny Committee Regarding the Referral from the Executive on overspends in Adult Social Services**Summary**

1. This report details the comments from the Health Overview & Scrutiny Committee on the referral from the Executive regarding overspends in Adult Social Services. Councillor Alexander, Chair of the Health Overview & Scrutiny Committee, will be in attendance at this meeting to present the Committee's comments.

Background

2. At a meeting of the Executive held on 22nd September 2009 information was received on the First Performance and Financial Monitor for 2009/10. On consideration of the information the Executive highlighted the increased demand levels for adult community care packages and care packages as having an impact on the Council's budget. As a result of this they requested that the appropriate Scrutiny Committee review the reasons for and possible options for offsetting the increase in demand for these services. A discussion took place on the adult social care budget pressures at the meeting of Health Overview & Scrutiny Committee on 23rd September when they received finance and monitoring report for Housing & Adult Social Services.
3. The context for the referral from the Executive is set out at Annex A to this report and this was originally included with the Executive papers dated 22nd September 2009.
4. Subsequently it was decided to present the Health Overview & Scrutiny Committee's comments, in the first instance, to the Executive Member for consideration alongside the budget papers for 2010/2011 at the Decision Session for the Executive Member for Housing & Adult Social Services on 26th January 2010.

Consultation

5. The Director of Housing & Adult Social Services and the departmental Head of Finance provided a further monitor report for Members of the Health Overview & Scrutiny Committee at their meeting on 14th December 2010. This showed

that the projected overspend on adult social care had risen to about £1.1m from £589k at the last report.

6. Officers then provided a further report to the Health Overview & Scrutiny Committee at their meeting on 13th January 2010. This is attached at Annexes B, 1 & 2 to this report. The Executive Member was invited to this meeting but did not attend.

Comments from Health Overview & Scrutiny Committee

7. At the on 13th January 2010 the Health Overview & Scrutiny Committee considered further information provided by officers in the Housing & Adult Social Services Directorate and made the following comment to the Executive Member for Housing & Adult Social Services:

‘That the Health Overview & Scrutiny Committee forward the paper they have received to the Executive as the reasons for the overspends (Annexes B, 1 & 2 refer).

They also report to the Executive that the Committee was unable to make any comments on savings at this point in the financial year as options suggested by officers could have an impact on residents in the city. Such changes to services would require consultation and further information on their impact for clients, staff and partners and Councillors would need to understand any implications. Furthermore, the non-attendance of the Executive Member for Housing & Adult Social Services meant that the Committee were unable to ask his views on the impact of possible changes to services.’

Options

8. This report is to inform the Executive of the comments made by the Health Overview & Scrutiny Committee in relation to its referral to scrutiny. There are no options associated with the recommendations within this report.

Analysis

9. When considering the referral from the Executive Members of the Health Overview & Scrutiny Committee discussed all the papers provided by Officers at length.
10. Since that time further discussion has taken place at the Decision Session for the Executive Member for Housing & Adult Social Services meeting on 26th January 2010, where Councillor Alexander presented the comments of the Health Overview & Scrutiny Committee to the Executive Member who, in turn, noted them and expressed his own opinion on the Health Overview & Scrutiny Committee’s comments.

Corporate Strategy 2009/2012

11. This relates to both the Effective Organisation theme and the Healthy City theme the current Corporate Strategy 2009/2012.

Implications

12. **Financial** – There are no financial implications associated with the recommendations within this report. However, clearly there are future ongoing budgetary implications arising from the increasing demand for care packages.
13. **Human Resources** – There are no known Human Resources implications associated with the recommendations within this report.
14. **Legal** – There are no legal implications associated with the recommendations within this report.
15. **Other** – There are no known equalities, property, crime & disorder or other implications associated with the recommendations within this report.

Risk Management

16. In compliance with the Council's risk management strategy there are no risks associated with the recommendations within this report. However, clearly there are continuing budgetary risks if satisfactory ways of managing the demand for care packages are not put in place.

Recommendations

17. The Executive are asked to
 - i. Note the contents of Annexes B, 1 & 2 to this report
 - ii. Consider how they might wish to address the Health Overview & Scrutiny Committee's comments set out in paragraph 7 of this report, in the light of the Executive's referral to scrutiny.

Reason: To address the concerns raised by the Executive referral

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Report Approved Date 01.02.2010

Specialist Implications Officer(s) None

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Minutes from the Executive meeting held on 22nd September 2009

Annexes

Annex A – Context for the referral

Annexes B, 1 & 2 – Adult Social Services – Current Financial Pressures (13th January 2010)

Annex A**Housing & Adult Social Services Context**

The main areas causing the overspend on Adult Social Services are;

- An increase in the expected number of Mental Health residential and nursing placements – this was an area where the budget was reduced for 09/10 based on previous years' activity
- A continued increase in the volume and complexity of community based support for Learning Disabilities
- A continued increase in the number of Older People needing community based supports
- An agreed budget saving to deliver additional customer income of £180k has not yet been implemented due to the need to complete a full Equalities Impact Assessment (EIA) and lack of sufficient resources to complete all the work needed.

The increase in demand from older and disabled people was anticipated and the York Long Term Commissioning Strategy reported to members in October 2007 projected that by 2020 there would be an increase of 31% in the over 65 population, and within this number, an increase in the over 85s of 60%. People over 85 are more likely to need support from health and social care services. The strategy also went on to project the likely impact on service demands and costs.

The table below shows the numbers of people accessing services in 2007, the projections that were made at the time about the increased capacity that was likely to be required by 2010 set alongside the current number of packages in place. This shows that increases are happening broadly in line with the forecast although at a higher rate with a 25% increase in community care packages and a 22% increase in care home placements over the past 2 years.

	Baseline snapshots (as at 17/7/07)	2010 forecast of capacity needed	Actual packages (as at 31/7/09)
Community Based	2635	3104	3322
Residential & Nursing	653	761	797

It is for this reason that the major reviews of direct services were agreed by members and these are being brought within the broader More for York programme. However, within this context of increasing demand it will be very difficult to produce a balanced outturn position in 09/10 in advance of the completion of the major reviews.

As part of the budget setting process for 09/10 savings were offered in a number of areas that did not affect service delivery. They included:

- in increase in the existing vacancy factor by 1% saving £85k.
- a 1% efficiency against premises, supplies & services budgets and a minor base budget exercise that had been undertaken to drive out further efficiencies saving £200k.
- Further savings identified corporately in administration, use of external consultants, energy budgets, transport, and improved staff attendance totalling £167k.



Health Overview and Scrutiny Committee

13th January 2010

Report of the Director of Housing & Adult Social Services

Adult Social Services - Current Financial Pressures

Summary

1. This report sets out the current financial pressures within Adult Social Services along with details of the mitigating actions being taken and likely future issues.

Context and Background

2. The vision for adult social care has 4 main elements in terms of what we are trying to achieve for citizens in York:
 - Services that are customer focused – simple to understand and accessible
 - Personalised approach and Choice – customers who are eligible for services will know how much money is available to fund their care and have the opportunity to control that directly if they want to.
 - Maximisation of independence and optimising people’s health and well-being – support that enables rather than disables, intervenes early to prevent problems becoming acute and uses assistive technology.
 - Universal support for everyone – all citizens to get the information, advice they need to live independently even if they are self-funders
(Although this is seen as the prime responsibility of social care it touches upon the full range of local authority responsibilities [housing, community safety, neighbourhood services, transport, learning, employment advice etc] as well as the critical partnerships with the NHS, care providers and the voluntary sector.)
3. For many years this has meant shifting the balance away from reliance on residential and nursing care in favour of investment in community based support. This has the value of not only providing support in the way most people want but also in a way that is generally much cheaper in unit cost terms. This has been reinforced by a strong commitment to giving people more control over their care and, in a growing number of cases, control over the money to fund that care (the “Putting People First” programme).
4. More choice has meant that many more severely disabled people and those with long-term mental health problems have been able to move into independent living with their own tenancies. For example, the council has, on behalf of the NHS in North Yorkshire and York, de-commissioned all the long-stay NHS units for people with learning disabilities in the area and replaced them with supported housing schemes. We are half way through a joint project with the Joseph Rowntree Trust to de-commission their

residential care units on the same basis. These are very positive initiatives but it must be recognised that the costs of care remain comparatively high and are likely to rise as people become older.

5. At the same time as these policy changes have been put into effect the demand for care has risen in line with demographic changes. The growing demand for adult social care was first set out for members in 2007 as part of the Long Term Commissioning Review. This forecast that expenditure on older people would continue to increase in line with demography-led demand resulting in additional annual costs of £10m by 2020. (This presumed no change in the configuration of services, which was how the reviews of home care and residential care came to be authorised – recognising that radical changes were needed.) Significant cost increases were also forecast for younger disabled people coming into adult care.
6. A key question that still needs to be addressed is the right level of expenditure on adult social care necessary to achieve the council's ambitions to support vulnerable people. That is essential in terms of securing the right level of investment alongside More For York's savings proposals and identifying areas where expenditure may be too high and need more scrutiny. The Care Quality Commission have commented in the last 3 successive years that they have concerns that the council's per capita expenditure will not enable it to achieve the levels of performance it aspires to.
7. We know from CIPFA statistics that we spend less per capita on personal social services in every category compared to England and Family Group councils. It is particularly marked in older people where the 07/8 figures are England - £979, Family Group - £810, York - £696. Similarly, if we look at the annual cost of average packages of care York is a low spending authority with 07/08 figures for England of £7.2k per package compared to £5.8k in York. The fact that York starts from such a low budget base makes the council vulnerable to rising cost pressures and increased demand.

Analysis

8. The major areas of overspend, as included in the most recent monitoring report, and an analysis of spend in key areas over recent years are set out in the attached annexes. Members will be aware that the 3rd and final monitoring report for this financial year is due very soon after this meeting and if the figures have been finalised it may be possible to provide a verbal update at the meeting. The information in the annexes shows that despite increased demand the policy of shifting the balance from residential and nursing care to community care has been taking place. New admissions to care are projected to be lower than in 2008/9 and the overall proportion spent of the budget spent on care homes is forecast to fall below 40% - in line with recommended good practice.
9. However, 'snapshot' figures do need to be treated with some caution as they can mask significant variations within the year. Within this trend of reduced reliance on care homes there have been spikes in the numbers at certain times during the year – e.g. 653 customers in residential

placements in July 2007 compared to 797 placements in July 2009. Although numbers of admissions are being managed the unit cost of this care has increased significantly. This is due to an increase in the complexity and needs of those customers.

10. In terms of home care there has been an increase in the number of home care hours purchased and providers are now operating at the limit of their capacity. At the same time the average cost of an individual package has also risen - from £137 in 2006/07 to £151 in 2008/09. The most marked area of increased cost is in relation to Learning Disabilities customers, where there has been both an increase in the number of customers and the cost of those customers.
11. In addition there has been an increase in the numbers of referrals made to the department, which has resulted in an increase in the number of care packages being delivered. During 2007/08 there were an average of 703 referrals per month and in 2009/10 this has increased to 813 per month. In particular there has been a sharp increase in adult safeguarding referrals (from 95 in the first half of 2008/9 to 173 in the first half of 2009/10). This almost certainly reflects better practice and awareness and previous under-recording of cases but additional staffing resources have had to be put in place to fulfil the council's statutory duty to assess needs.
12. The council remains a major provider of residential care and still provides almost 25% of the home care required. A recent report to the Executive on the More For York Adult Social Care Blueprints (15th December) highlighted the costs associated with direct care provision and the need to seek further efficiencies. The blueprints also emphasised the crucial importance of investing in 're-ablement' (a term used commonly across the country to describe services or interventions that are aimed at enabling people to regain their health and their independent living skills e.g. after a fall or a stay in hospital). As the demand for care rises it is imperative that everything is done to maximise people's independent living skills and this needs to be done in very close partnership with the NHS.
13. Direct staffing costs have risen following the implementation of the council's pay review and there has been an increased reliance on temporary staff. The analysis of staffing costs shows that the action currently being taken to reduce the use of agency staff has started to impact on the spend and the agency spend is forecast to outturn at a lower level than in 2008/09. Further work is ongoing to examine the use of overtime and other allowances to see if spend can be reduced in this area.
14. Target budget savings of £1.36m were agreed by members for 2009/10. Offset against this were approved growth items for service pressures of £752k giving a net effect of a reduction of £608k in funding. In addition to this as a result of changes agreed at Full Council savings of £168k were allocated to HASS. Given the overall context of funding in York and the increased demand projected for 09/10 we entered the year at risk in terms of being able to contain expenditure within the approved budget.
15. Concerns remain around transitions and cases that are due to come in to care from 2010/11. There are 70 young people, many with very complex

needs, who we already know will be coming into adult services over the next 3 to 5 years and who will have a statutory right to have a service, with the annual cost of care likely to be in excess of £3m.

Financial Implications

16. The cost pressures currently being seen on the adult social care budgets are largely due to increased demand related to demographic changes and to the increasing care needs of those eligible for services. These factors will be prominent in future years and given that much of the financial mitigation in 2009/10 is one off, this pressure needs to be recognised in the 2010/11 budget.
17. The current areas of mitigation are outlined in Annex One. Much of adult social care operates within a statutory framework and this conditions options for cost savings. Further options for reducing the overspend could be considered by members and examples are listed below. However these would have a direct impact on service response times to customers, some service levels and the performance rating of services by the Care Quality Commission. The legal implications would also need to be carefully considered. Further options that could be considered are:
 - Rationing of placements into residential and nursing care
 - Extended use of waiting lists for services such as home care
 - Extending the time taken to complete care assessments and packages
 - Review of care service levels to existing customers especially for non-statutory services such as day care or respite care
 - Changes to eligibility criteria for services. (York currently operates a relatively generous system whereby people with Moderate needs and above are eligible for services)
 - Recruitment freeze for front line posts
18. The Adult Social Care vision agreed by the Executive on the 20th October and the subsequent blueprint agreed on the 15th December 2009 could realise savings in excess of £2m. However, the exact savings still need to be verified once the overall strategy is clear and it is unlikely significant savings will be realised until 2011/12. Even then, some initial investment may be needed to ensure the full savings are realised and good performance is maintained and improved where possible.
19. Further budget pressures are anticipated following the recently announced proposals to offer free personal care to those with critical needs, although it has not yet been possible to quantify the financial impact of this proposal until further details are given by Government.
20. The Councils Medium Term Financial Strategy sets out the need for significant efficiency savings in coming years and further pressures on public funding are likely to require the council to have to seek additional savings in coming years over and above those already set out in the current Financial Strategy.

Other Implications

21. There are no human resources, equalities, legal, crime & disorder, information technology, property or other implications associated with this report.

Risk Management

22. The current financial position of Adult Social Services exposes the council to a number of different risks, including

- financial risk if the overspend continues and no corrective action is taken
- risk to the safety and wellbeing vulnerable adults if services withdrawn or restricted
- longer term risk to future financial viability of external services

23. The budget setting process always entails a degree of risk as managers attempt to assess known and uncertain future events. The risks outlined above will continue to be mitigated by prompt monitoring of the budget position with regular updates being provided to the Directorate Management Team, Council Management Team and monitor report to the Executive.

Recommendations

24. The Scrutiny Committee is asked to consider the content of this report and the comments it wishes to make to the Executive.

Reason: To update the Committee on the current financial pressures in order for them to make a response to the Executive.

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Specialist Implications Officer(s) None

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

All

√

Background Papers

Second Performance and Financial Report for 2009/10, Executive 17th November 2009 and Health Scrutiny 14th December 2009

Annexes

Annex One – summary of main areas of overspend and mitigation

Annex Two – analysis of spend in key areas

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Adult Social Services 2009/10

	£'000
Main areas of overspend	
Direct Payments & Community Support	+773
Residential & Nursing	+150
Elderly People's Homes (EPHs)	+232
Home Care	+472
Mental Health Residential & Nursing	+120
Mental Health Community Support	+74
Mental Health staffing	+60
22 The Avenue	+40
Total overspend	+1,921
Mitigation	
Restrictions on non essential spend	
• Training	-52
• Recruitment costs	-7
• Holding vacant posts	-127
• Stationery, postage & other office running costs	-60
Redirection of grant funding to pressures	-514
Other miscellaneous efficiencies	-62
Total Mitigation	-822
Net overspend	+1,099

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Adult Services

2007/08

Types of Placements	Average Number	%	Budget £'000	Actual Expenditure £'000	Actual Per Adult £'000
Residential & Nursing Care	585 *	37.28%	16,615	15,760	26.94
EPH's	258 *	16.44%	6,873	7,177	27.82
Community Support & Direct Payments	726 *	46.27%	4,363	5,610	7.73
Total	1,569	100%	27,851	28,547	18.19

* Average number excludes:

Equipment
Customers within the block contracts who do not contribute to the cost of care

2008/09

Types of Placements	Average Number	%	Budget £'000	Actual Expenditure £'000	Actual Per Adult £'000
Residential & Nursing Care	576 *	36.16%	16,436	16,736	29.06
EPH's	263 *	16.51%	7,276	7,909	30.07
Community Support & Direct Payments	754 *	47.33%	5,672	6,635	8.80
Total	1,593	100%	29,384	31,280	19.64

* Average number excludes:

Equipment
Customers within the block contracts who do not contribute to the cost of care

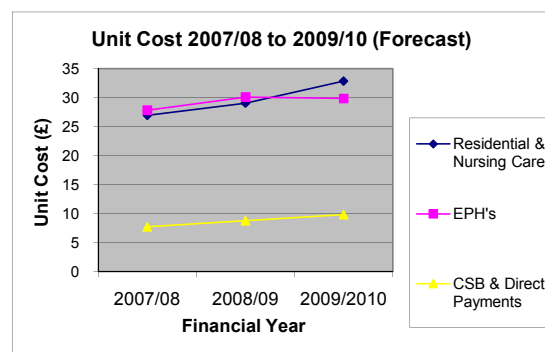
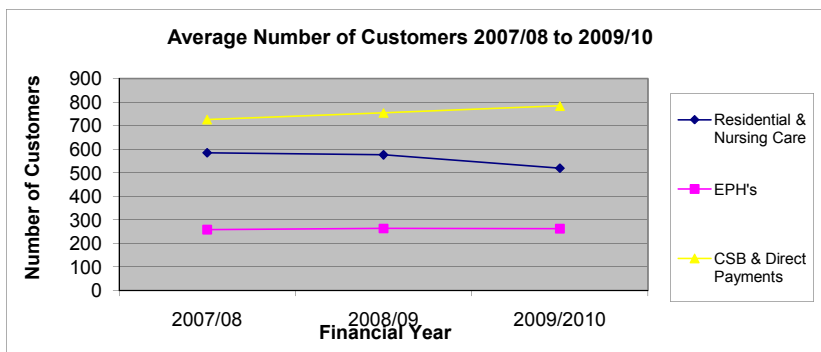
2009/10 Estimate (forecast as at month 6)

Types of Placements	Average Number	%	Budget £'000	Actual Expenditure £'000	Outturn Per Adult £'000
Residential & Nursing Care	519 *	33.16%	16,642	17,053	32.86
EPH's	262 *	16.74%	7,447	7,819	29.84
Community Support & Direct Payments	784 *	50.10%	6,444	7,714	9.84
Total	1,565	100%	30,533	32,586	20.82

* Average number excludes:

Equipment
Customers within the block contracts who do not contribute to the cost of care

Note: All costs are gross



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Agenda Item 9

Executive

16th February 2010

Report of the Director of Resources

Third Performance and Financial Monitor for 2009-10

Purpose

- 1 This report provides details of the headline performance issues from the third performance monitor of 2009-10 covering the period from 1 April to 31st December 2009. Three areas of performance are covered in this report:
 1. *Performance* – sets out how well the council is performing across a wide range of performance indicators, at both corporate and directorate level.
 2. *Corporate Strategy actions* – provides an update on progress against projects and actions that support the council's corporate priorities.
 3. *Finance* – covers service and corporate budgets.

Summary

- National Performance Indicators (NPIs) – 53% of NPIs (with data available) are improving, with 58% on track to hit their 2009-10 target. 59% of the LAA indicators (with data available) are improving and are on track to hit their 09-10 target. Areas of poor performance are also being reviewed and benchmarked for improvement and action is being taken where appropriate.
- Corporate Strategy – 78% of milestone actions are on track to hit their deadline, or have been completed and the rest are reporting slippage. 2 out of the 54 actions are unlikely to be completed in 2009-10.
- The council is currently identifying financial pressures of £2,333k in 2009-10. Extensive action continues to be undertaken by all directorates to contain the extent of any potential overspend.

Performance indicators

- 2 Overall 51% (110 out of 217) of the national performance indicators have data available at this point in the year mainly due to most being collected annually or through periodical surveys. Many are also published via government bodies at the end of the year. Of those available, 53% are improving compared to last year and 58% are on track to hit their 2009-10 target.

	Total reported this month	On target	Improving	Declining	Stable
National Indicators	110 of 217 (51%)	53 of 92 (58%)	50 of 94 (53%)	27 of 94 (29%)	17 of 94 (18%)
LAA/priority Indicators	24 of 49 (49%)	13 of 22 (59%)	13 of 22 (59%)	4 of 22 (18%)	5 of 22 (23%)

Note for table above: Not all NPIs reported can be assessed for improvement (e.g. no 2008-09 outturn). Similarly, some do not have targets set for 2009-10 as this is the first year they are being collected.

- 3 Only 24 out of 49 LAA indicators have 2009-10 data available at this stage in the year, with 59% of those showing improvement and forecasting to hit their 2009-10 target.
- 4 Comparative and quartile data mentioned in this report is based on in-year data received from other similar councils in the PwC benchmarking club. The following paragraphs give details of indicators where performance is deemed to be an exception (e.g. good improvements or possible areas of concern). In particular, indicators that support priority improvement (e.g. LAA or corporate strategy targets) have been included.

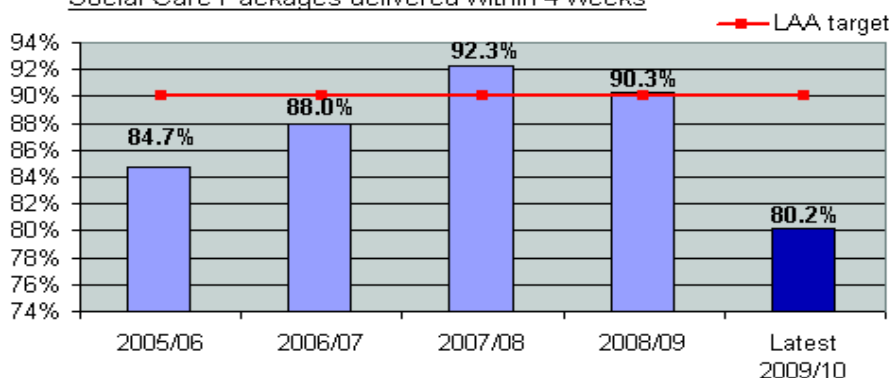
Housing

- 5 *NPI 156: Homelessness (LAA indicator).* The number of York households living in temporary accommodation continues to reduce, despite the national increase in home repossessions across England. Performance currently stands at 109 (well below the LAA target of 120) and indications are that this could reduce further to below 80 before the end of the financial year, which would represent a 62% reduction since 2007-08.
- 6 *NPI 155: Affordable homes (LAA indicator).* The number of affordable homes delivered in York by the end of December 2009, is 99. The original LAA target for the year of 280 completions has been revised to 146 after negotiations with the Government Office. The revision is largely due to the downturn in the housing market and needs to be considered in the context that the original LAA targets were set in 2007 at the peak of the market. Since then, some developments have stalled and others slowed down. Latest projections however, indicate that the 146 target will be met.

Adult Social Care

- 7 *NPIs 132 & 133 – timeliness of social care assessments and packages.* Both these indicators cover areas that need to show improvement to address performance issues highlighted in the 2008-09 Adult Social Care inspection. Progress so far this year is mixed:
 - NPI 132: Timeliness of assessments. Performance has improved from 67.1% to 79%, already exceeding the 2009-10 target of 77%. If this is maintained, York would move up from the bottom to the 3rd quartile, based on PwC benchmarking data.
 - NPI 133: Timeliness of care packages. The improvements made on social care assessments are having a knock on effect for the timeliness of care packages as services are struggling to keep up, particularly in Occupational Therapy. Performance so far this year is at 80.2%, a drop of 10% on the 90.3% achieved in 2008-09. This falls short of the 90% target set for 2009-10 and if no further improvement is made this year, this will move York from 3rd to the bottom quartile of unitary authorities. A number of actions are in place to address the issue of incorrect reporting (i.e. how certain types of residential respite stays are reported). The delivery of re-enablement home care when people leave hospital is also being explored and these actions should lead to improvement and performance may be closer to target by March 2010.

Social Care Packages delivered within 4 weeks



- 8 *NPI 141: Vulnerable people achieving independent living (LAA indicator)*. Performance has fallen slightly due to an amendment made by the Government Office to the quarter 1 figure previously reported to members in September. This has resulted in a 2.2% drop, taking performance from 70.7%, to 68.5% (for the first 6 months of 2009-10), which places York in the bottom quartile. HASS are currently investigating the possibility of resubmission to correct this figure.

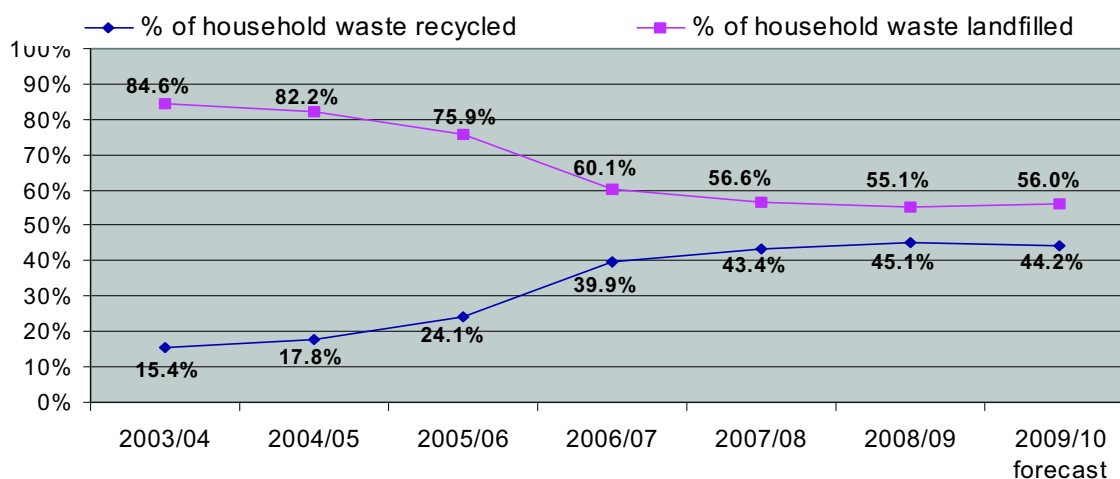
Waste & recycling

- 9 *NPI 191-193. Waste collection and management (LAA indicator)*. The amount of residual waste collected per household is forecast to drop by 5% in 2009-10, from 629kg to 600kg. This is now the 3rd lowest (best) within Yorkshire & the Humber. The % of waste recycled/composted in 2009-10 is forecast to reduce slightly for the first time in over a decade (44.2% compared to 45.1% in 2008-09), this has also affected the % of waste landfilled, which is forecast to increase by 1%.

	08-09 Result	09-10 Forecast	09-10 Target	On Target?	LAA target?
NPI 191: Residual household waste per head	629kg	600kg	617kg	Yes	Yes
NPI 192: Household waste recycled/composted	45.1%	44.2%	47.9%	No	No
NPI 193: Municipal waste landfilled	55.1%	56%	52.6%	No	No

- 10 Despite the rise in the % of landfilled waste, the council will actually landfill 3540 tonnes less than in 2008-09, due to 8090 tonnes less being collected from households. Much of this is due to the recession and a possible change in buying habits. The graph below shows the trend in recycling/landfill rates over time and the recent change reflects the fact that the tonnage of waste from kerbside recycling and waste recycling centres (WRCs) has reduced at a faster rate than the reduction in total waste collected (see table below).

York's waste recycling and landfill rates



	% change
Tonnes of household waste collected	- 6.1%
Tonnes collected through kerbside recycling	- 8.4%
Tonnes brought to waste recycling centres	- 8.9%

- 11 York remains one of the highest performing councils in terms of waste management, even though expenditure is well below the regional average per head of population for this service. The latest Talkabout survey results show that recent improvements have had a positive impact on local resident perception of waste services, with satisfaction on refuse collection and doorstep recycling increasing by 8% and 6% respectively (see table on next page).

Residents who were very or fairly satisfied with:	2005/6 (3 surveys)	2006/7 (3 surveys)	2007/8 (3 surveys)	2008/9 (1 survey)	2009-10 (1 survey)
Refuse collection	78%	76%	78%	78%	86%
Doorstep recycling	76%	75%	80%	77%	83%

Note: the Talkabout question was reworded in October 2009 to ask 'how satisfied' rather than 'how good or bad' the service is.

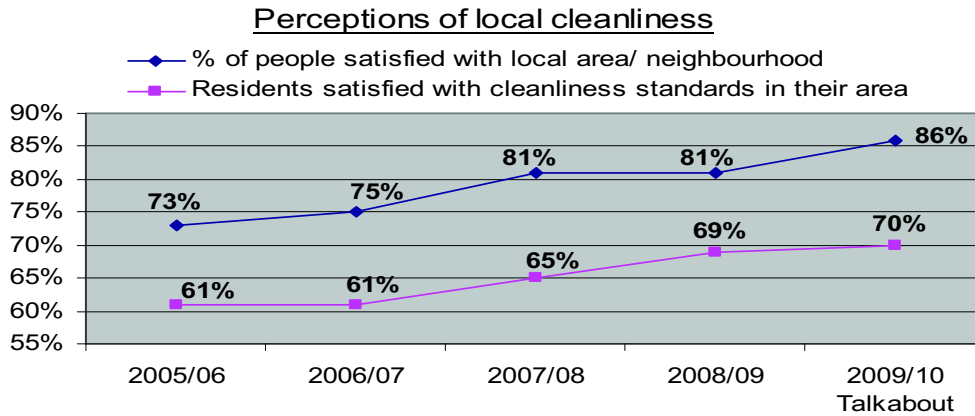
- 12 The number of missed bins also reduced in 2009-10, with just 0.04% of total bins collected being missed between Apr- Nov (98.4% of these were put right by the next day). The bad weather will adversely affect the December and January figures, as it proved impossible to collect from all York's streets in the snow. Waste service staff were also redirected to help clear snow and fill salt bins.
- 13 The waste management targets set for 2009-10, and the forecasts mentioned above, take into account the extension of kerbside recycling to 92% of households by March 2010, and the impact of the WRC permit scheme. Unfortunately, the target setting did not predict the impact of the recession. An internal 'Challenge & Innovation Panel' took place in January to review current performance and examine options that could lead to future 'stepped change' improvement in performance.

Environment & Cleanliness

- 14 *NPI 195a-d: Street environment and cleanliness.* Four NPIs measure the proportion of areas around York that have unacceptable levels of litter, detritus, graffiti and fly-posting. They are assessed through a street cleanliness survey, carried out three times a year and the first 2 surveys of 2009-10 show encouraging results across all 4 areas (see table below).

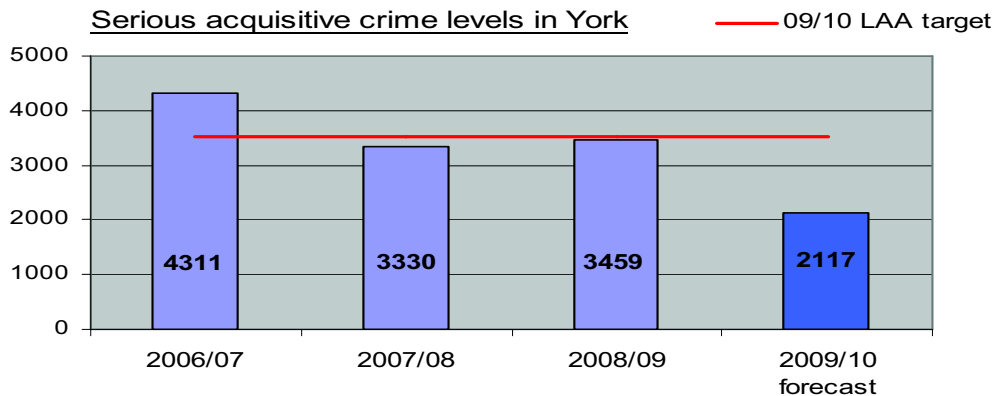
<u>N195 – Street Cleanliness</u>	Levels found in surveys of...			
	Litter	Detritus	Graffiti	Fly-posting
2007-08	7.6%	8.9%	2.3%	0.3%
2008-09	8.9%	11.0%	4.7%	1.1%
2009-10 (1 st survey in June)	4.5%	13.3%	2.6%	0.0%
2009-10 (2 nd survey in October)	3.3%	4.0%	1.9%	0.0%
2009-10 year-end forecast	6.5%	9%	2.3%	0%

- 15 A number of education and enforcement initiatives and close working with police appears to have reduced the level of graffiti. However, this indicator is sensitive to a small number of people being able to cause significant damage in a short time period. The level of fly-tipping in 2009-10 has reduced by nearly 40% - with fewer large fly-tips (lorries etc) having to be removed. Four prosecutions have been achieved so far this year, and a significant amount of publicity work is having a positive impact.
- 16 The final winter survey will be undertaken in February/March 2010 and in previous years this has proved the worst survey result, largely due to weather impact on operations and detritus levels. The long cold spell has caused some interruption to cleansing operations, but Neighbourhood Services are still predicted that all the NPI 195 targets will be met.
- 17 The street cleanliness improvements reported in the first 2 surveys have had a positive impact on the % of residents satisfied with their local area/neighbourhood (up to 86% from 81% in 2008-09). This also mirrors the last Place Survey result, which places York high into the top quartile of unitary authorities. Satisfaction with cleanliness standards in local neighbourhoods also continues to increase for the 5th year running (see graph below).



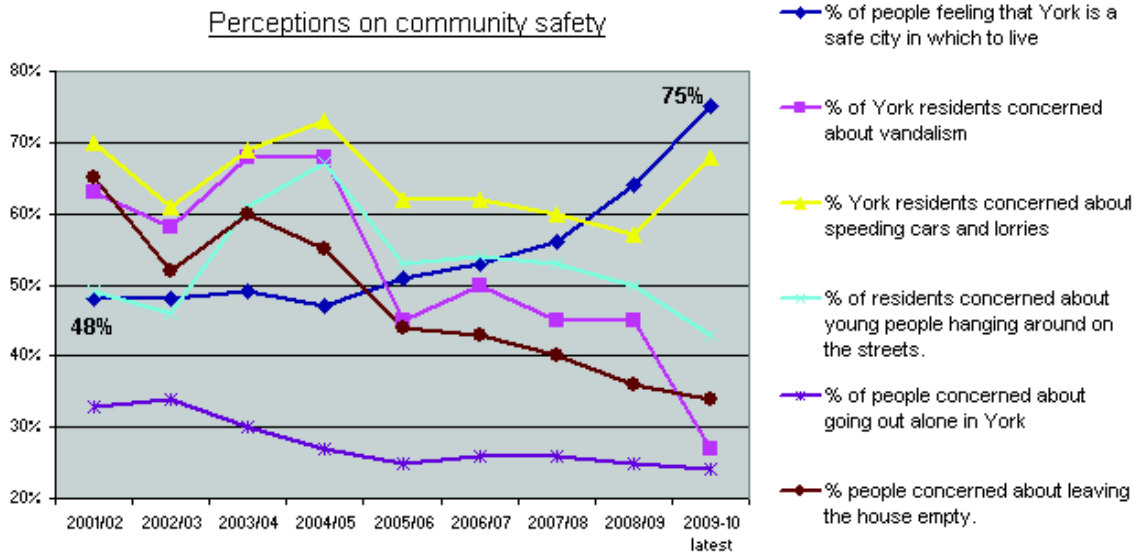
Community Safety

- 18 *NPIs 15 & 16: Serious Violent and Serious Acquisitive Crime (LAA indicator)*. The number of 'serious violent crime' incidents in York is forecast to reduce by 10% in 2009-10, with just 6 incidents reported in December 2009. There has also been a reduction in the 'assault with injury' crime rate between September and November 2009, leading to a forecast 2% decline on the 2008-09 rate.
- 19 Serious acquisitive crime represents a number of different crime incidents, including burglary and theft from a vehicle. Trend data from April to December 2009 shows a significant reduction in incidents across York, leading to a forecast 39% decrease on 2008-09 levels. This is also an LAA indicator and if the trend continues, York would exceed the 2009-10 and 2010-11 LAA targets.



- 20 *NPI 19: Rate of proven re-offending by young offenders aged 10 to 17*. York's rate is based on the number of young people in the youth offending cohort, who re-offend. This currently stands at 0.63 for quarter 2 (compared to 1.63 reported in 2008-09). Other similar youth offending indicators show reductions in the seriousness and frequency of re-offending by around 35-40% of the cohort that is dealt with by York's Youth Offending Team (YOT). Historically York is usually very high compared with the statistical family and regional authorities, particularly for the majority of young people that are not YOT supervised. The 2008 cohort trend looks good but 2009 cohort has a higher risk profile (e.g. there is more risk of re-offending). However, evidence suggests that re-offending by the few most prolific offenders has halved recently in York.
- 21 *Crime and the fear of crime*: Community safety data to the end of December suggests that York is likely to see a 19% reduction in overall recorded crime (forecasting 7952 compared to 9906 in 2008/9). In this year's CAA result, the Audit Commission highlighted a very positive direction of travel for York in terms of community safety, with 5 Place Survey indicators on Community Safety being in the top quartile. The first Talkabout results for

2009-10 suggest that this trend is improving even further, with significant improvements in residents who feel York is a safe place to live (up to 75% from 64% in 2008-09) and residents who are concerned about vandalism (down to 27% from 45% in 2008-09, lower is better). However, resident concern has risen in relation to speeding cars and lorries.

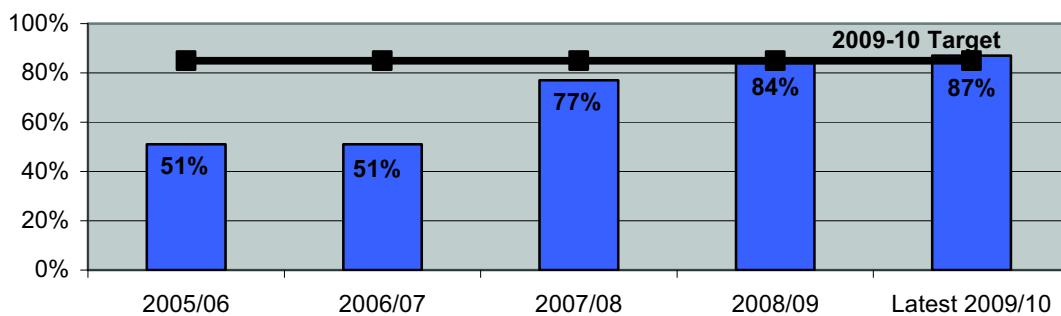


Culture

22 *NPI 8: % of adult participation in sport (16+) 30 mins 3 times a week or more (LAA indicator).* The 2009-10 survey results show an improvement with 22.9% regularly participating in 30 mins of sport, compared to the 19.2% achieved in 2008-09. Whilst it is difficult to show conclusive trends from this data and the figure remains low, it is encouraging that long-term work to encourage physical activity for adults in York has shown a gradual rise in this year's data. However, although participation has improved and York is above average compared to other unitary authorities (using 2008-09 quartiles), the 2009-10 target of 27.9% will not be met.

23 *NPI 57: % of children and young people participating in at least 2 hours of high quality PE in school (LAA indicator).* The annual school sports survey carried out in November 2009 shows an increase in participation from 84% in 2007-08 to 87% in 2008-09.

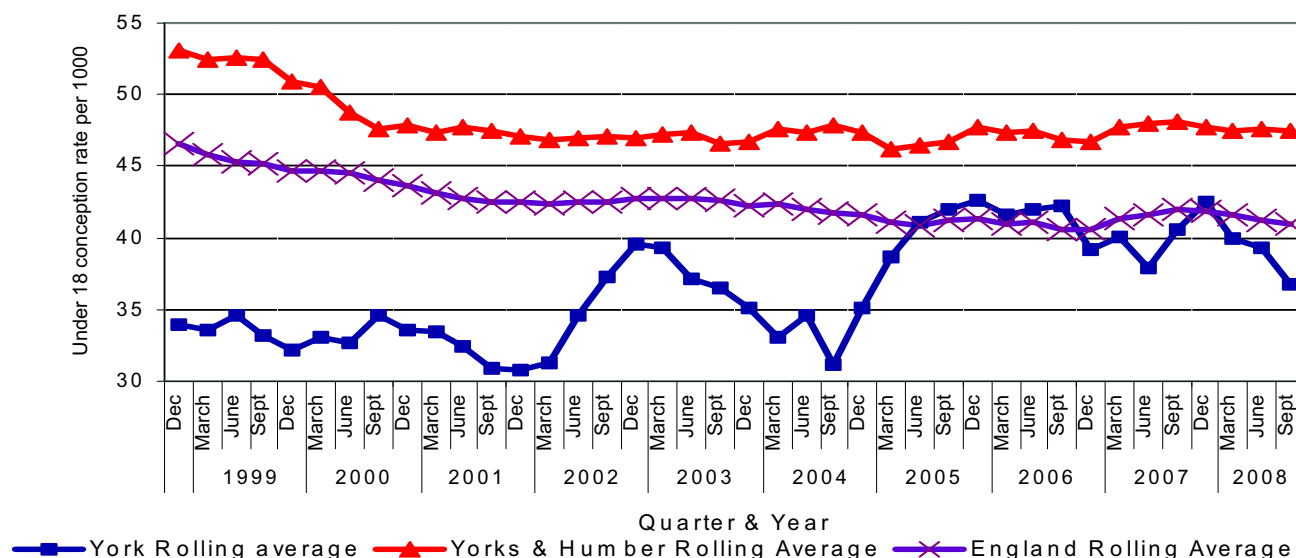
NPI57: Children & Young People taking 2 hours of quality PE each week



Children's Health & well-being

24 *NPI 112: Under 18 conception rate - difference from 1998 baseline (LAA indicator).* The latest data suggests a decrease in the first three quarters of 2008 to a quarterly rate of 31.2 per 1000 population. The chart below shows the progress made since 1998 against the region and nationally. It shows York to be consistently lower than the region and has recently improved to below the national average. Although the target percentage difference may not be met, York has its lowest quarterly rolling average since 2004.

U18 Conception rates in York (per 1000 population)



- 25 *NPI 55 & 56: Obesity in reception year and year 6 children (LAA indicator).* The number of York's reception year children who are obese shows an 18% improvement from last year, with 6.67% reported in 2009-10 compared to 8.16% in 2008-09 (below the 2009-10 target of 8.5%). The rise in the number of obese year 6 children (NPI 56) has halted in 2009-10, with a 0.1% rise (now 16.7%) compared to the 1% rise which took place between 2007-08 and 2008-09. This is however, still well short of the 2009-10 LAA target of 15.4%, but is encouraging given the national trend.
- 26 *NPI 116: The proportion of York's children who are living in poverty (LAA indicator).* This indicator measures the difference between York's results and that recorded for the England average. York has now set improvement targets up to 2011 to widen the gap to 8.1% and the latest 2008 data set out in the table below shows an improving picture, with York widening the gap to 7.2% in 2008. However, until it is known what impact the recession has had on the 2009 and 2010 results, it will be difficult to determine whether the 2011 target is achievable.

Children living in families in receipt of out of work benefits or in Child Tax Credit families whose reported income is less than 60 per cent of median

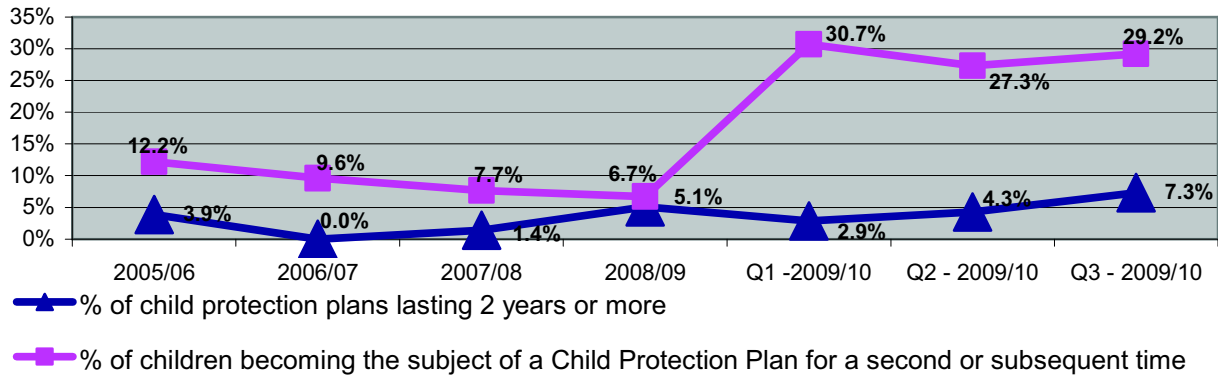
	2004	2005	2006	2007	2008
England	21.0%	20.6%	20.0%	19.8%	19.2%
Yorkshire and The Humber	21.7%	21.0%	20.2%	19.9%	19.4%
Barnsley	28.0%	26.8%	25.2%	24.2%	23.6%
Doncaster	25.1%	24.2%	23.4%	22.7%	22.1%
North East Lincolnshire	24.2%	24.6%	24.4%	24.9%	24.8%
North Lincolnshire	19.3%	18.7%	18.3%	18.3%	18.3%
York	14.4%	14.1%	13.2%	12.9%	12.0%
Gap	g=6.6%	g=6.5%	g = 6.8%	g=6.9%	g=7.2%

Child Social Care (Note: small cohorts for some child social care indicators can distort results.)

- 27 *NPI 64: % of child protection plans lasting 2 years or more.* Good progress is being made in sustaining and ensuring targeted child protection plans are in place. However performance is 7.3% (7 of 96 cases) against a target of 2.5%, which can be attributed to one sibling group.

- 28 *NPI 65: % of children becoming the subject of a Child Protection Plan for a second or subsequent time.* Current performance is well above the target of 7.5% at 29.2% (26 of 89 cases) and again, this significant change can be attributed to two sibling groups. However, an internal service audit of decision making on the specific cases in this cohort reveals good practice in ensuring children are protected appropriately.

Child Protection Plan Indicators (NPI 64 & 65)



- 29 *NPI 68: % of referral rates to children social care services (initial assessment).* At quarter 3 performance has improved to 56.2%, compared to 43.5% at quarter 2. This is partly a result of short-term resource allocation and it is hoped that improvements will be seen via the integrated working arrangements in 2010-11. This indicator is also being affected by the continuing high LAC numbers of referral rates and it will not meet its target of 68%.

Looked After Children (LAC)

- 30 The number of looked after children in York continues to rise but related indicators are still showing impressive results. This includes school attendance, where only 8 of the 109 eligible children have missed 25+ days of school (7.3%), a significant improvement from the 21.1% recorded 2 years ago. The table below shows the rise in looked after children against the council's associated budget. The overall cost per child includes those children who are placed in residential school or outside foster placements, which this year accounts for 10% of the cohort. The predicted cost per child for these children will be £50,721 on average.

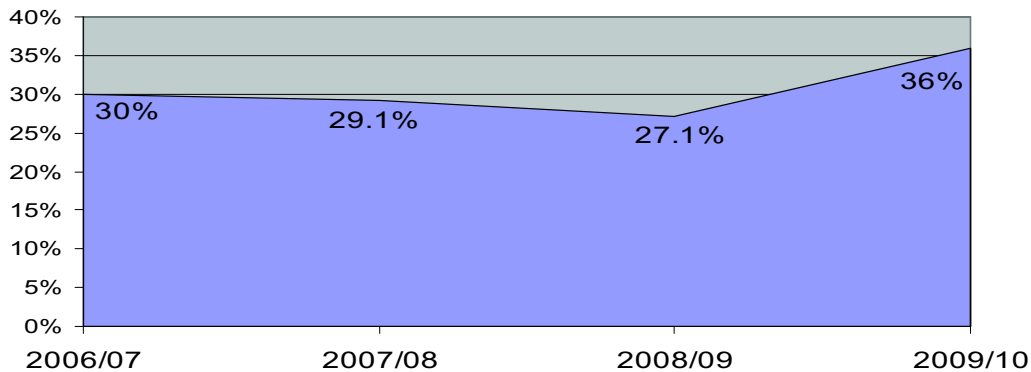
Year	No. of LAC	% Increase	Budget (actual or predicted outturn)	Overall Cost per Child
2006/07	157	12%	£2,998,715	£19,100
2007-08	168	7%	£3,345,742	£19,915
2008-09	199	18%	£3,833,682	£19,265
Q1 2009-10	213	13%	£4,441,305	£19,827
Q2 2009-10	219			
Q3 2009-10	223			
Q4 2009-10 (Estimate)	224			

Narrowing the attainment gap

- 31 The overall picture on narrowing the attainment gap is mixed. The educational performance of looked after children (LAC) at key stage 2 (KS2) is good although the cohort is small. The outcomes achieved at KS4 are more mixed but again of the 12 eligible children, although 5 of the cohort have special educational needs, 7 succeeded in achieving a pass at GSCE or equivalent.

32 In terms of the attainment gap for children on free school meals (FSM) compared to those who are not (NPI 102 – LAA indicator), KS2 shows an increase in the gap due to the poor English results.

Attainment gap for Key Stage 2 Level 4 (English and Maths)

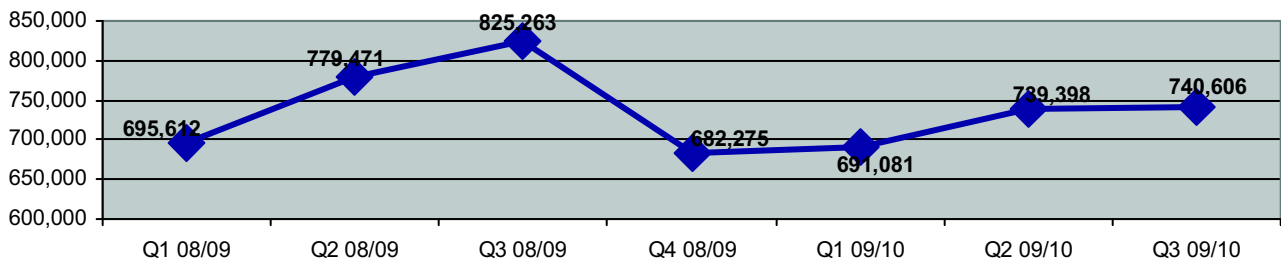


33 KS4 analysis now shows a reduction in the gap of 2% from previous year, which is welcomed particularly given that York achieved its best ever 'overall' results at KS4, which makes a gap reduction harder to achieve. Whilst the reduction target will not be achieved in 2009-10, the % of 5+A*-C including English and Maths results for the FSM group has increased from 21.7% in 2008 to 30% in 2009 compared to an increase of 56% to 62% for the non-FSM group. In addition, the educational outcomes achieved by children from a minority ethnic group are also encouraging although care should be taken given the size of these cohorts. 76% of the 33 children achieved 5+A-Cs including English and Maths, which places York in the top 10 nationally.

Transport

34 *Park & Ride Passengers:* The number of Park and Ride passenger journeys between October and December 2009 has fallen by 10% compared to the same period in 2008. Residents and visitors to York are being encouraged to use the bus through a range of initiatives. These include York's first 'Car Free Day' in September when two of the city's major bus operators were offering free day passes on their services. The council is also gradually rolling out the 'Your next bus' initiative, providing SMS text, real time bus information to mobile phone users.

Park & Ride Passengers



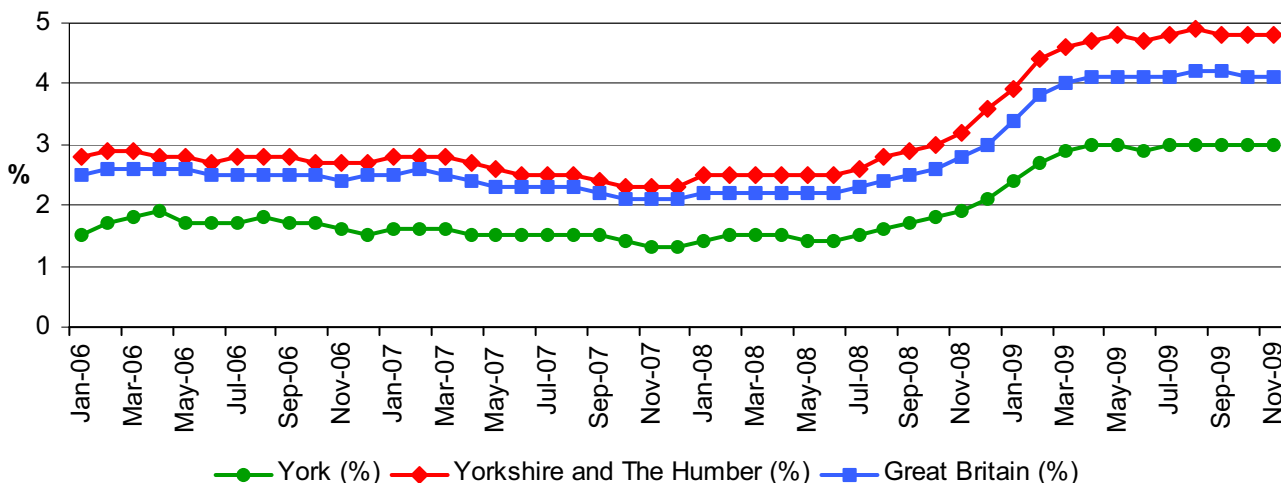
Note: It is not possible to compare to previous park and ride figures due to a change in the way the numbers are counted. There are also seasonal variations.

35 *NPI 47: People killed or seriously injured in road traffic accidents (LAA indicator).* The number of incidents for April to December 2009 currently stands at 37. This is significantly lower than the same time period in 2008. A range of successful initiatives have been introduced over the past year, including the 'Made you Look' campaign, which was launched in 2008. If this trend continues performance will be well below the 2009-10 LAA target of 87 incidents.

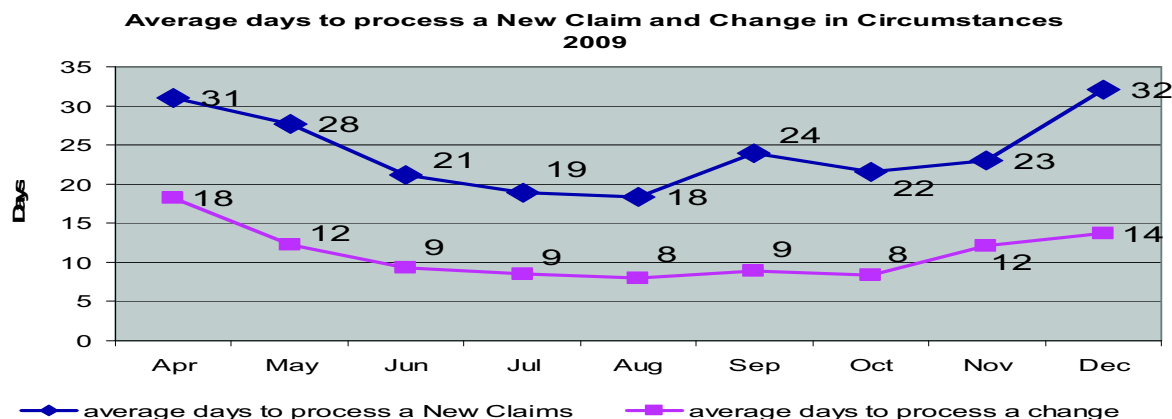
Economy

36 *VJ15a&b: York's unemployment rate (12 month rolling average).* York is currently 2.5% below the regional and 1.6% below the national average. Despite the economic climate, the gap has widened from the same period last year and the current (unverified) monthly figures show the gap to be even higher. The graph below also shows that York is performing better than the Yorkshire and Humber Region and Great Britain. However the Yorkshire average did come down slightly in September.

% of people claiming job seekers allowance



37 *NPI 181: Speed of processing benefits claims.* The average time for processing benefits currently stands at 16 days, which is a significant achievement following the implementation of the new CRM-based system in November 2009. Although the average time to process new claims increased to 32 days in December, the forecast of 15 days still remains achievable by year-end. This is the highest so far this year and 9 days higher than the November average, however this is directly attributable to the implementation of the new system. Early indications are that new claims have continued to rise in January, but controlled measures have brought performance back to an improving position.

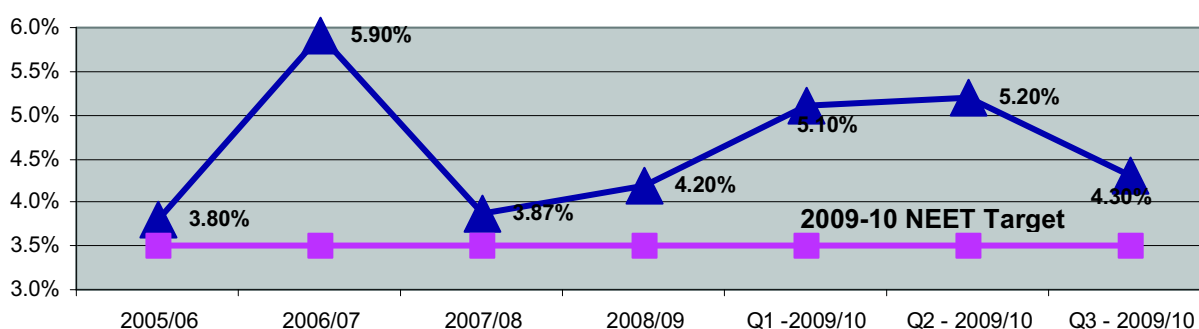


38 *Benefits Customer Survey:* This survey was conducted in September 2009, with 1400 people surveyed and 461 (33%) responses. A number of areas for improvement were identified, for example; the claim form, understanding entitlement letters, and contact issues. The level of the response to these will be shaped by a number of Customer Focus Groups taking place from February. Below are the key headline results from the survey:

- Overall satisfaction with the Benefits Service has increased from 65% in 2006-07 to 74% in 2009.
- Overall satisfaction with the ways in which customers can contact the benefits service has increased from 68% in 2006-07 to 81% in the latest survey.
- Customers are now more likely to agree that the opening hours of the benefits office are convenient, with 76% saying this in 2009 compared to 41% in 2006-07.
- Overall customer satisfaction with the experience of the benefits office has increased by 6% in 2009 (78%) and over three-quarters (77%) of respondents were satisfied with the telephone service provided by their benefits office.

39 *NPI 117: NEETs - % of 16-18 year old not in education, employment or training (LAA indicator)*. Current figures for December show a reduction to 4.3% (311 young people). This is expected to drop before the end of the year, but it is unlikely that the 2009-10 LAA target of 3.5% will be achieved. 90% of young people leaving year 11 will continue in post-16 education due to a lack of employment and apprenticeship training options. There's still high demand for pre-level 2 training and specialist courses are being run in partnership with York College. It is worth noting that although the target might not be achieved York remains in the top 10% of all authorities.

% of 16-18 year olds who are not in education, employment or training (NEET)



Corporate Health

Corporate health performance area	Latest 2009-10	Improving since last year?
Average days sickness per FTE	6.48 days *	No (6.50 Apr-Dec last year)
H&S: Major injuries to employees	6	Increase (5 Apr-Dec last year)
H&S: Minor injuries to employees	29	Reduction (37 Apr-Dec last year)
H&S: Injuries to non-employees	12	Reduction (23 Apr-Dec last year)

40 Overall staff sickness levels are now running at a similar level to last year (6.48 days per FTE, compared to 6.5 days for the same period last year). There has been an improvement in sickness levels across all directorates with the exception of LCCS and HASS, however at 7.96 days per FTE, HASS levels are still 29% lower than 3 years ago. The current trend indicates that the council is on track to achieve 9 days per FTE, which would be above the 2009-10 target of 8.6 days, but would still improve slightly on 2008-09. If achieved, this would place York in the 3rd quartile against 'all authorities' in the PWC benchmarking club.

41 Health and Safety reported incidents are showing mixed results for the first 9 months of 2009-10. There has been a continued decline in 'minor' and 'public' incidents compared to the same period last year (down 21% and 48% respectively). However, the number of major incidents has increased by 1 on the same period last year, with 2 incidents occurring in LCCS and 1 in Neighbourhood Services in November/December.

Finance - Overview

- 42 The General Fund budget for 2009-10 is currently £117,805k, with utilisation of balances and reserves reducing the call on Council Tax to £113,536k. Current projections indicate that financial pressures facing the council, as outlined in paragraph 43, amount to £3,580k. Progress against in year savings targets identified at Monitor 2, and outlined in paragraph 45, reduce this by £1,247k to the reported forecasted pressure of £2,333k.
- 43 An overview of the current position is summarised on a directorate by directorate basis in the table below. The key areas of change from the previous report are:
- HASS – an increased pressure of £874k, which is attributable to meeting the continued rapid rise in demand for adult social care across the city.
 - City Strategy – an increased pressure of £341k which is attributable to the receipt of a lower than anticipated Housing & Planning Delivery Grant and reduced income from car parking due to the recent adverse weather conditions.
 - Neighbourhood Services – an increased pressure of £67k which is due to a reduced forecast in income from commercial waste.
 - Property Services – an increased pressure of £57k due to increased pressure from the economic downturn on the council's commercial portfolio.
 - Other Central Budgets – an increased pressure of £420k due to the exceptional costs of winter maintenance following the recent adverse weather conditions.

Current 2009/10 Net Budget	Directorate	Monitor 2 Variance	Current Variance	Movement
£'000		£'000	£'000	£'000
4,908	Chief Executive's	+85	+123	+38
8,681	City Strategy	+239	+580	+341
43,381	HASS	+1,105	+1,979	+874
43,278	LCCS	+1,727	+1,711	-16
31,239	Neighbourhood Services	+292	+359	+67
295	Property Services	+352	+409	+57
3,522	Resources	-406	-449	-43
400	Credit Crunch Budget to be Allocated	-900	-900	-
135,704	PORTFOLIO BUDGETS	+2,494	+3,812	+1,318
-22,975	Asset Rental Adjustments	-	-	-
-3,844	Other Central Budgets	-722	-302	+420
8,561	Treasury Management	+429	+429	-
359	General Contingency	-359	-359	-
117,805	GROSS BUDGET	+1,842	+3,580	+1,738
-	Less: Savings Since Monitor 2	-	-1,247	-1,247
117,805	GROSS BUDGET	+1,842	+2,333	+491

- 44 The figures in the table assume that the £400k credit crunch budget and the remaining £359k general contingency will not be allocated resulting in a saving to mitigate against the forecast pressures elsewhere. This position also prudently assumes that the council will receive a sum of £750k as a result of the Conde-Nast and Fleming VAT refund cases, a £500k release from the Insurance Fund reserve and the approval of a £100k change in the funding of the capital programme (see paragraph 66).

- 45 The Monitor 2 report outlined a strategy, based on each directorate finding savings equating to 1.5% of their net budgets, which was designed to reduce the council's overspend and ensure a balanced position by the end of the financial year. In summary, directorates have identified £1,247k of savings, including freezes on recruitment to non frontline posts, against a target of £1,899k. Progress against these targets is outlined in the table below.

	Saving Target from Monitor 2	Progress Against Target	Variance
Directorate	£000's	£000's	£000's
City Strategy	-126	-250	-124
HASS	-601	-216	+385
LCCS	-580	-295	+285
Neighbourhood Services	-460	-330	+130
Property Services	-76	-100	-24
Resources	-56	-56	-
Total	-1,899	-1,247	+652

- 46 The table below summarises the information provided in paragraphs 43 and 45 to show the overall reported financial position of a £2,333k overspend for Monitor 3.

	£000's
Reported Financial Pressures	3,580
Less: Progress Against Monitor 2 Savings Targets	<u>-1,247</u>
Revised Overspend Position	2,333

- 47 It is clear that whilst significant progress has been made against the targets set at Monitor 2, exceptional pressures in service areas arising since that report have acted to worsen the council's financial position by £491k, a movement from £1,842k to £2,333k.
- 48 Many of the pressures that are causing the current financial position will be addressed as part of the 2010-11 Revenue Budget, due for approval at Council on 25 February 2010. However, it should be noted that any overspend in this financial year will reduce the overall level of the council's revenue reserves and should the current level of spend continue it will take the council below its recommended minimum threshold. This also presents implications on future years to rebuild the reserves back up to a level that would allow the council to deal with any unforeseen exceptional one off circumstances.

General Fund

- 49 The following sections provide further information on the current pressures each directorate is facing, as outlined in the main budget table in paragraph 43.

Chief Executives

- 50 The Chief Executive's department, excluding Property Services, is forecasting an overspend of £123k, an increase of £38k from Monitor 2. This increase is primarily due to the provision of additional legal work related to social care. Existing overspends related to the Print Unit and the sponsorship of boundary signs are offset by savings from Member Allowances resulting from the revised political structure implemented earlier in the year.

City Strategy

- 51 It is currently forecasted that City Strategy will have an overspend of £580k, an increase of £341k from Monitor 2. To mitigate this position, the directorate has identified £250k in

savings against the target it was allocated in that report. Services in the directorate are still experiencing income shortfalls related to the economic climate including planning with applications down 20% this year (£500k), parking income (£244k), building control (£100k) and a reduced Yorwaste dividend (£130k). Furthermore, the council has received £338k less than anticipated for the Housing & Planning Delivery Grant.

52 Concessionary Fares is also representing a significant pressure of £417k, linked to an increased demand for fares and tokens, however this is offset by a forecasted in-year reduction in related costs of £204k resulting from the Concessionary Fare Partnership reducing the council's rate used to reimburse bus operators from November 2009.

53 The directorate had already identified a number of areas to reduce its overspend by £596k including vacancy management measures (£324k) and cash limiting other budgets (£170k).

Housing and Adult Social Services

54 Housing and Adult Social Services are forecasting an overspend of £1,979k, which represents an increase of £874k from Monitor 2, however the department has identified savings of £216k since that report which reduces the overall position to an overspend of £1,703k.

55 The underlying cause of the overspend reported previously still exists, namely the dramatic rise in demand across all areas of adult social care, which is resulting in increased Direct Payment take up (£883k), costs related to Home Care (£519k), Mental Health placements (£254k), residential and nursing placements (£231k) and rising costs at Elderly Persons Homes (£158k). Furthermore, within the overall figure, Housing General Fund is now projecting an overspend of £60k which is primarily due to increased utilities and repairs costs at Travellers sites.

56 The directorate had already identified in year savings of £606k to address the overspend prior to Monitor 2 and has since identified a further £216k, which includes vacancy management measures and redirection of grants.

Learning, Culture & Children's Services

57 Learning, Culture and Children's Services is currently projecting an underlying overspend of £1,711k, which represents a reduction of £16k since Monitor 2. The directorate has identified a further £295k against the savings target it was set at Monitor 2 reducing the overspend to £1,416k overall.

58 York's Looked After Children (LAC) population continues to grow and currently stands at 224. This has increased by 35% since March 2008 and is the main contributory factor to the numerous overspends across the statutory children's social care budgets totalling £1,435k. This position has been mitigated in part by the continuing expansion of the local fostering programme, which is reducing the proportion of LAC placed in more expensive out of city placements.

59 In addition to this, the following areas are contributing to the current overspend:

- i) Home to School transport pressures primarily due to increased SEN taxi costs and the increased LAC population (£366k).
- ii) Pay pressures related to the increased entitlement for additional allowance payments following the implementation of the new pay and grading system (£322k).
- iii) A shortfall of income in the Library Service (£228k).

iv) Cost pressures in Sport & Active Leisure linked to reduced income at Edmond Wilson pool and energy costs at Yearsley Pool (£135k).

60 The overspend position is mitigated in part by an underspend of £320k due to the staffing structures supporting the new Integrated Children's Centres not yet being fully recruited to.

61 Action has also been taken throughout the year, which has yielded £631k of in-year savings, including £295k since the previous report. These actions include vacancy management measures and the reprioritisation of grant funding and expenditure.

Property Services

62 Property Services is projecting an overspend of £409k, which is an increase of £57k from Monitor 2. Progress against the savings target allocated in that report reduces this figure by £100k to an overall overspend of £309k. The main cost pressures faced by the service are linked to the commercial portfolio including not receiving wayleave income at Harewood Whin (£150k) and lost rental income due to the sale of property at Patrick Pool (£32k). There are also increased costs associated with maintaining surplus assets in the depressed property market such Parkside and Manor school (£128k), as well as increased repairs and maintenance costs on the council's administrative buildings (£42k).

Neighbourhood Services

63 The latest projection for Neighbourhood Services is an overspend of £359k, which represents a deterioration of £67k from Monitor 2, however the directorate has identified £330k of savings against its target from that report reducing the overall overspend to £29k. Cost pressures identified in earlier reports still remain, namely Landfill Tax costs (£200k), Commercial Waste income (£161k) and increased security costs at Towthorpe HWRC (£75k). Further pressures have been identified including a reduction in income from penalty charge notices (£105k).

64 Prior to Monitor 2, the directorate had already identified a projected £200k in year saving linked to extending transport leases and £98k in vacancy management controls. Savings identified since Monitor 2 cover a range of activities across the directorate.

Resources

65 Resources is projecting an underspend of £449k which represents an increase of £43k from the previous report. The directorate has also met its saving target of £56k allocated at Monitor 2 resulting in an overall underspend of £505k. This position has been made possible by the identification of in year mitigating savings, namely delaying the implementation costs of major IT projects until 2010-11 (£185k) and the increased performance of the Benefits function (£213k). The Monitor 2 savings target has been achieved via increased vacancy management controls.

Central Budgets

66 Treasury Management activity is predicted to overspend by £429k, which is a reduction of £100k from Monitor 2. The market conditions that are the underlying cause of the overspend remain, namely lower interest rates than expected on investments. In order to mitigate the overspend by £100k from that reported at Monitor 2, there has been a change in the way that part of the capital programme is to be funded, from a direct revenue contribution in LCCS to Prudential Borrowing, thereby reducing the overall overspend in Treasury Management. In accordance with Financial Regulations, approval

is requested for a virement of £124k from LCCS to Treasury Management, this being the total amount of the LCCS Revenue Contribution plus financing costs.

- 67 Other central budgets also have an increased pressure of £420k related to the exceptional cost of winter maintenance following the recent adverse weather conditions.

Non General Fund

Dedicated Schools Grant

- 68 In the Dedicated School Grant (DSG) area there is a projected overspend of £446k against a budget of £87,865k. Due to the nature of the DSG, any underspend must be carried forward and added to the following year's funding with overspends either being funded from the general fund or reducing the following year's funding allocation. Following the convention used in previous years, the overspend would reduce the level of DSG funding available in 2010-11.

Housing Revenue Account (HRA)

- 69 The budgeted balance on the HRA is estimated to be £8,111k and the latest forecast identifies an overspend of £318k, leaving a projected working balance of £7,793k. The main cost pressure remains the Housing Repairs Partnership which is forecasting an overspend of £518k. The More For York programme is progressing with the Housing blueprint and should start to deliver efficiencies during 2010-11 to bring the partnership spend back towards the approved budget.

Reserves

- 70 The table below shows a summary of the council's revenue reserves. It is currently projected that the balance of these reserves will be £4,160k at 31 March 2010 including the projected overspend summarised in paragraph 46. The 2009-10 budget process recommended a minimum threshold for revenue reserves of approximately £5,500k and the figures outlined show a projected deficit of £1,340k below this.

	£000
General Fund Reserve	
Balance at 1 April 2009	10,012
Less: Committed As Part of 2009/10 Budget	(3,697)
Carry Forward Underspend from 2008/09	(472)
Supplementary Releases	(100)
Revised General Fund Reserve	<u>5,743</u>
Add: Committed Transfers into the Reserve	<u>750</u>
	750
Less: Current Forecast Overspend on General Fund	(2,333)
Expected General Fund Reserve as at 31 March 2010	4,160

- 71 This re-enforces the requirement for continued action to reduce the current forecasted overspend, as should the current level of spend continue it would take the council well below the recommended minimum threshold for revenue reserves. This will have implications on next year's Council Tax levels both to contain the expenditure and also to re-build the reserve to a level that would allow the council to deal with any exceptional one off cost pressures.

Update on risk management linked to performance

- 72 Since the last performance monitor work has been undertaken across the council with the relevant risk owners to identify the high and critical risks in relation to the revised corporate

risk areas and corporate priorities as reported in last quarter's monitor. Some of the high and critical risks most relevant to performance in this report include:

- Responding to the demands of an ageing population
- Increasing social care costs
- Effects of the Economic Downturn.

Taking into account the implications of this report the corporate risks will be reassessed and the controls and actions to manage them will reported in detail to both CMT and Audit & Governance Committee in the next corporate risk monitor.

Options

- 73 The Director of Resources has certain statutory powers to ensure the council's financial management is conducted properly. At present the current strategy is to seek for each Director to take appropriate corrective action in their own areas, with a view to minimising expenditure. A further set of actions have been introduced to address the current budget position as much as possible, including a freeze on non essential travel, equipment purchases and other areas of discretionary expenditure. These actions will be monitored weekly by CMT and through discussion with Executive Members to ensure that expenditure is brought back in line with the budget by the end of the financial year.

Analysis

- 74 The analysis of service performance, progress on key actions and the financial position of the council is included in the body of the report.

Consultation

- 75 A number of performance and financial management meetings and forums have taken place at DMTs and CMT to review performance and delivery, which have helped to inform this report.

Corporate priorities

- 76 The information and issues included in this report are designed to demonstrate progress on achieving the priorities set out in the council's corporate strategy (2009-12). It also provides evidence of CMT and the Executive working together to drive forward prioritised improvement and address performance, delivery or financial issues of corporate concern.
- 77 The table below shows summary progress on the 54 milestone actions set out in the 2009/12 Corporate Strategy. 42 (78%) of the milestone actions are on track to meet agreed deadlines, or have been completed.

	Number	Completed	On track	Not on track	Not expected to complete in 09-10
City of Culture	5	1 (20%)	3 (60%)	1 (20%)	1
Healthy City	5	1 (20%)	2 (40%)	2 (40%)	
Learning City	5	1 (20%)	3 (60%)	1 (20%)	
Sustainable City	10	1 (10%)	7 (70%)	2 (20%)	
Safer City	8	2 (25%)	4 (50%)	2 (25%)	1
Inclusive City	10	2 (20%)	7 (70%)	1 (10%)	
Thriving City	6	0 (0%)	4 (66%)	2 (33%)	
Effective Organisation	5	3 (60%)	1 (20%)	1 (20%)	
Total	54	11 (20%)	31 (58%)	12 (22%)	2 (4%)

- 78 Annex 1 provides members with details of the 12 milestone actions that are reporting slippage for quarter 3. Ten of the 12 actions still expect to be completed before the end of March 2010.

Implications

- 79 The implications are:
- Financial - the financial implications are dealt with in the body of the report.
 - Human Resources - there are no specific human resource implications to this report, but it does contain important information on staff management and welfare.
 - 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, but it does provide the Executive with crucial performance information to inform future resource allocation.
 - 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

- 80 The budget setting process always entails a degree of risk as managers attempt to assess known and uncertain future events. As with any budget the key to mitigating risk is prompt monitoring of income and expenditure and appropriate management control. As such, regular updated figures and revised corrective actions will be monitored via Directorate Management Teams, Corporate Management Team and the monitor reports during the year.

Recommendations

- 81 Members are asked to:
- a. Note the performance issues identified in this report.
Reason: So that corrective action on these performance issues can be taken by members and directorates.
 - b. Note the finance issues identified in this report, in particular:
 - The significant pressures arising due to the economic recession and social care costs that are still evident across the council.
 - The requirement for growth as part of the 2010-11 Revenue Budget to build sufficient financial capacity for such areas.
 - The work already undertaken within directorates to contain financial pressures.
 - That work continues to identify and implement options to contain spending within budget by the end of the financial year.*Reason: So that the council's expenditure can be contained within budget, where possible, by the end of the financial year.*
 - c. In accordance with Financial Regulations, approval is requested for a virement of £124k from LCCS to Treasury Management.

Reason: To enable appropriate financing of the councils capital programme.

Authors:	Chief Officer Responsible for the report:		
Peter Lowe & Nigel Batey Performance & Business Assurance Team.	Ian Floyd, Director of Resources		
Andrew Crookham & Janet Lornie Corporate Finance	Report	<i>tick</i>	Date <i>Insert Date</i>
	Approved		
Specialist Implications Officer(s) - None			
Wards Affected: <i>None</i>			All <i>tick</i>
Annexes Annex 1 – update on 12 corporate strategy milestone actions reporting slippage			
For further information please contact the author of the report			

Update on the 12 corporate strategy milestone reporting slippage **Annex 1**

Theme	Milestone action	Will it be delivered by March 2010?
City of Culture	Develop and hold a Young Peoples Festival by Dec 2009, involving 90% of cultural agencies: This action has now been delayed beyond April 2010, but the new Youth Council has adopted this Festival as a priority for its first year of office.	No - Parliament Street has been reserved for late June and funding bids are now being progressed.
Healthy City	Complete a corporate review of the response needed to meet the needs and aspirations of the increasing population of older people by Mar 2010: An initial report on this review was considered by CMT in October 2009 and it was agreed that the scope of this review should be widened and developed in consultation with senior managers across the organisation. A draft scope will be completed by March 2010 and this will be presented to the Senior Manager's Group (SMG) in April.	Yes
	Launch a campaign by Sept 2009 to encourage an additional 1,600 adults to participate in regular weekly physical activities (5x30mins): The campaign communications team is now in place and 'Just 30 identity' has now been designed and showcased to the Without Walls (WOW) Partnership. The "Good news" campaign has also been launched in January 2010 with media partnerships and the web team. WOW partners are currently being engaged to help champion the campaign.	Yes
Learning City	Respond positively to the economic downturn by reducing the number of NEETs by targeted interventions with 16-18 year olds and the provision of wider range of qualifications for all by Mar 2010: All the proposed courses to help reduce the number of NEETS have now been implemented and a reduction has been achieved. Current figures for December show a reduction from 5.2% to 4.3% (311 young people). This is expected to drop before the end of the year, but the 2009-10 LAA target of 3.5%. See paragraph 39 for a more detailed update.	Yes
Sustainable City	Complete an easy@york review of waste, neighbourhood pride and street environment services by Summer 09: This will be slightly delayed as the easy@york programme has been widened and is now part of the MoreforYork programme. The blueprints have been agreed and work has resumed on the business process re-engineering. Technology implementation is now underway with the first tests expected in late January 2010.	Yes
	Introduce new technological devices to improve the identification and removal of street litter by Sept 09: The mobile devices and other technological solutions, are also an integral part of the Easy @ York Phase 2 project. (see comments above)	Yes

Theme	Milestone action	Will it be delivered by March 2010?
Inclusive City	Assist 10 priority households through the Golden Triangle 'Homesave Plus' Mortgage Rescue Scheme by Mar 2010. Funding issues for Rescue Scheme meant that take up has been slow with just three households assisted. Amendments were made to the eligibility criteria - principally raising the maximum property value from £280k to £350k and a two-month advertising campaign took place in October/November on Minster FM.	Yes – although it is too early to evaluate the impact of this scheme due to the low numbers of take up, however this may also indicate that the problem is not as severe as initially thought.
Safe City	Develop 3 additional capable guardian schemes in wards with high crime rates, to reduce anti social behaviour by Oct 2009: A new post to lead on the implementation of this scheme has been filled (funded by the Safer York Partnership budget). Three areas have now been selected, and a model for deployment of the scheme is almost complete. As a result, the scheme should be operational by end February 2010.	Yes
	Commission at least 50 restorative justice schemes and youth service provision by March 2010 to reduce the number of children becoming first time offenders: Key staff are now in place and the initial scoping of the scheme is ensuring that Youth Service Provision (YPS) are already contributing to target in York West. This will ensure that the targets agreed to secure the LAA grant will be achieved. All 50 schemes should be complete in 2010-11, but this is dependant on: <ul style="list-style-type: none"> • the York West CG scheme commissioning and resourcing more interventions; and • the development of the new capable guardian schemes to help commission and resource the interventions. 	No – Although work is now progressing on this, only 20 restorative interventions will be delivered by the end of March due to the delays in recruitment. The original target of 50 schemes will be completed in 2010-11.
Thriving City	Use the Eco Business Centre to support 20 enterprises through the newly established Enterprise Fund by Mar 2010. 10 applications for the enterprise fund have now been determined. It is unclear whether the target of 20, for the year, will be met, however discussions are in progress to determine new initiatives to improve performance.	Yes
	Work with developers at Nestle South, Terry's and York North West to bring forward development opportunities by March 2010. A draft commissioning strategy has been produced based on extensive voluntary sector and stakeholder consultation early 2009. This work has been 'paused' to ensure the proposed way forward is consistent with the more for York procurement blueprint. Funding for 2010-11 has already been agreed, subject to approval by budget council.	Yes
Effective Organisation	Agree a refreshed Improvement Plan (IP) by May 2009 and deliver on at least 80% of milestones during the year: Executive approved the refreshed Improvement Plan in July 2009, but only 70% of the IP actions are on track at this stage in the year. This is largely due to the project management milestone being delayed, as the staff involved are currently fully engaged in the More for York work.	Yes

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Executive**16 February 2010****Report of the Director of Resources****CAPITAL PROGRAMME – MONITOR THREE****Report Summary**

1. The purpose of this report is to:
 - Inform Members of the likely outturn position of 2009/10 Capital Programme based on the spend profile and information to mid January 2010;
 - Inform the Executive of any under or overspends and seek approval for any resulting changes to the programme;
 - Inform the Executive of any slippage and seek approval for the associated funding to be slipped to or from the financial years to reflect this;
 - To inform Members of the funding position of the capital programme, taking account of the current capital receipts forecasts for the five year capital programme.
2. The 2009/10 – 2013/14 capital programme was approved by Council on 26th February 2009. Since then a number of amendments have taken place as reported to the Executive in the 2008/09 Capital Programme Monitor 3 report, the 2008/09 Capital Programme Outturn report and the 2009/10 Monitor 1 and 2 reports. The changes made as result of the above papers have resulted in a current approved capital programme for 2009/10 of £67.379m, financed by £35.737m of external funding, and internal funding of £31.642m. Table 1 illustrates the movements from the start budget to the current approved position at monitor 2.

	Gross Budget £m	External Funding £m	Internal Funding £m
Original Budget Approved by Council at 26 Feb 2009*	64.255	39.483	24.772
Amendments from 2008/09 Monitor 3 report	0.702	0.309	0.393
Amendments from 2008/09 outturn report	4.017	(5.256)	9.273
Amendments from 2009/10 Monitor 1 report	(1.940)	0.166	(2.106)
Amendments from 2009/10 Monitor 2 report	0.345	1.035	(0.690)
Current Approved Capital Programme*	67.379	35.737	31.642

(*note these figures have changed since the monitor 2 report due to splitting Supported Capital Expenditure approvals between revenue supported borrowing and direct grant. The reclassification has been shown retrospectively)

Table 1 Current Approved Capital Programme

Consultation

- The capital programme was developed under the Capital Resource Allocation Model (CRAM) framework and agreed by Council on 26 February 2009. Whilst the capital programme as a whole is not consulted on, the individual scheme proposals and associated capital receipt sales do follow a consultation process with local Councillors and residents in the locality of the individual schemes.

Summary of Key Issues

- An decrease of £4.423m is detailed in this monitor that results in a revised capital programme budget of £62.927m; £4.420m higher than the 2008/09 capital outturn of £58.536m.
 - Against the current approved budget post 2009/10 Monitor 2 of £67.379m, there is a predicted outturn of £62.927m, a net decrease of £4.423m made up of:
 - Adjustments to schemes increasing expenditure by £0.105m.
 - The re-profiling of budgets from 2009/10 to future years of £4.528m.
- Table 2 outlines the variances reported against each portfolio area.

Department	Current Approved Budget £m	Projected Outturn £m	Variance £m	Paragraphs
Children's Services	33.378	30.428	(2.950)	9 – 14
Leisure and Culture	5.536	4.833	(0.703)	15 – 21
City Strategy	5.340	5.215	(0.125)	22 – 24
City Strategy (Economic Development)	0.113	0.113	0.000	25
Housing	8.734	8.714	(0.020)	26
Neighbourhood Services	5.329	5.041	(0.288)	27 – 31
Resources	1.761	1.761	0.000	32
Chief Executive	4.182	4.008	(0.174)	33 – 37
Social Services	0.711	0.781	0.070	38 – 39
City Strategy (Admin Accom)	2.107	1.874	(0.233)	40 – 41
Miscellaneous	0.188	0.188	0.000	42
Total	67.379	62.956	(4.423)	

Table 2 Capital Programme Forecast Outturn 2009/10

6. To the end of September there was £32.968m of capital spend representing 52.4% of the projected outturn as per monitor 3 budget.

Summary of Key Outcomes

7. The 2009/10 capital programme will contribute toward the Corporate Strategy and will deliver:
- a. Works totalling £1.7m on New Deals for Schools (NDS) modernisation programmes. This funding allows schools to invest in buildings, grounds and ICT equipment, enabling schools to improve their pupils' educational standards by maintaining and modernising their facilities. Major achievements with this funding include Fulford Secondary building new science labs, such as the example shown in image 1.1. Other schools have used the funding to set up new I.T. suites.



Image 1.1. A newly fitted science lab

- b. Projected spend of £2.3m on the New Deals for Schools (NDS) devolved capital programmes. This programme provides schools with direct funding for the priority capital needs of their buildings (capital repair, remodelling or new build) and investment in ICT equipment. Many schools use their allocations to contribute to larger projects at their school within the Children's Services capital programme.

Current schemes include the significant remodelling and refurbishment of school-based provision for 0-5 year olds at Wigginton, Dringhouses and Fishergate Primary schools. This will bring these facilities up to a modern standard to help provide the best start in life for local preschool children, whilst further projects of the same nature are underway at other school locations across the city.

The Learning Centre at Archbishop Holgate's CE secondary school was completed in summer 2009. This has enabled the school to offer a wide range of qualifications for post-16 children across the city and expanded the choice of facilities these students can enjoy across the city. A picture of the Learning Centre is included in Image 2.1.



Image 2.1. Learning Centre at Archbishop Holgate's.

- c. The £28m Joseph Rowntree Secondary school will open in March 2010, the design for which has won a major national award for 'Most Versatile Learning Environment'. The projected 2009/10 spend is over £17.8m, the school is scheduled to be complete in February 2010 and is currently on budget.

The new building, which includes space dedicated to 14-19 diploma provision, specialised outdoor learning provision, and full video conferencing facilities, replaces an outdated set of aging buildings that that were amongst the most dilapidated school buildings in York. The new state-of-the art facilities will enable pupils to benefit from wider curriculum availability and enhanced teaching and learning, whilst the community will also be able to benefit from access to some of the facilities available. A computer simulation of the completed school is shown in image 3.1.



Image 3.1 Computer simulation of the completed Joseph Rowntree School.

- d. The new Energise facility is now fully operational. The gym and pool were opened in November and December respectively. New facilities include a 6 lane 25 metre pool (shown in image 4.1), a learner pool, a hydrotherapy pool, a new changing area and a gym (shown in image 4.2).

Energise will allow greater operating efficiency by consolidating the activities previously provided by Edmond Wilson and Oaklands Sports Centre in a single location. Residents will now have access to an improved range of sporting facilities through a single membership scheme. The Energise sports centre will also be more inclusive than the old Edmond Wilson, shown in image 4.1, facility as it will have better disabled access and a crèche. An exterior view of the centre is included as image 4.4.

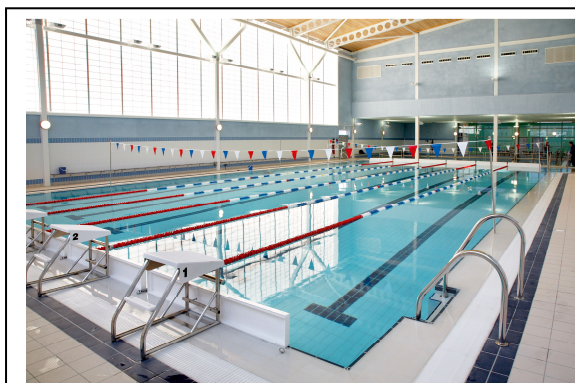


Image 4.1 Swimming Pool in the Energise Centre



Image 4.2 Gym in the Energise Centre



Image 4.3 The replaced Edmond Wilson Pool



Image 4.4 Exterior of the Energise Centre

- e. The development of a Community Learning Centre and a Changing Places facility within the new explore centre at York Library has now begun. York Library closed on 31 October for the scheme to begin and it will be reopened at the start of April.

These works will make York Library, shown in image 5.1, a more welcoming and accessible location. It will create a suite of rooms within the library that are dedicated to learning. The explore centre will support community based learning which will specifically benefit black and minority ethnic groups with English as a second language. A wide range of activities will be put in place to support literacy and the studies of children and young people. An improved health information section will be available, along with staff trained to assist the public on the Patient Choice website. This facility will help make York a more inclusive city by improving access of learning and cultural resources to residents. An image of the recently opened Acomb Explore centre is shown in Image 5.2. This demonstrates the modern assessable layout planned for the Library.



Image 5.1 Exterior of York Library



Image 5.2 Acomb Explore Centre

- f. Completion of Fulford Road multi-modal scheme providing bus priorities and cycle lanes along Fulford Road between Heslington Lane and Hospital Fields Road (£950k).

When this scheme is completed there will be a continuous city-bound cycle lane from Heslington Lane to Cemetery road whilst out-bound cyclists will also have a continuous route with a combination of on-road and off-road facilities and less confident cyclists will have a shared-use off-road facility between Heslington Lane and the Police HQ. Pedestrians will benefit from upgraded pedestrian crossing facilities. Peak period bus journey times should improve as the result of new city-bound bus lanes on the approaches to the Broadway and Hospital Fields Road junctions. These improvements will encourage the use of more sustainable modes of transport.

Image 6.1 shows the current arrangements between Heslington Lane and Hospital Fields Road prior to any improvement works. Image 6.2 shows the recently improved section between Cemetery Road and Hospital Fields Road.



- g. Progression of Access York Phase 1 project to develop 3 new Park & Ride sites through Department for Transport approval processes, planning and detailed design stages (£875k). Image 7.1 shows the proposed location of the new and existing sites across York.

Work continues on the development of the Access York Phase 1 (Park & Ride) Scheme with planning applications obtained for Askham Bar and submitted for Poppleton Bar and Clifton Moor within 2009/10. The addition of these Park & Ride facilities will reduce congestion and therefore, will improve air quality and have a positive economic impact. A computer simulation of the completed Poppleton Bar Park & Ride site is included as Image 7.2.

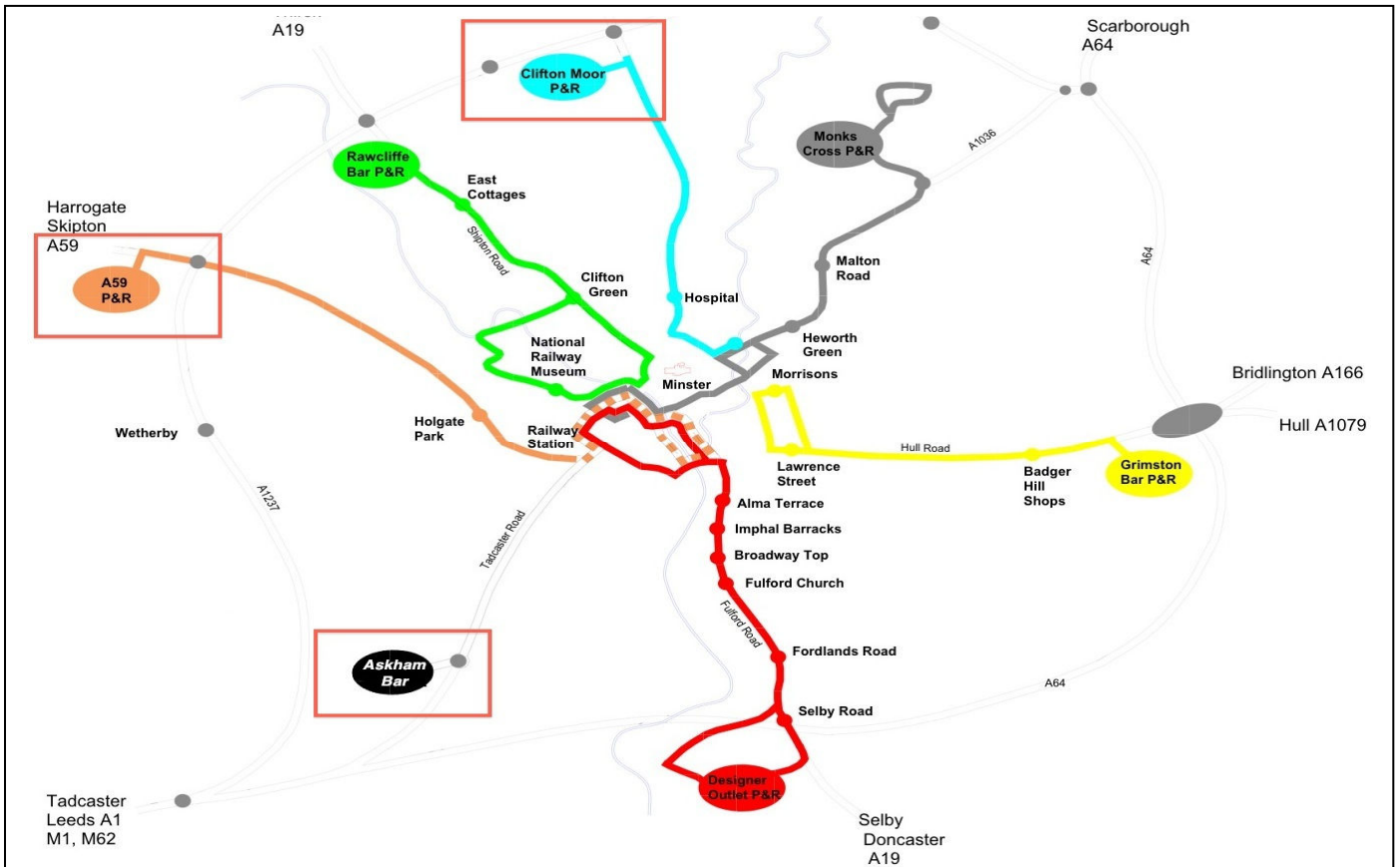


Image 7.1 Map of main access roads across York including the current and proposed Park & Ride routes



Image 7.2 Computer simulation of the proposed Poppleton Bar Park & Ride site

- h. Provision of approximately 1.2km of on and off-road cycle lanes on Crichton Avenue as part of the Orbital Cycle route being implemented through the Cycling City project (£575k). A map of the planned works on Crichton Avenue is shown in image 8.1.

Work on the construction of new cycle facilities on Crichton Avenue began in November and should be completed by March 2010. This will provide continuous cycle facilities (both on-road and off-road) from Wigginton Road to Kingsway North, and is part of the Orbital Cycle Route. The creation of the continuous Orbital Cycle Route will help York to be a greener and healthier City. The dedicated cycle routes will also improve road safety for cyclists.

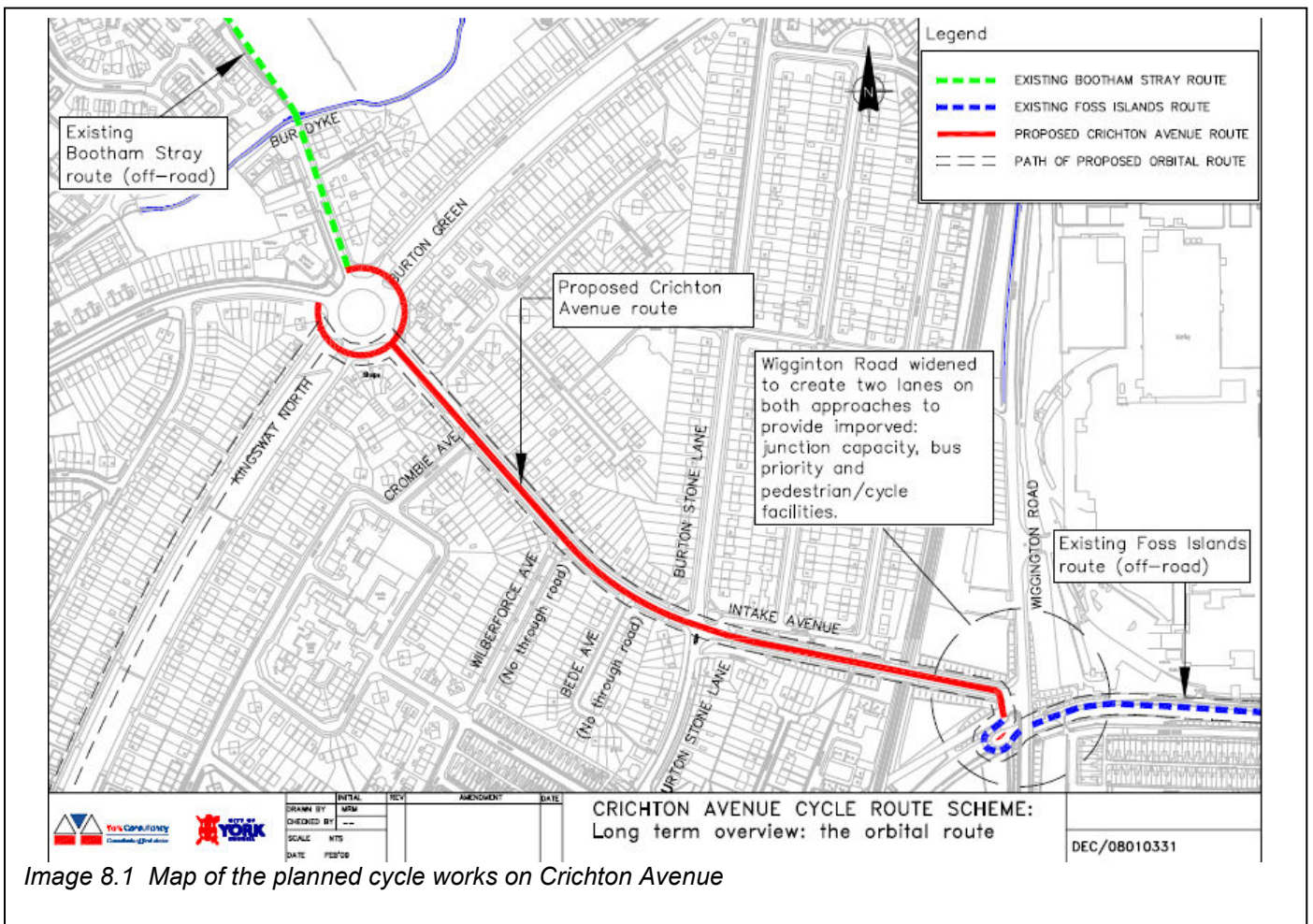


Image 8.1 Map of the planned cycle works on Crichton Avenue

- i. Schemes in housing will see over 1850 individual works completed on Council houses including new heating systems to over 200 homes. Image 9.1 and 9.2 shows the a kitchen installation in a Council home.

Housing schemes help to raise the living standard of Council tenants who are often the most at risk residents in the city. Modernising properties by replacing heating systems will improve energy efficiency

and contribute to York becoming a more sustainable city. These schemes pro actively help to maintain the health of Council tenants and therefore avoid costs in reactive care.



Image 9.1 A Council home before a renovated kitchen is installed.



Image 9.2 A Council home following installation of a new kitchen

Analysis

8. A summary of the key exceptions and implications on the capital programme are highlighted below.

Education and Children's Services

9. The current approved capital programme for Education and Children's services for 2009/10 is £33.378m following the adjustments made as a result of the 2009/10 Monitor 2 report. As a result of changes made at the second monitor, the 2009/10 capital programme will decrease by £2.950m to £30.428m. Table 3 gives a summary of the changes on a scheme by scheme basis.

Gross Children's Services Capital Programme	2009/10 £m	2010/11 £m	2011/13 £m	2012/13 £m	2013/14 £m	Total £m
Current Approved Capital Programme	33.378	22.849	0.000	0.000	0.000	56.227
<u>Reprofiling:</u>						
Schools Access Initiative	(0.100)	0.100				0.000
Primary School Strategic Programme	(2.000)	2.000				0.000
Children's Centres Phase 3	(0.200)	0.200				0.000
Joseph Rowntree One School Pathfinder	(0.700)	0.700				0.000

Adjustments:						
Applefields School - Co Location	0.050	0.877				0.927
Revised Capital Programme	30.428	26.726	0.000	0.000	0.000	57.154

Table 3 Education and Children's Services Capital Programme 2009-2014

10. The Schools Access Initiative scheme requires some reprofiling into 2010/11. The majority of projects are expected to be completed in 2009/10 but a small number of schemes have been rescheduled to be carried out over the summer holidays, therefore the funding for these needs to be reprofiled into 2010/11.
11. The Primary School Strategic Programme schemes requires re-profiling into 2010/11. Plans and financial projections are being finalised for the first two schemes to be carried out under this programme, at Our Lady's / English Martyr's, and Clifton / Rawcliffe. The only expenditure in the current financial year will be in relation to fees and preliminary works, therefore a significant amount of the budget needs to be reprofiling into 2010/11. Once detailed budgets have been agreed, a full update on the two schemes will be reported to the Executive.
12. The Children's Centre Phase 3 schemes requires some re-profiling into 2010/11. The scheme at Knavesmire for the ninth Children's Centre has now commenced and should be completed by Easter 2010. In addition, some additional investment at Scarcroft Primary and St Clements Hall is being carried out to enable their use as outreach facilities. This expenditure is being funded from the Phase 3 Children's Centres Capital Grant. Although the main building work at Knavesmire should be completed in 2009/10, final payments and equipment etc will be incurred in 2010/11, therefore it is proposed that £200k of the budget be reprofiled to 2010/11.
13. The Joseph Rowntree One School Pathfinder schemes requires some re-profiling into 2010/11. The new school building is substantially complete, with the installation and testing of ICT hardware and infrastructure currently in progress. The new building is expected to be handed over to the authority on 22nd March 2010. The demolition of the old school building and final landscaping will be complete in October 2010. The project is currently on programme and on budget, however, an analysis of the payment profile for the remainder of the work suggests that an amount of the budget totalling £700k needs reprofiling into 2010/11.
14. A new scheme is requested to be added under the title Applefields School – Co location. A successful bid has been made to the DCSF Co-Location Fund, a £200m cross-government dedicated fund to support capital

projects that will allow the co-location of two or more services for children, young people and families. The project at Applefields aims to bring together services to support young people with disabilities into adult life. It will bring together a mix of universal and targeted services, including children and adult social care transition workers, physiotherapy, speech and language therapy, occupational therapy, CAMHS (psychologist and specialist nurse), on the school site to improve accessibility and service take up, whilst strengthening partnership working and reducing costs. The project will also provide direct work facilities for a range of post 16 education providers and become a bridging facility to local employers, building on the existing work to open up opportunities for further education and employment for young people. The project is fully funded from external sources.

Leisure and Culture

15. The approved capital programme for Leisure and Culture services is £5.536m following the adjustments made as part of the 2009/10 Monitor 2 report. As a result changes made in this monitor, the capital programme will decrease by £732k to £4.804m. Table 4 gives a summary of the Leisure and Culture programme by value over the currently approved 5 year programme.

Gross Leisure and Culture Capital Programme	2009/10	2010/11	2011/13	2012/13	2013/14	Total
	£m	£m	£m	£m	£m	£m
Current Approved Capital Programme	5.536	3.190	0.000	0.000	0.000	8.726
Reprofiling:						
Museum Service Heritage Lottery	0.013	(0.013)				0.000
Milfield Lane Comm Sports Centre	(0.530)	0.530				0.000
York Explore Centre	(0.150)	0.150				0.000
Library Self-Issue Equipment	(0.065)	0.065				0.000
Adjustments:						
Melbourne Street Community Building	0.029					0.029
Revised Capital Programme	4.833	3.922	0.000	0.000	0.000	8.755

Table 4 Leisure and Culture Capital Programme 2009 – 14

16. The Museum Service Heritage Lottery scheme requires reprofiling as £13k has been paid to the Trust since Monitor 2 and therefore needs to be brought forward from 2010/11, as the Trust have been able to undertake development work on the gardens scheme during 2009/10 with a view to the full scheme starting next year. This leaves a budget of £200k in 2010/11 to provide match funding for the second phase of the scheme which includes work in the Museum Gardens.
17. The Milfield Lane Community Sports Centre scheme requires reprofiling as the new changing rooms at Manor School are now going to form part of the planning application for the new Diploma build, therefore the £200k contribution will not be required until 2010/11. The remainder of the budget is to be used for the purchase of land and subsequent ground works to drain and level for the creation of football pitches. It is unlikely that this will happen in 2009/10 so the majority of the remaining budget needs to be reprofiled into 2010/11, with a small amount (c£20k) retained in 2009/10 for preliminary expenses and fees.
18. The York Explore Centre scheme requires reprofiling. Work on this project is ongoing and progressing well. The building is expected to be handed back to the council at the end of March. The furniture will then need to be

installed and this is now expected to be carried out in early April, therefore this element of the budget needs to be reprofiled into 2010/11.

19. The Library Self-Issue Equipment scheme requires reprofiling. The machines for Acomb Library have been installed and are operational, but the ones for York Explore will be installed at the end of the main build contract. This is now likely to be in early April so the element of the scheme relating to these needs to be reprofiled into 2010/11.
20. In relation to the new Energise facility it should be noted that the final cost of construction is expected, subject to agreement of the final account, to be marginally in excess of the original budget. Members will be updated with further information as part of the 2009/10 capital outturn report.
21. The Addition of £29k for Melbourne Street Community Building is to be funded from prudential borrowing and paid for from existing revenue budgets in Leisure services.

City Strategy

22. The current approved capital programme for City Strategy is £5.340m following the adjustments made as part of the 2009/10 Monitor 2 report. As a result of changes contained in the Monitor 3 report the capital programme will decrease by £125k to £5.215m. Table 5 gives a summary of the changes on a scheme by scheme basis.

Gross City Strategy Capital Programme	2009/10	2010/11	2011/13	2012/13	2013/14	Total
	£m	£m	£m	£m	£m	£m
Current Approved Capital Programme	5.340	7.097	3.617	3.605	3.605	23.264
<u>Adjustments:</u>						
Local Transport Plan (LTP)	(0.125)					(0.125)
Cycling City		(0.098)				(0.098)
Revised Capital Programme	5.215	6.999	3.617	3.605	3.605	23.041

Table 5 City Strategy Capital Programme 2009-14

23. The reduction of the LTP scheme is due to the section 106 allocation being a nominal allocation. It has therefore been necessary to reduce profiled scheme expenditure as a result of this funding not being available to the level expected.
24. The Cycling City scheme reduction in the capital programme in 10/11 is due to the split between capital and revenue funding changing. The overall

level of expenditure will therefore not change instead a larger proportion will be spent via revenue budgets.

Economic Development

25. The approved capital programme for Economic Development is £0.113m. No changes to the projected outturn position are anticipated as part of this monitor. Table 6 confirms the current budget.

Gross Eco Dvpt Capital Programme	2009/10	2010/11	2011/13	2012/13	2013/14	Total
	£m	£m	£m	£m	£m	£m
Current Approved Capital Programme	0.113	0.000	0.000	0.000	0.000	0.113

Table 6 Economic Development Capital Programme 2009 -14

Housing

26. The approved capital programme for Housing services is £8.734m following the adjustments made as part of the 2009/10 Monitor 2 report. Only minor changes will be made as a result of this monitor. Table 7 gives a summary of the currently approved budget.

Gross Housing Capital Programme	2009/10	2010/11	2011/13	2012/13	2013/14	Total
	£m	£m	£m	£m	£m	£m
Current Approved Capital Programme	8.734	9.121	10.205	9.807	10.888	48.755
<u>Reprofiling:</u>						
Energy Conservation in Homes	(0.020)	0.020				0.000
Revised Capital Programme	8.714	9.141	10.205	9.807	10.888	48.755

Table 7 Housing Capital Programme 2009 - 2014

Neighbourhood Services

27. The approved capital programme for Neighbourhood services is £5.329m following the adjustments made as a result of the 2009/10 Monitor 2 report. As a result of this monitor, the capital programme will decrease by £288k to £5.041m. Table 8 gives a summary of the changes on a scheme by scheme basis.

Gross Neighbourhood Services Capital Programme	2009/10	2010/11	2011/13	2012/13	2013/14	Total
	£m	£m	£m	£m	£m	£m
Current Approved Capital Programme	5.329	5.326	5.555	3.055	3.055	22.320
Reprofiling:						
Waste Infrastructure	(0.246)	0.246				0.000
Eco Depot Security Gate / Reception	(0.112)	0.112				0.000
Adjustments:						
Contaminated Land Investigation	0.046	0.005				0.051
Silver Street Toilets	0.024	0.001				0.025
Revised Capital Programme	5.041	5.690	5.555	3.055	3.055	22.396

Table 8 Neighbourhood Services 2009 – 2014

28. The Waste Infrastructure scheme requires reprofiling as a result of Changes to the timetable for the rollout of kerbside recycling and alternate weekly collection. The overall programme is due to complete by the end of December 2010.
29. The Eco Depot Security Gate requires reprofiling as the scheme has not been progressing as planned and is currently at the design stage. It is requested that £112k be slipped into next year. The £10k budget will be required in 09/10 for design fees for the start of the project.
30. The Contaminated Land budget has increased due to an additional DEFRA grant being awarded totalling £51k and profiled across 09/10 and 10/11. This is in respect of investigations at sites at Chapmans Pond Landfill and Westfield School Landfill.
31. The Silver Street toilets scheme is requesting additional funding over that currently approved. This scheme has now completed and the facility was officially opened after Christmas. Additional costs have been incurred of £24k in year taking the 2009/10 spend to £324k. These are due to unforeseen structural problems and delays to the contract which has meant additional preliminary costs from the main contractor.

Resources

32. The approved capital programme for Resources is £1.761m. As a result of this monitor, no variations are forecast. Table 9 states the position of the programme.

Gross Neighbourhood Services Capital Programme	2009/10	2010/11	2011/13	2012/13	2013/14	Total
	£m	£m	£m	£m	£m	£m
Current Approved Capital Programme	1.761	0.000	0.000	0.000	0.000	1.761

Table 9 Resources Capital Programme 2009 –2014

Chief Executives

33. The approved capital programme for Chief Executives is £4.182m following the adjustments made as a result of the 2009/10 Monitor 2 report. As a result of this monitor, the capital programme will decrease by £174k to £4.008m. Table 10 gives a summary of the changes on a scheme by scheme basis.

Gross Chief Executives Capital Programme	2009/10	2010/11	2011/13	2012/13	2013/14	Total
	£m	£m	£m	£m	£m	£m
Current Approved Capital Programme	4.182	0.354	1.250	0.000	0.000	5.786
<u>Reprofiling :</u>						
Health & Safety / DDA	(0.060)	0.060				0.000
St Clements Hall Refurbishment	(0.066)	0.066				0.000
Urgent River Banks Repairs	(0.070)	0.070				0.000
Acomb Office	0.011	(0.011)				0.000

Adjustments:						
Property Key Components (H&S)	(0.040)					(0.040)
Peasholme Improvements	0.040					0.040
Hospital Fields Road	0.011					0.011
Revised Capital Programme	4.008	0.539	1.250	0.000	0.000	5.797

Table 10 Chief Executives Capital Programme 2009 – 2014

34. A number of schemes require reprofiling into 10/11 totalling £196k, this figure is comprised of £60k in relation to Disability Discrimination Act programme of work, this budget will be used to contribute to an Access Scheme that is being developed by City Strategy. This scheme is unlikely to start this financial year and is therefore required to be reprofiled into 10/11. £66k in relation to St Clements Hall will be required be reprofiled into 10/11 due to minor delays. And £70k is required to be reprofiled into 10/11 due to due to the weather and river levels causing delays on the scheduled work.
35. It is proposed that £40k from the Property Key Components budget is allocated to the Peasholme Improvements scheme in addition to the £128k to be allocated from contingency budget . The reason for the £168k overspend is due necessary work to remedy the poor quality work of the previous contractor. The major element of redesign and building elements has increased costs by £54k. This was not a matter of instructing additional expenditure, but a requirement to complete the project quickly and in a compliant manner. In addition, there has been the cost of fees to do this work from externally appointed consultants, £33k, and further costs of £19k for the need to extend oversail, scaffolding and party wall licences during the extended contract period. Further, internal recharges against the scheme of £15k had previously not been picked up. Finally, £47k for a direct payment made to a supplier for bathroom pods was an oversight and a cost the council had already incurred but not reported in December 08 as being part of this contract.
36. During this period the Administrative Accommodation project has been undergoing a review and Executive approved on 21 September 2009 that the land assembly element (for the Hungate site) was to be moved to the separate Peasholme improvement scheme on the basis that the land assembly at Hungate no longer supported the new Administrative Accommodation project. As a consequence, it appears that reporting responsibility has fallen between two areas and the full extent of the overspend has only recently been identified. This is the first opportunity to explain the overspend and seek approval for funding.

37. Hospital Fields road requires additional funding of £11k which is to be met from existing budgets from within Property Services and is referenced here for completeness.

Social Services

38. The approved capital programme for Social Services is £711k following the adjustments made as a result of the 2009/10 Monitor 2 report. As a result of this monitor, the capital programme is forecast to increase by £70k to £781k . Table 11 states the position of the programme.

Gross Social Services Capital Programme	2009/10	2010/11	2011/13	2012/13	2013/14	Total
	£m	£m	£m	£m	£m	£m
Current Approved Capital Programme	0.711	0.351	0.235	0.245	0.255	1.797
<u>Adjustments:</u>						
Day Service Modernisation	0.028					0.028
Health and Safety Works at Social Services Establishments	0.042					0.042
Revised Capital Programme	0.781	0.351	0.235	0.245	0.255	1.867

Table 11 Social Services Capital Programme 2009 – 2014

39. Both additions to the capital programme totalling £70k are fully funded from external resources.

Administrative Accommodation

40. The approved capital programme for Administrative Accommodation is £2.107m following the adjustments made as a result of the 2009/10 Monitor 2 report. As a result of this monitor, the capital programme is forecast to decrease by £233k to £1.874k. Table 12 gives a summary of the changes.

Gross Admin Accom Capital Programme	2009/10	2010/11	2011/13	2012/13	2013/14	Total
	£m	£m	£m	£m	£m	£m
Current Approved Capital Programme	2.107	12.494	12.304	13.388	0.000	40.293
<u>Adjustments:</u>						

Admin Accommodation	(0.233)	0.243		(0.011)		(0.001)
Revised Capital Programme	1.874	12.737	12.304	13.377	0.000	40.292

Table 12 Admin Accom Programme 2009- 2014

41. The reprofiling of the Administrative Accommodation budget is required in accordance with the expected expenditure over the next three years, in light of the developer being appointed in December 2009. £0.233k has been slipped in to 2010/11 from 2009/10 due to the procurement process being extended and therefore contract payments not being paid as quickly as expected. The project is still due to complete on time in 2012/13.

Contingency

42. One request for funding to be made available from the contingency has been received. The request is to use £128k to part fund the expenditure incurred in relation to Peasholme Improvements works as set out above under the Chief Executives section.

Summary

43. As a result of the changes highlighted above the revised 5 year capital programme is summarised in Table 13.

Gross Capital Programme	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	Total £m
Current Programme	67.379	60.782	37.166	30.100	17.803	213.230
<u>Adjustments :</u>						
Children's Services	0.050	0.877				0.927
Leisure Services	0.029					0.029
Neighbourhood Services	0.070	0.006				0.076
City Strategy	(0.125)	(0.098)				(0.223)
Social Services	0.070					0.070
Chief Executives	0.011					0.011
<u>Re-profiling:</u>						
Children's Services	(3.000)	3.000				0.000
Leisure and Culture	(0.732)	0.732				0.000
Housing	(0.020)	0.020				0.000
Neighbourhood Services	(0.358)	0.358				0.000

Chief Execs	(0.185)	0.185				0.000
Admin Accom	(0.233)	0.243		(0.011)		(0.001)
Revised Programme	62.956	66.105	37.166	30.089	17.803	214.119

Table 13 Revised 5 Year Capital Programme

Funding the 2009/10 – 2013/14 Capital Programme

44. The current capital programme is funded from a number of externally funded sources, along with capital receipts raised from the sale of surplus assets.

45. The 2009/10 capital programme of £62.956m is currently being funded from £35.095m of external funding and £27.861m of internal funding. The internal funding is comprised of revenue contributions, supported capital expenditure, venture fund, right to buy receipts, capital receipts and prudential borrowing.

46. Table 14 shows the projected call on Council resources going forward.

	2009/10	2010/11	2011/12	2012/13	2013/14	Total
	£m	£m	£m		£m	£m
Gross Capital Programme	62.927	66.105	37.166	30.089	17.803	214.119
Funded by:						
External Funding	35.095	37.971	8.888	8.428	9.603	99.985
Council Controlled Resources	27.861	28.134	28.278	21.662	8.200	114.134
Total Funding	62.956	66.105	37.166	30.089	17.803	214.119

Table 14 – 2009/10 –2013/14 Capital Programme Financing

47. The current economic environment continues to place pressure on the funding of the programme over the 5 year cycle resulting in additional funding pressures based on current projections. The capital programme continues to place reliance on the achievement of a small number of high asset disposals which have been affected by the economic downturn. This funding pressure could be managed using a number of funding sources such as prudential borrowing with the revenue costs being covered from the revenue contributions agreed as part of the 2009/10 - 2013/14 capital programme.

Corporate Priorities

48. The capital programme is decided through a formal process, using a Capital Resource Allocation Model (CRAM). CRAM is a tool used for allocating the Council's scarce capital resources to schemes that contribute toward the achievement of the corporate strategy.

Implications

Financial Implications

49. The financial implications with regards to the Capital Programme are considered in the main body of the report.

Human Resources Implications

50. There are no HR implications as a result of this report

Equalities Implications

51. There are no equalities implications with regards to the capital programme in the main body of the report.

Legal Implications

52. There are no legal implications as a result of this report

Crime and Disorder

53. There are no crime and disorder implications as a result of this report

Information Technology

54. There are no information technology implications as a result of this report

Property

55. The property implications of this paper are included in the main body of the report.

Risk Management

56. The capital programme is regularly monitored as part of the corporate monitoring process. In addition to this the Corporate Asset Management Group (CAMG) meets regularly to plan monitor and review major capital receipts to ensure that all capital risks to the Council are minimised.

Recommendations

57. The Executive is requested to:

- Recommend to Full Council the net adjustments of (£4.423m) in 2009/10, £5.324m in 2010/11 and (£0.011m) in 2012/13 which are set out on a scheme by scheme basis in the above paragraphs and contained in Annex A.
- Recommend to Full Council the funding of Silver Street toilets from Councils resources totalling £25k.
- Note the 2009/10 revised budget of £62.956m as set out in paragraph 5 and Table 2.
- Note the slippage of £4.528m from 2009/10 to 2010/11.
- Approve the use of the contingency fund for £128k in respect of the Peasholme Improvements works.
- Note the restated capital programme for 2009/10 – 2013/14 as set out in paragraph 43, Table 13 and as set out in detail in Annex A.

Reason: to enable the effective management and monitoring of the Council's capital programme

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**Report
Approved**



Date 28/01/10

Keith Best
Head of Finance

**Report
Approved**



Date 27/01/10

Specialist Implications Officer(s) N/A

All Y

For further information please contact the author of the report

Background Papers:

Budget Control 2009
Departmental Capital Monitoring Updates

Annexes

Annex A – Restated Capital Programme 2009/10 to 2013/14

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Executive**16 February 2010**

Report of the Director of Resources

Treasury Management Monitor 3 and Prudential Indicators 09/10**Summary of Report**

1. This report updates the Executive on the Treasury Management performance for the period 1 April 09 to 31 December 2009 compared against the budget presented to Council on 21 February 2009.
2. The report highlights the economic environment for the first nine months of the 2009/10 financial year and in relation to this reviews treasury management performance covering:
 - Short-term investments,
 - Long-term borrowing,
 - Venture Fund,
 - Treasury Management Budget.

Background

3. The Council's treasury management function is responsible for the effective management of the Council's cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
4. The Council approved the Treasury Management Strategy, budget and Prudential Indicators on 21 February 2009. This report monitors the Treasury Management activity for the first nine months of 2009/10 and shows the change in the Treasury Management budget to 31 December 2009 and the forecast outturn position for the year.

Consultation

5. This report is for information and reporting on the performance of the treasury management function. The budget was set in light of the prevailing expenditure plans and economic conditions, based on advice from the Council's Treasury Management advisors.

Corporate Priorities

6. The Council has a priority to ensure value for money and efficiency of its services. Treasury Management aims to achieve the optimum return on investments commensurate with the proper levels of security, and endeavours to minimise the interest payable by the Council on its debt structure.

Economic Background and Analysis

7. The Council's short term investment and long term borrowing decisions have been affected by the following economic conditions:
 - a. The third quarter of the financial year of 2009 saw:
 - i. Activity indicators suggest that the economy is finally exiting the recession
 - ii. Household spending grow at its fastest rate since early 2008
 - iii. The deterioration of the labour market slow considerably;
 - iv. Little improvement in the UK's trade position;
 - v. Monetary policy loosened again...
 - vi. ...but with only limited effect on asset markets and the growth of the money supply;
 - vii. Inflation rise as higher energy costs pushed up the annual comparison;
 - viii. Financial markets make further gains, but at a much slower pace;
 - ix. International economies grow at a faster rate than the UK
 - b. Monetary policy was loosened further in the fourth quarter. At its meeting in November, the Monetary Policy Committee (MPC) increased the amount of asset purchases under the Bank's Quantitative Easing (QE) programme by £25bn to £200bn. However, QE continued to have a relatively limited effect, and there were only tentative signs of a positive impact outside of financial markets.
 - c. Household spending in Q3 looks set to have grown at its fastest rate since early 2008. The annual growth in retail sales was the highest in nearly eighteen months in October. Retail sales should have received at least some support towards the end of the year as consumers brought forward spending before the reinstatement of the standard rate of VAT on the 1st January.
 - d. Q3 also saw the rate of deterioration in the labour market slow considerably. Unemployment claimant count rose by 5,900 in October but fell by 6,300 in November 2009.
 - e. The improvement in the labour market no doubt supported the housing market, which continued to recover in the third quarter, albeit at a slightly slower rate than in Q2. The Nationwide house price index finished the quarter 1.5% higher than at the end of the previous quarter. The Halifax measure, which had been a little less buoyant in Q2, also posted decent rises. However, the rise in house prices continued to be largely driven by

the shortage of homeowners putting their homes up for sale, suggesting that the rises may prove to be temporary.

- f. Consumer Price Inflation (CPI) rose in the third quarter, from 1.1% in September to 1.5% in October and 1.9% in November, while RPI inflation returned to positive territory. Much of the rise in inflation was the result of energy price inflation turning from negative to positive.
- g. The third quarter saw the global recovery continue to take hold. Once again, the recovery appeared to be strongest in the US. In the euro-zone, the output balance of the composite PMI index rose over the quarter to be consistent with quarterly growth in euro-zone GDP of around 0.5%. The recovery looked set to be strongest in France and Germany. But, like in the US, there were concerns that households in all countries remained reticent to spend.
- h. Figure 1 shows the actual and projection of the base rate, which remains at historically low levels through much of 2010. The Council's treasury management advisers – Sector – forecast that the base will start to rise towards quarter 4 of 2010 and will gradually continue to increase on a regular basis to 2013. UBS also estimate a rise in the base rate from September 2010 but their forecast is slightly less aggressive than Sector, they believe growth will be slower throughout 2011 but there will be moderate economic recovery. Capital Economics remain pessimistic about economic recovery to the end of 2011 and they forecast the base rate to remain at 0.5%.

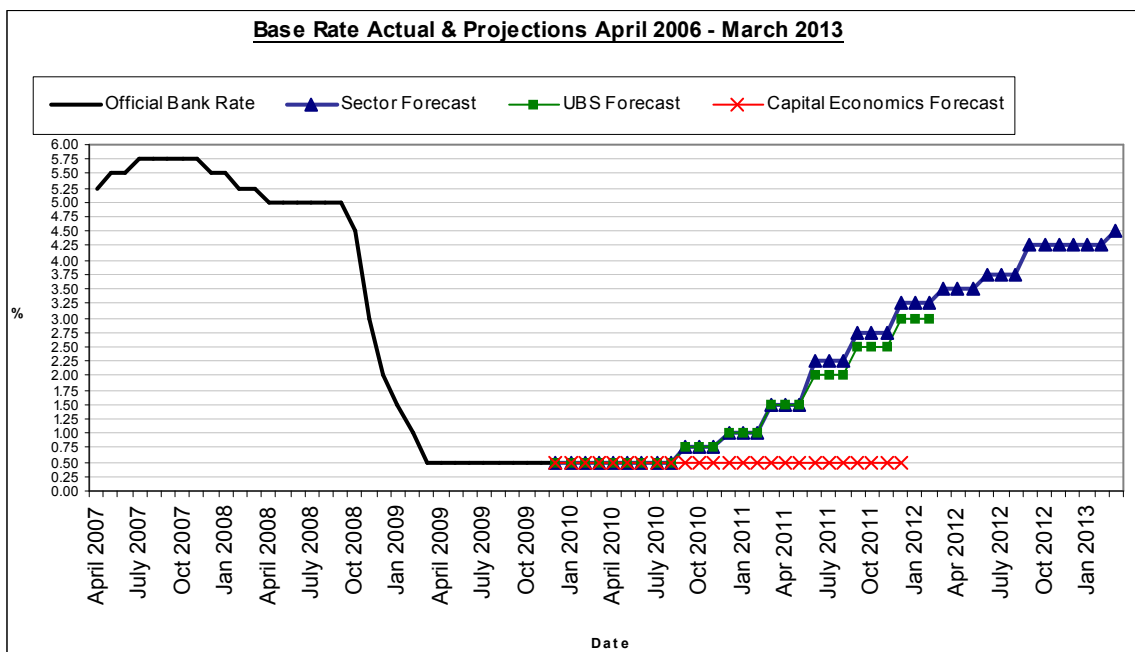


Figure 1: Base Rate 2006 to 2013 - latest forecast 23 November 2009

- i. Table 1 provides the Council's Treasury Advisers, Sector, forecast of the base rate and Public Works Loan Board (PWLB) rates as at 23 November 2009:

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Bank rate	0.50%	0.50%	0.75%	1.00%	1.50%	2.25%	2.75%	3.25%	3.50%	3.75%	4.25%	4.25%	4.50%
5yr PWLB rate	3.05%	3.20%	3.30%	3.40%	3.60%	3.85%	4.15%	4.55%	4.60%	4.80%	4.80%	4.85%	4.85%
10yr PWLB rate	4.00%	4.05%	4.15%	4.30%	4.45%	4.60%	4.80%	4.90%	5.00%	5.10%	5.10%	5.15%	5.15%
25yr PWLB rate	4.55%	4.65%	4.70%	4.80%	4.90%	5.00%	5.05%	5.10%	5.20%	5.30%	5.30%	5.35%	5.35%
50yr PWLB rate	4.60%	4.70%	4.75%	4.90%	5.00%	5.10%	5.15%	5.20%	5.30%	5.40%	5.40%	5.45%	5.45%

Table 1 – Sector’s forecast interest rates as at 23 November 2009

- j. With regard to long term borrowing, the Public Works Loan Board (PWLB) rates across all ranges are forecast to steadily increase, as seen in table 1, to reach 5.45% by the end of 2013. This is due to high gilt issuance, reversal of QE and investor concerns over inflation.
- k. It should be noted that Sector have confirmed that there is a high level of uncertainties in all the above forecasts. This is due to the difficulties of forecasting the timing and amounts of QE reversal, fiscal contraction after the general election expected by May 2010, speed of recovery of banks’ profitability and balance sheet positions, changes in the consumer saving ratio and rebalancing of the UK economy towards exports
- l. Investment rates fell at the beginning of the financial year with the 1 year rate starting at 2.15%. In September 2009 the 1 year rate was 1.10% and by December 2009 this rose slightly to 1.22%.
- m. A number of large UK banks keen to accept Local Authority investments continue to offer competitive rates on call accounts paying 0.25% to 0.3% above the Bank of England base rate as a minimum. During the year to 31 December 2009, call accounts have been paying rates equivalent or higher than could be achieved through 1 to 2 months fixed term money market investments. In September call accounts were paying higher rates than 9-month market rates and in December 2009 call accounts were paying higher than 6 month market rates. The Council takes advantage of such accounts and currently actively operates 3 call accounts:
- i. Bank of Scotland instant access call account has been fixed at 0.25% above base during the period (0.75%).
 - ii. Alliance and Leicester call account has been constant at 0.30% above base rate (0.80%).
 - iii. Yorkshire Bank call account fixed at 0.30% above base rate (0.80%).

During 2009/10, 3 call accounts have been in operation, which is 3 less than were available in 2008/09 due to the lower rates on offer and therefore no value is added to the investment portfolio.

Investment Policy

8. The Treasury Management Strategy Statement for 2009/10 was approved by Council on 21 February 2009. The Council's Annual Investment Strategy, which is incorporated in the Strategy, outlines the Council's investment priorities as follows:
 - Security of Capital
 - Liquidity
9. The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the Sector suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Sector, the Council's Treasury Management advisors.
10. Investments held at 31 December 2009 in accordance with Sector's Creditworthiness matrices, and changes to Fitch and Moody's credit ratings remained within the Council's approved credit criteria limits contained in the Annual Investment Strategy.

Short Term Investments

11. Investment rates available in the market remain at an historical low point. The average level of funds available for investment purposes in the first nine months of 2009/10 was £43.357m. The level of funds available is largely dependent on the timing of the Council's cash flow as a result of precept payments, receipt of grants and progress on the Capital Programme. These funds are therefore available on a temporary basis dependant on cash flow movement. The average balance is lower than in previous years due to the timing of grants received in "advance of need" being shorter. The authority holds some core cash balances for investment purposes, i.e. funds available for a year or more, however in 09/10 no funds have been invested for periods greater than one year due to the limited institutions available for investment in accordance with the credit criteria policy.
12. Treasury Management investment activity during the first nine months earned interest £875k, equivalent to a 2.37% rate of return. This is 1.92% better than the average 7 day London Inter-Bank Deposit rate (LIBID) of 0.45% and 1.87% higher than the average base rate for the period of 0.50%. The high rate of return on investment activity compared to the average LIBID rate and base rate for the period is due to (a) locking into higher rates in 2008/09 for periods up to a year which had a positive affect on the average interest rate in 09/10 and (b) the treasury team continuing to monitor the market and taking advantage of longer term rates out to a year when they become available. The level of activity compared to the treasury management benchmark indicators above is positive, however the market interest rates in the 2009/10 year have been lower than anticipated.

13. Taking into account the direct cost of dealing, the in-house team is forecast to achieve a net trading surplus in 2009/10 of £959k. This will be equivalent to a return of 2.21%, which is 1.71% above the estimated average rate to be paid by the bank on credit balances held in the Council's main bank account. The bottom line added by the Council's money market trading activities taking off the direct cost of dealing is estimated at £742 for 2009/10.
14. The Council has made 16 investments via the money market brokers during the first 9 months of 2009/10. Of these 10 have been invested for periods of greater than one month. This is shown in Figure 2 below. In accordance with the Treasury Management Strategy investments have been kept short due to the low levels of interest rates available and the limited number of institutions in the market.
15. A large proportion of investments have been placed in call accounts where funds are secure and the rate of interest earned at 0.80% is more favourable than rates available on the market in the short periods. Call accounts also have the benefit that these funds can be liquidated at any time so advantage can be taken of longer-term favourable rates when they arise. Investments are made in accordance with the security of the Council funds, the cash flow position (Liquidity) and consideration to most favourable investment rates available.
16. Figure 2 shows the interest rates achieved on investments of 3 months or more in comparison to the range of rates (between 1 month and 1 year) being offered on the money markets at the time investments were made. It shows the investment rates obtained are in line with the interest rates which are available when security of funds are of prime importance.

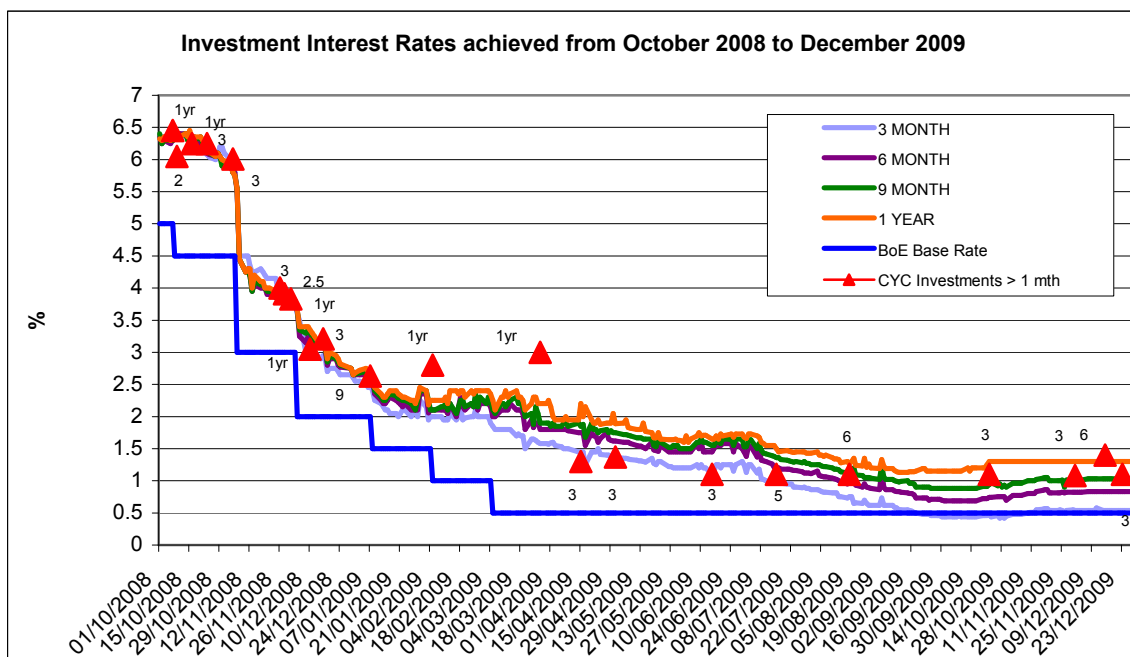


Figure 2 CYC Investments vs Money Market Rates

Long Term Borrowing

17. The Council undertakes long term borrowing in accordance with the investment requirements of the capital programme, and all borrowing is therefore secured against its asset base. The majority of Council borrowing is funded by the Government through the Revenue Support Grant (RSG), which provides the Council with revenue funding to allow it to meet the interest and repayment costs of borrowing. The introduction of the Prudential Code in April 2004 has given the Council the flexibility to borrow without Government support. Under the Code Councils are free to borrow up to a level that is deemed prudent, affordable and sustainable and within their prudential indicator limits.
18. The level of borrowing taken by the Council is determined by the Capital Finance Requirement, (the Councils underlying need to borrow for capital expenditure purposes). The Capital Financing Requirement for 2009/10 is £118.9m, which gives a borrowing requirement of £21.1m. This is higher than originally expected at the beginning of the year due to Capital receipts not being realised, therefore being replaced by borrowing and approval by the Executive in Capital Monitor 2 for additional £3m borrowing to fund the capital programme.
19. In addition, the Council can borrow in advance of need in line with its future borrowing requirements in accordance with the Capital Financing Requirement. The Administrative Accommodation project will substantially increase the Council's need to borrow over the next 3 years and therefore the markets will be closely monitored to ensure that advantage is taken of favourable rates in 09/10 and the increased borrowing requirement is not as dependant on only interest rates over a 3 year period.
20. The Councils long-term borrowing started the year at a level of £102.1m. One loan of £4m was duly repaid in May in line with its maturity date. New Borrowing totalling £15m has been taken to mid January 10, as follows:
- £3m PWLB loan at 3.83% 10 years on 10 August 09
 - £3m PWLB loan at 3.59% 10 years on 8 October 2009
 - £3m PWLB loan at 3.91% 15 years on 13 October 2009
 - £2m PWLB loan at 3.36% 6 years on 15 January 2010
 - £2m PWLB loan at 3.64% 7 years on 15 January 2010
 - £2m PWLB loan at 3.87% 8 years on 15 January 2010
21. The loans taken in 2009/10 have been of fixed term duration and target periods that offer the best rates available. 45-50 year PWLB rates started the year at 4.57%. Rates have risen steadily up to a high of 4.85% at the beginning of June 09 with rates dropping back to the lowest level in 09/10 of 4.18% by mid October 09, only to rise back to 4.56% at 31 December 2010. All these rates are above the target-borrowing rate set for the year of 3.95%. The medium term PWLB 9-10 year rate started the year at 3.36% saw its highest point at 4.30% and by the end of December 2009 the rate was 4.29%.

22. For Quarter 2 and 3, the period of 10 to 15 years was identified as providing the best opportunity (a) for value for money as it is difficult to predict how the market will continue to move long term in the current environment and (b) the potential to reschedule the loan if required in future years. For quarter 4, the period of 5 to 10 years has provided the best rates available as forecasts continue to show that PWLB rates in all periods will rise in the next 2 years; this is illustrated in Table 1.

23. The Council's borrowing strategy is to borrow from the PWLB when rates are low and hold off from taking new borrowing when rates are high following advice taken from the Councils contracted treasury management advisors (Sector Treasury Services) subject to cash flow constraints. Figure 3 shows the PWLB rates since April 2006 and details when new borrowing has taken place.

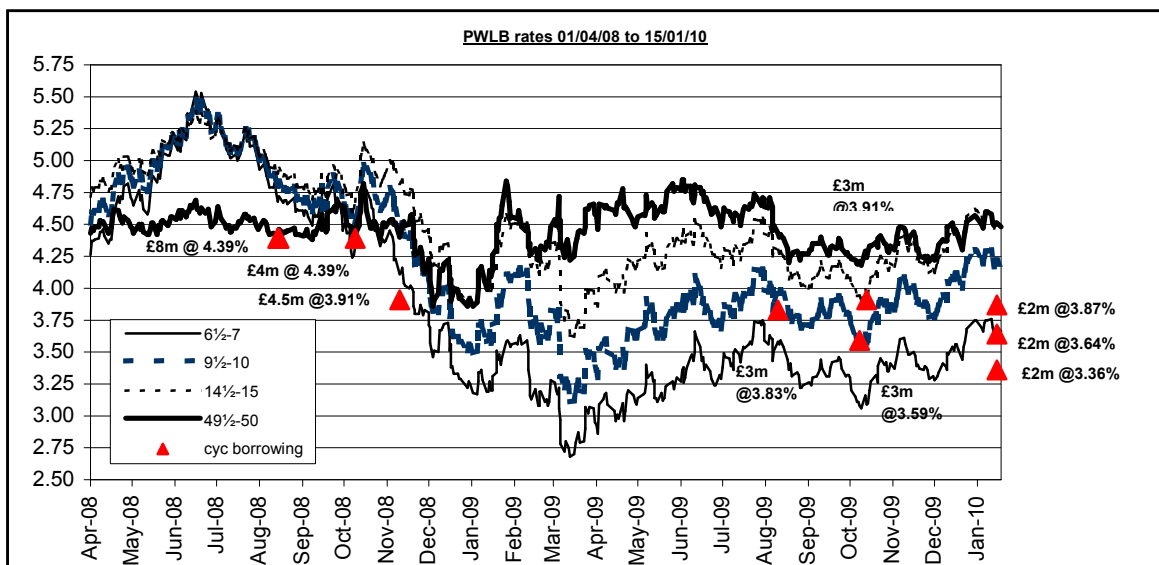


Figure 3 – PWLB rates vs CYC Borrowing Levels

24. Figure 4 illustrates the 2009/10 maturity profile of the Council's debt portfolio updated to reflect the borrowing this year. The borrowing portfolio totals £113.1m and the maturity profile shows that there is no large concentration of loan maturity, thereby spreading the interest rate risk dependency in any one year.

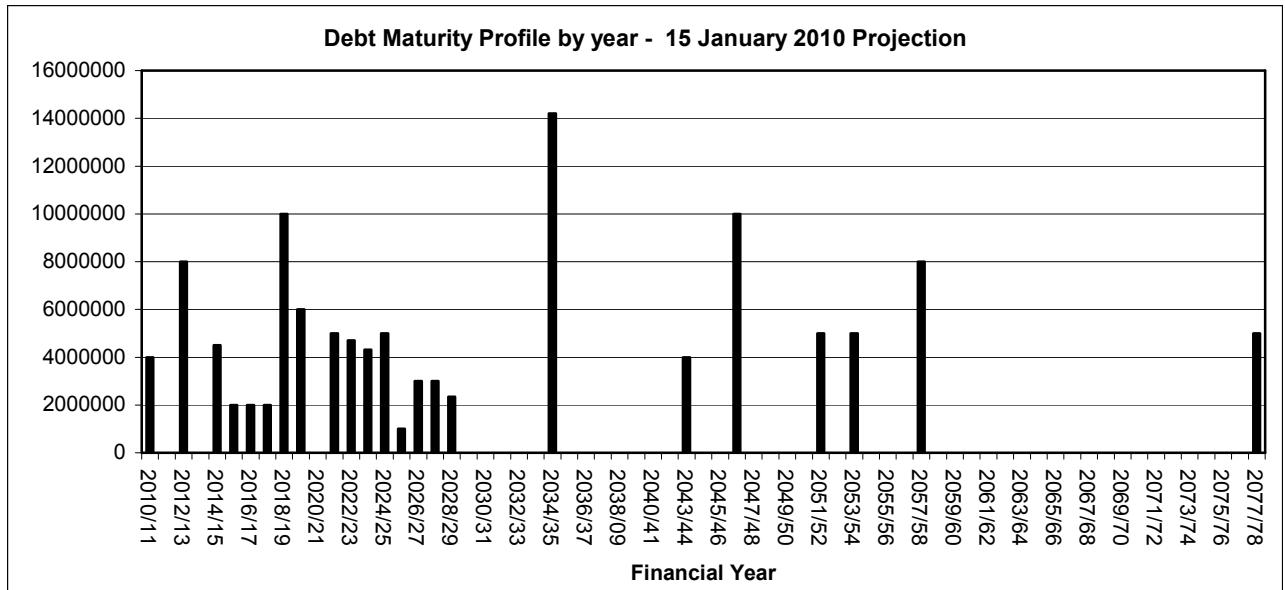


Figure 4 – Debt Maturity Profile 09/10

Venture Fund

25. The Venture Fund is used to provide short to medium term investment for internal projects which provide new revenue streams or generate budget savings and contribute to operational benefits of policy objectives. The projected movements on the Venture Fund for the year are shown in table 2 below.

	£'000
Balance at 1st April 2009	2,275
New Loan Advances	(785)
Loan Repayments	678
Net Interest Received	18
Balance at 31st March 2010	2,186

Table 2 – Projected Venture Fund Movement 2009/10

26. The position of the Venture Fund has changed since Monitor 2. As mentioned in the Capital programme Monitor 2, £35k loan was approved for the Peckitt Street flood defences by the Director of Resources under delegated approval. Total loan advances for 2009/10 stands at £785k and also includes £650k for the easy programme which reflects funding required for internal resources associated with the transformation programme – More for York - work and £100k for the street lighting capital scheme approved by Council on 21 February 2009. The easy programme loan is a prudent estimate of the amount, which will potentially be required by year-end. 7 schemes contribute to loan repayments of which five will be completed at the end of 2009/10.

Treasury Management Budget

27. Treasury Management activity had a Corporate Budget approved at Council on 21 February 2009 of £7,727k. In August 2009, the current approved budget was £8,557k. In the Monitor 3 Revenue Budget report, approval from Members is requested to increase the treasury management budget by £124k to £8,681k. The projected outturn is £9,110k resulting in an estimated overspend of £429k. Table 3 details the individual components that make up this overspend.

	(Under)/Over Spend £000
Increase in financing expenditure (interest paid)	13
Provision to repay debt	0
Decrease in interest receivable	416
Total Overspend	429

Table 3 – Treasury Management Budget 2009/10

28. The expected Treasury Management budget overspend has reduced by £100k from Monitor 2 to £429k. Action has been taken to mitigate the overspend as there has been a change in the way that part of the capital programme is to be funded; a direct revenue contribution from LCCS has been changed to prudential borrowing. Although the actual cost to treasury management increases by the finance costs of the prudential borrowing, the treasury management budget has increased by £124k thereby reducing the overall Treasury Management budget overspend by £100k to £429k.

29. In accordance with Financial Regulations, approval has been requested in the Revenue Monitor 3 report for a virement of £124k from LCCS to Treasury Management, this being the total amount of the LCCS Revenue Contribution plus financing costs.

30. The breakdown of the overspend is weighted towards an under recovery of income from interest received.

- a. The increase in interest paid is only slightly above that which was budgeted due to the volatility of the market and the timing of loans taken.
- b. The decrease in interest receivable is due to the continued fall in market interest rates available for investment with the 1-year rate starting the year at 2.15% and continuing to fall to 1.15%. There are lower cash balances than originally anticipated; therefore the majority of cash is being invested in line with cash flow requirements.

31. As reported in Monitor 2, it is expected that growth will continue to be slow in 2010/11, resulting in continued lower market interest rates being available for investments. This is evidenced by the increased quantitative easing announced by the Bank of England in November by £25bn to £200bn. Lower interest rates on investments will therefore be earned for the

foreseeable future. This is compounded by the prudent Council's approved credit criteria limits set for the security of funds, which reduces the favourable interest rates available for investment.

32. In the longer term, the economy is forecast to recover, with interest rates becoming more favourable for investment purposes. The market environment will improve and cash balances should grow with the increase of capital receipts. The borrowing market is continually monitored and in the future there maybe the opportunity to restructure the debt portfolio to make savings overall. It should be noted that this is not an ongoing problem but one caused by the current economic market environment.

Prudential Indicators Update

33. It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy. Prudential Indicators are attached at Annex A. Prudential Indicators were not breached during the first 9 months of 2009/10.

Human Resources Implications

34. There are no HR implications as a result of this report.

Equalities

35. There are no equalities implications as a result of this report.

Legal Implications

36. Treasury Management activities have to conform to the Local Government Act 2003, which specifies that the Council is required to adopt the CIPFA Prudential Code and work to its Treasury Management Policy and Treasury Management Practices. As a result the Council can only invest and borrow from approved institutions as set out in sections 1 and 12 of the Act.

Crime and Disorder Implications

37. There are no crime and disorder implications as a result of this report.

Information Technology Implications

38. There are no IT implications as a result of this report.

Property Implications

39. There are no property implications as a result of this report.

Risk Management

40. The treasury management function is a high-risk area because of the level of large money transactions that take place. As a result of this there are procedures as set out in the Treasury Management Practices statement that aim to reduce the risk associated with high volume high value transactions.

Recommendations

41. Members are requested to:

- Note the performance of the treasury management activity;
- Note the projected overspend of the treasury management budget of £429k.

Reason – to ensure the continued performance of the Council's Treasury Management function.

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Report Date 28/01/10
Approved

Wards Affected:

All
None

Specialist Implication Officers:

None

For further information please contact the author of the report

Background Papers

Cash-flow Model 09/10, Investment Register 09/10, PWLB Debt Register, Capital Financing Requirement 09/10, Venture Fund 09/10, Statistics 09/10.

Annexes

Annex A – Prudential Indicators

Annex A

ANNEX A

PRUDENTIAL INDICATORS			2009/10 Budget	2009/10 Monitor 1	209/10 Monitor 2	209/10 Monitor 3
			estimate	estimate	estimate	estimate
			£'000	£'000	£'000	£'000
1) Capital Expenditure To allow the authority to plan for capital financing as a result of the capital programme. To enable the monitoring of capital budgets to ensure they remain within budget	Non - HRA		57,019	60,052	60,395	56,043
	HRA		6,971	6,982	6,984	6,884
	TOTAL		63,990	67,034	67,379	62,927
2) Ratio of financing costs to net revenue stream This indicator estimates the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net revenue stream is the income from Rents and Subsidy	Non - HRA		6.98%	7.16%	7.00%	6.90%
	HRA		3.00%	3.37%	3.10%	3.10%
3) Incremental impact of capital investment decisions - Council Tax Shows the actual impact of capital investment decisions on council tax. The impact on council tax is a fundamental indicator of affordability for the Council to consider when setting forward plans. The figure relates to how much of the increase in council tax is used in financing the capital programme and any related revenue implications that flow from it.		£ p	£ p	£ p	£ p	£ p
	Increase in Council Tax (band D) per annum		19.51	12.50	18.95	19.84
4) Incremental impact of capital investment decisions - Hsg Rents Shows the actual impact of capital investment decisions on HRA rent. For CYC, the HRA planned capital spend is based on the government's approved borrowing limit so there is no impact on HRA rents.		£ p	£ p	£ p	£ p	£ p
	Increase in average housing rent per week		0.00	0.00	0.00	0.00
5) Capital Financing Requirement as at 31 March Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	Non - HRA		89,068	94,229	110,487	106,762
	HRA		13,035	12,235	12,235	12,235
	TOTAL		102,103	106,464	122,722	118,997
6a) Authorised Limit for external debt - The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long term liabilities for 3 financial years.	borrowing		186	186	186	186
	other long term liabilities		0	0	0	0
	TOTAL		186	186	186	186
6b) Operational Boundary for external debt - The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.	borrowing		145	145	145	145
	other long term liabilities		0	0	0	0
	TOTAL		145	145	145	145
7) Adoption of the CIPFA Code of Practice for Treasury Management in Public Services Ensuring Treasury Management Practices remain in line with the SORP.		TM Policy Statement 12 TM Practices Policy Placed Before Council Annual Review Undertaken				
8a) Upper limit for fixed interest rate exposure The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts	Net interest re fixed rate borrowing / investments		150%	150%	150%	150%
	Actual Net interest re fixed rate borrowing / investments		146%	113%	118%	106%

8b)	Upper limit for variable rate exposure					
	The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts	Net interest re variable rate borrowing / investments	-50%	-50%	-50%	-50%
		Actual Net interest re variable rate borrowing / investments	-17%	-13%	-18%	-6%
9)	Upper limit for total principal sums invested for over 364 days		£10,000	£10,000	£10,000	£10,000
	To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long term loans mature in different periods thus spreading the risk.					
10)	Maturity structure of new fixed rate borrowing during 2009/10		Upper Limit	Lower Limit	Mon 2	Mon 3
	The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year. The limits are set as a percentage of the average balances of the investment portfolio.	under 12 months	10%	0%	0%	0%
		12 months and within 24 months	10%	0%	4%	4%
		24 months and within 5 years	25%	0%	3%	3%
		5 years and within 10 years	40%	0%	14%	18%
		10 years and above	90%	30%	79%	76%

Glossary Of Abbreviations

HRA Housing Revenue Account

CYC City of York Council

SORP Statement of Recommended Practice for Local Authorities

CFR Capital Financing Requirement

1. In accordance with the Prudential Code, the Prudential Indicators set by full Council on 26th February 2009 for the financial year 09/10 must be monitored and reported through the financial year. The Prudential Indicators are detailed above and some of the key points are explained below:
2. Size of the Capital Programme (Indicator 1) - The capital programme expenditure at monitor 3 was estimated to be £62.927m and in the original budget was £63.990m. The increase is detailed further in the Capital Programme Monitor 3. There has been slippage on some projects and other projects have been adjusted due to change in expenditure and funding requirements.
3. Net revenue Stream (indicator 2) - This indicator represents how much borrowing for the capital programme will cost as a percentage of the net revenue stream. The General Fund indicator at Monitor 3 is 6.90% compared to the budgeted level at 6.98%. The variation between the indicators is due to the change in market conditions since the setting of the budget resulting in a reduction in the level of interest to be earned in the year and a slight increase in interest paid on borrowing. The Housing Revenue Account (HRA) version of the indicator at monitor 3 is 3.10% compared to the budgeted level of 3%, the difference is as explained for the General Fund.
4. Incremental Impact on the Level of Council Tax (Indicator 3) – This indicator shows the impact of capital investment decision on the bottom line level of Council Tax. The Council can fund its discretionary capital programme from two main sources, from unsupported prudential borrowing or using capital receipts from the sale of surplus assets. The Council's policy is to use capital receipts to fund the capital programme, however in the current economic environment with reduced capital receipts there is the requirement to use unsupported prudential borrowing to support the capital programme, which has an impact on Council Tax.

The unsupported prudential borrowing is not taken unless it is affordable, sustainable and prudent and can be supported by an existing budget. At monitor 3 the impact on council tax is estimated at £19.84 per Band D charge. The fluctuation in this forecast over the year is due to the changing position of capital receipts within the Council, whether capital receipts will be realised in the year, the delay in the sale of capital receipts in the current market environment and the resultant increase in unsupported prudential borrowing.

5. Capital Financing Requirement (CFR) (Indicator 5) - The CFR at Monitor 3 is estimated at £118.997m, which is the Council's underlying need to borrow for all capital investment over time. The CFR will fluctuate as new schemes are introduced into the capital programme and the funding position changes (as a result of external contributions, reductions in grants, changes to capital receipts, changes in borrowing etc) to support the Capital investment of the Council. At this time the CFR estimate at monitor 3 is higher than that reported at budget and monitor 1 at £106.464m. This is due to the reduction in capital receipts available during 09/10 to fund the capital programme as explained above in point 4 and the estimation that short term borrowing will be taken to fund the programme instead. In the current market environment it is envisaged that short term borrowing will be taken in light of capital receipts being realised in the next 2 to 3 years and the interest rate being lower for short term borrowing than for long-term.
6. Authorised Limit / Operational Boundary (Indicator 6) – The Council debt position at 1 April 2009 was £102.064m and currently stands at £113.064m. The Council's Operational Boundary (maximum prudent level of debt) was approved at Council as part of the budget set at £145m, along with the Authorised Limit (maximum allowed debt) at £186.m. The headroom available within these limits allows the Council the ability to borrow in advance of need in accordance with its 3 year forecast Capital programme. If these limits were breached the LG Act 2003 requires full Council approval. Debt levels have remained within the limits set.
7. Adoption of the CIPFA Code of Practice in Treasury Management (Indicator 7) – In accordance with the Prudential Code the Council has adopted the Treasury Management Code of Practice and as detailed in the table has adhered to the requirements.
8. Upper Limit for Fixed and Variable Interest rate Exposure (Indicator 8) – Interest rate exposure on debt is positive due to it being in relation to interest paid and on investments is negative as it is interest being received. When the variable and fixed interest rates are totalled, it will always be 100%. If the majority of the interest received by the Council is fixed and the interest paid on debt is fixed then the closer the actual fixed interest rate exposure will be to 100% and the variable rate exposure to zero. The limits set in the budget were not breached and at Monitor 3 fixed rate exposure was at 106% and variable rate exposure –16%.
9. Upper Limit for total principal sums invested for over 364 days (Indicator 9) – This has been set at £10m and is approximately 25% of the total portfolio. To date in 09/10, no funds have been invested for longer than 364 days due to the uncertainty in the current economic environment and no value to be obtained from longer rates.
10. Maturity Structure of Fixed rate Borrowing in 2009/10 (Indicator 10) – The borrowing portfolio is spread across different time periods to ensure that the Council is not exposed to the requirement to take new borrowing in any one year and be exposed to interest rates in any one year. Currently in 09/10 the borrowing portfolio maturity profile is within the limits set.

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Executive

16 February 2010

Report of the Director of Resources

Capital Programme Budget – 2010/11 to 2014/15

Summary

1. This report presents the current position of the 2009/10 – 2013/14 capital programme, highlights the existing funding position and associated pressures and then considers the bids received as part of this year's Capital Resource Allocation Model (CRAM) process covering the period 2010/11 – 2014/15.
2. Members are asked to:
 - Note the current funding position of the capital programme
 - Note the new bids for capital schemes, their requirement for funding covering the period 2010/11 – 2014/15 and how best the available resources can be used to achieve the Council's objectives.
 - Recommend to Council the recommendations as set out in the report.

Background

3. This report is part of the suite of reports outlining the Council's spending and funding plans for future years and as such should be read in conjunction with the Revenue Budget report and the Treasury Management Strategy and Prudential Indicators report, both of which are on this agenda. These reports are inter-related and take account of the recommendations made in this report.
4. The current 2009/10 – 2013/14 capital programme was approved by Council on 26th February 2009. Since then a number of amendments have taken place as reported to the Executive in the 2008/09 Capital Programme Monitor 3 report, the 2008/09 Capital Programme Outturn report and both the 2009/10 Capital Programme Monitor 1 and 2 reports. The changes made as result of the above reports have resulted in a current approved capital programme for 2009/10 – 2013/14 of £213.230, financed by £87.029m of external funding, and Council controlled resources of £126.201m. Table 1 illustrates the current approved capital programme profile from 2009/10 – 2013/14 as at monitor 2.

	2009/10	2010/11	2011/12	2012/13	2013/14	Total
	£m	£m	£m		£m	£m
Gross Capital Programme	67.379	60.782	37.166	30.100	17.803	213.230
Funded by:						
External Funding	32.737	27.373	8.888	8.428	9.603	87.029
Council Controlled Resources	34.642	33.409	28.278	21.672	8.200	126.201
Total Funding	67.379	60.782	37.166	30.100	17.803	213.230

Table 1 – Capital Programme Funding and Receipts Position

5. The make up of the current approved 2009/10 – 2013/14 capital programme can be grouped into 3 key elements.
 - Fully Funded (by Government Departments) - £126.884m
 - Political Imperatives - £60.696m
 - Rolling Programmes - £25.650m

6. The fully funded schemes make up the majority of the capital programme and include the:
 - Local Transport Plan (£19.923m),
 - Department for Children, Schools and Families schemes (DCSF) (£57.312m)
 - Housing Revenue Account Business Plan (£39.405m)
 - Housing General Fund (£5.0m)
 - Various smaller schemes (£5.244m)

7. The political imperative schemes are made up of 5 major projects and account for £60.696m, the majority of which are funded from corporate resources. These schemes, some of which have already started are summarised below highlighting the budgeted spend between 2009/10 and 2013/14:
 - York Pools – £5.2m
 - Admin Accom - £40.293m
 - Community Stadium - £4.0m
 - West of York Recycling Site - £2.5m
 - Acomb Office - £1.750m

8. There are currently a number of rolling programme schemes totalling £25.650m over the current 5 year programme. These include:
 - Highways Resurfacing and Reconstruction £17.033m
 - Disabled Facilities Grant £4.250m
 - Special Bridge Maintenance £0.985m
 - City Walls £0.446m

Consultation

9. The CRAM process invited bids from the departments asking them to put forward their main capital priorities as identified by their asset management plans which are aligned to the Councils Corporate Strategy. Whilst the capital programme as a whole is not consulted on, the individual scheme proposals and associated capital receipt sales do follow a consultation process with local Councillors and residents in the locality of the individual schemes.

Analysis

Funding Position of approved 2009/10 – 2013/14 programme

10. The current economic environment continues to place pressure on the funding of the programme over the 5 year cycle based on current projections. The capital programme continues to place significant reliance on the achievement of a small number of high value asset disposals which have been affected by the economic downturn.
11. As part of the CRAM process officers from Property Services have carried out an assessment of the Councils assets that are surplus to requirements. Following a number of years of rationalisation of Council assets, that allowed property and buildings to be freed up for reinvestment, officers have at this time been unable to identify any additional assets that are surplus to requirements. The current capital receipts target for the currently approved programme is in itself the most challenging ever faced by the Council, in terms of both volume and value of sales, with the Council remaining reliant on a small number of high value capital receipts.
12. Officers have carried out a detailed review of all approved asset sales to ensure the projected sale value and timings are reasonable. This exercise has resulted in a number of revisions to the asset values giving a bottom line position of a £3.772m deficit over 5 years. This figure represents the required level of capital receipts to fund all the capital schemes that have associated receipts funding as agreed as part of the 2008/09 budget process and is shown in table 2.

Required Capital Receipts	£28.476m
Projected Capital Receipts	£24.704m
Projected Receipts Shortfall	(£3.772m)

Table 2 – Capital Receipts Shortfall

13. It should be noted that the 2009/10 budget process did not add any new schemes that required capital receipts funding so the existing capital receipts pressure is as a result of the 2008/09 budget setting process, which when set was balanced.

14. The main driver of the shortfall of sale values versus original projections is the current state of the economy and the general depressed property market making it an unfavourable time to be disposing of high value assets. One option to address this is to delay all property sales where it is expected that reasonable sale values cannot be achieved until such times that the economy picks up sufficiently to allow for asset disposals to achieve satisfactory values.
15. If this principle is endorsed then expenditure funded from the disposal of assets can proceed as the impact of delayed and reduced value sales will not have an adverse impact over a medium term time period. The financial impact can be accommodated in the treasury management budget which has taken this requirement into account for 2010/11.
16. In addition to the current shortfall in projected receipts values, the timings of the sales have been re-profiled to later years to reflect existing trend of property sales. As a result of this the 2010/11 Treasury Management revenue growth (as reflected in this group of budget reports through the revenue report) takes account of this and allows the Council the ability to temporarily borrow to cover the timing differences arising from the 2009/10 and 2010/11 projected receipts.
17. The final financing position to note relates to the capital schemes that were approved as part of the 2009/10 – 2013/14 budget process. As part this process schemes requiring funding totalling £18.1m were approved. These schemes were to be funded based on a combination of revenue contributions and prudential borrowing with the programme being monitored annually to assess the affordability and the impact of timing differences. The 2009/10 element which was c£3m of the £18.1m was met using prudential borrowing using the revenue funding allocated to support capital expenditure as part of the 2009/10 budget process. In 2010/11 there is a requirement for £1.6m of funding that has been addressed by a growth bid in the 2010/11 Treasury Management revenue budget (as part of the revenue budget report on this agenda) which provides budget to allow prudential borrowing of the £1.6m to be undertaken.
18. The above measures address the requirements in 2009/10 and 2010/11 but still leave a requirement to fund the remaining c£14.979m. This could be achieved by continuing to increase the Treasury Management revenue budget in the respective budget cycles. The extent of the increase in growth on the revenue budget would be as illustrated in table 3.

Financial Year	Capital Expenditure Value	Revenue Growth Required Assuming Prudential Borrowing	Revenue Funding Awarded / Bid For	Comments

2009/10	£3.050m	£250k	✓	
2010/11	£1.373m	£147k	✓	Part of current 10/11 budget process
2011/12	£9.1m	£800k	✗	
2012/13	£2.248m	£200k	✗	
2013/14	£2.258m	£201k	✗	
Total	£18.029m			

Table 3 – Revenue growth implications of funding existing capital programme using prudential borrowing

19. These assumptions will be incorporated into the Councils Medium Term Financial Strategy, but will clearly need to be considered/reviewed as part of each years budget setting process. In particular it may be that additional capital receipts are identified over coming years which would reduce the need for prudential borrowing, and also some capital schemes within the programme are still subject to detailed business cases being considered by the Executive, and as such some of the assumptions for future years will potentially change.

The 2010/11 CRAM Process

20. The CRAM process invited bids from the departments asking them to put forward their main capital priorities. A total of 59 bids were received (including individual housing scheme bids) and are summarised in Annex A. Of these bids, 40 are fully funded from external sources, 6 are rolling programme bids, with the remaining 13 bids seeking additional discretionary resources over and above those already approved in the Capital Programme. In total, requests that would increase the capital programme by £89.065m have been made, requiring an additional £11.257m of Council funding.

Summary of Bids

21. The Access York Phase 1 scheme which commenced in 2008/09 has a total estimated scheme cost of £26.339m with a Council funding requirement of £3.249m. The scheme cost for 2010 - 2013 is £24.784m with a Council funding requirement of £2.057m. The scheme will allow the disposal of Askham Bar park and ride site which on the assumption of it being a back to back sale will contribute

to the funding of the project. Any cost of the new scheme over the amount that could be financed from the receipt will be met from LTP funding, s106 developer contributions, the value of the proposed new park and ride site and prudential borrowing (subject to approval). Removing the capital receipts requirement of this project on the assumption the receipt is attributable to fund this scheme (as without it the asset will not be available for disposal) the projected call on capital receipts will be £9.200m.

22. The 2010/11 – 2014/15 CRAM process will use the ranking system of high, medium and low classifications to assign a level of priority to individual scheme bids. Two key assumptions form the basis of this ranking methodology, firstly the need for rolling programmes remains a high priority in the same way they were on their original inception into the programme and secondly that any schemes that are legislative requirements will be ranked as high. Using this methodology the Capital Asset Management Group (CAMG) have categorised the bids which have requested new or additional funds beyond the level which is currently approved. Table 4 shows the schemes which are currently requesting Council funding. Note all bids are being included at this stage for completeness.

Rolling Programme Scheme requiring CYC funding	10/11 £000	11/12 £000	12/13 £000	13/14 £000	14/15 £000	Total £000	Rank
Disability Support					150	150	High
Community Equipment Loans Service					105	105	High
Disabled Facilities Grant					475	475	High
City Walls Rolling Repair			12	12	90	114	High
Bridge Maintenance					200	200	High
Highways Resurfacing and Reconstruction					1,250	1,250	High
Sub Total	0	0	12	12	2,270	2,294	
New Schemes requiring CYC funding	10/11 £000	11/12 £000	12/13 £000	13/14 £000	14/15 £000	Total £000	Rank
Crematorium - Mercury Abatement - Install 3 No. Cremators	1,766					1,766	High
Access York Phase 1	922	1,041	94			2,057	High
Explore History @ York		245	255			500	High
Telecare Equipment	450					450	High
Oakland's Sports Centre/ York High School Sports	60					60	High

Contingency	300					300	High
Property Compliance (Asbestos and Fire regs)	80	80	80			240	High
Riverbank Repairs Urgent	717					717	High
Health & Safety Repairs & Access Improvements	500					500	Med
Replacement of unsound lighting columns	200	200	200	200	200	1,000	Med
Strensall and Towthorpe Sports Association	100					100	Med
Yearsley Pool Energy Review	220					220	Med
Riverbank Repairs		516	537			1,053	Med
Sub Total	5,315	2,082	1,166	200	200	8,963	
Total	5,315	2,082	1,178	212	2,470	11,257	
Removal of Access York Phase 1	(922)	(1,041)	(94)			(2,057)	
Total	4,393	1,041	1,084	212	2,470	9,200	

Table 4 – Summary of Bids Requesting Capital Receipt Funding

Detailed Bid Analysis of High Priority schemes

23. Details of the bids in table above are set out in the following paragraphs. For each bid a summary is provided along with the consequences of not proceeding with the scheme.

Rolling Programme Bids

Disability Support Budget (£150k) - High

24. To provide discretionary assistance for disabled customers who need financial help. The grants help disabled people and parents with disabled children to adapt their homes to continue living there and maintain their independence. The assistance helps with the shortfall between the cost of the eligible works and the mandatory disabled facilities grant to purchase a more suitable property where it is more cost effective. This budget has not seen any inflationary increase and given the relationship with the Mandatory DFG budget there is a need to increase funding for this area to meet the demand.

25. The council has a statutory duty to administer disabled facilities grants without this additional support most of these schemes will not be carried out. If the budget is not funded there is a risk that the Council may not provide a statutory service, as well as a loss in reputation and the ability to deliver timely and quality services leading to increase in complaints. This could result in the most vulnerable residents being put at risk. It is part of the Council's obligations to deliver specific legal duties under the Disability Equality Duty Act 2006 by providing the right services to eliminate discrimination and enable disabled people to live independently.

Community Loans Equipment Service (£105) - High

26. Enables people with complex and disabling conditions to be safely cared for in their own homes avoiding unnecessary admissions to hospital or nursing care. Provides support to carers to enable them to continue to care for their partner/relative. The budget would contribute to the costs of specialist occupational therapy assessments (£15k) and funds the purchase and maintenance of major items of equipment to aid daily living (£90k).
27. The risks of not proceeding are that the financial burden on vulnerable residents increases, the potential for residents to adapt their homes for disability needs diminishes and the potential increase cost to PCT/CYC of supporting residents in their own homes or through increased length of stay in hospital.

Disabled Facilities Grant (£475k) - High

28. This scheme allows payment of mandatory disabled facilities grants in line with statutory and Council policies (Housing Grants, Regeneration and Construction Act 1996 as amended and Grants policy - June 2008). The DFG rolling programme enables disabled people to remain at home and maximise their independence.
29. The non-funding of this scheme could prevent the Council fulfilling its legal duties. By not funding the scheme additional pressure will be placed on existing stretched resources and the ability to deliver timely and quality services will be a risk leading to an increase in complaints. Failure to provide this statutory service could leave the Council open to legal challenges and could result in reputational damage. There will be a detrimental impact on other services resulting in additional financial burden in areas such as nursing and residential care. The DFG service has been assessed on the Council risk register as having a gross score of 25 and a net score of 21, which means the failure of the service has a catastrophic impact, as vulnerable and disabled customers are put at risk by living in dangerous conditions.

City Walls Rolling Repairs (£114k) - High

30. This bid continues the rolling programme, established in 1991, of essential repair and restoration to the City Walls. The bid will pay for works which will ensure the continued structural integrity and stability of the Walls and hence public access and enjoyment of this unique asset. In 2010-11 the programme will continue the

assessment and restoration of the section of wall adjacent to Monk Bar Garage, will continue the restoration of areas where the York stone flags and copings on the walkway have failed, and will carry out repairs to the roof and balustrade at Walmgate Bar. A continual funding requirement for the foreseeable future is anticipated.

31. The most significant risk of not funding the continued maintenance of the City Walls is that sections of the wall, and potentially areas adjacent to the wall, would have to be closed to the public. The city walls are a scheduled ancient monument and significant tourist attraction which the Council has an obligation to keep in a good state of repair.

Bridge Maintenance (£200k) - High

32. Inspections are carried out on highway structures which result in a programme of bridge maintenance work. The regular cycle of general inspections provides a continuing programme of maintenance and there is a backlog of work identified from previous reports. Revenue funding has been made available over the past two years to carry out detailed principal inspections on the City's major bridges and this is beginning to identify further maintenance items and potential reprioritisation of schemes. Funding is required to carry out the work to maintain the structures in a serviceable and safe condition.
33. The risks of not proceeding with this scheme are that ultimately without maintenance work being undertaken deterioration may reach such a stage that weight restrictions have to be introduced, more major works undertaken or in a worse case scenario full replacement. The introduction of a weight limit or demolition of a structure would have a detrimental affect on traffic movement, and subsequently have a detrimental effect on the economic environment of the city.

Highways Resurfacing and Reconstruction (£1,250k) - High

34. A programme for the resurfacing and reconstruction of the City's roads and footways has been established to halt deterioration of the assets and maintain them in the best condition possible with the anticipated level of funding available. The total annual rolling budget requirement for this funding restricted level of works is circa £4.0m per year at 2009/10 prices. Although the proposed allocations in this bid are insufficient to fund the long term maintenance of the highway infrastructure they are considered to be the minimum required based on what is affordable. The bid identifies an increasing revenue commitment of £250K per year to offset the reduction in availability of capital receipts. This bid seeks to maintain the historic level of funding over the five year budget period.
35. The Council has a statutory duty under the Highways Act 1980 to maintain the public highway fit for purpose. The risks of not proceeding with this scheme are that without a full programme of work the condition of the roads and footways will deteriorate. A deteriorating highway network would lead to a need to undertake more reactive maintenance, an increase in insurance claims, a lowering of

performance indicator scores, and have an affect on the economic environment of the city.

New Schemes

36. It is normal practice that schemes requiring capital funding are identified where possible well in advance of need giving a lead in time of more than one financial year. Many of the major bids requiring funding in 10/11 support this practice with schemes such as Access York Phase 1 and the Crematorium Mercury Abatement being discussed in previous CRAM processes.
37. However as part of this report there are schemes that require funding in 10/11 that are of a more reactive nature thus not allowing for such a long lead in time. Programme managers are actively encouraged to submit bids with a long a lead in time as possible but this approach is only achievable where the nature of the scheme allows this approach.
38. Details of the bids ranked as 'high' in the table above are set out in the following paragraphs with the schemes judged to be of the highest priority within this classification being discussed first. For each bid a summary is provided along with the consequences of not proceeding with the scheme.

Crematorium Mercury Abatement (£1,766k) - High

39. York Crematorium at present have three cremators, two are currently operational dealing with over 2000 cremations per year. Emissions legislation will be significantly tightened, with the result that by December 2012. DEFRA require that at least 50% of all cremations are subject to abatement of increased proportions of emissions specifically Mercury (Hg). The equipment removes gaseous mercury from flue gases as well as a range of other pollutants.
40. The risk of not proceeding with this scheme is that the authority could face being served with a direction to comply if abatement is not undertaken by the due date , this may also put at risk gross income generated by the crematorium which in 2009/10 is budgeted to be £1.3m. There are further risks of delaying work, as there are believed to be only 4 engineering firms capable of undertaking the work, and to date very few authorities have undertaken the work to comply. This may cause market capacity problems in the run up to the compliance date and cause costs to inflate.

Access York Phase 1 (£2,057k) - High

41. The Access York Phase 1 scheme provides 3 new Park & Ride sites (Askham Bar, Poppleton Bar on the A59, Clifton Moor on Wigginton Road) and improves the A59/A1237 roundabout. The scheme was the subject of a successful bid to the Regional Transport Board in April 2008 with a complete Major Scheme Business Case submitted to the Department for Transport in February 2009 and refreshed in June 2009. The DfT are currently assessing the bid with determination expected

early in 2010. 100% of the development costs before the approval of the business case by the DfT and 50% of the preparatory costs after gaining acceptance by the DfT have to be funded locally. 10% of the entire scheme including construction is also expected to be funded locally. Planning consent has been granted for the Askham Bar site and planning applications for the Poppleton and Clifton Moor sites have now been submitted. Procurement of the detailed designer is progressing so that detailed design can commence immediately following the receipt of funding approval.

42. The principal risk of not proceeding with this scheme is that the step change in transport provision provided by the new Park & Ride sites and infrastructure improvements will not occur. Air quality and traffic congestion will continue to worsen on the northern Outer Ring Road and radial routes into the city centre. The existing A59/A1237 roundabout, which causes a significant proportion of the delays on the northwest section of the A1237, will not be upgraded reducing the economic attractiveness of the city. Without the improvements included in the Access York Phase 1 project there is a significant risk that the congestion target within the Local Area Agreement will not be achieved. There would also be considerable abortive development costs to fund if the scheme did not progress.

Explore History @ York (£500k) - High

43. This scheme implements the Executive's Vision for the City Archives Service by refurbishing the first floor former reference library and basement storage spaces in York Explore to allow the complete merger and relocation of the Archives Service with the Local Studies Library to create a single high-profile city centre access point to York's world-class archive and local history collections. The proposal builds on the Phase 1 York Explore capital investment of 2009/10 which refurbished the ground floor spaces in York Central library to convert them into an Explore Centre. Integration of the service into York Explore will allow the service to increase its user numbers from the current 3,500 to around 22,000 annually with no increase in staffing costs. The scheme demonstrates the city's commitment to stop the physical deterioration and loss of our world-class civic archive which is currently housed in premises which do not meet basic preservation standards. Action to preserve the archive is required to retain our National Archives Approved status, which enables the city to access external funding for the service.
44. The Council's Corporate Strategy commits the Council to "refurbish and relaunch the Central Library into an Explore Centre attracting 1 million visitors a year" by 2012. This scheme is an essential element of this target. The current scheme refurbishes just the ground floor. This scheme is needed so that the City Archives can be brought in achieving efficiency savings and providing an integrated service for customers.
45. Without this scheme the Council cannot resolve the long-standing inadequacies of the current archives which jeopardise our National Archives Approved status. Ultimately the Council would have to move the collections to safe storage likely outside of the city.

Telecare Equipment (£450k) - High

46. To provide necessary digital upgrades to sheltered housing schemes and telecare equipment in order that vital wardens services can be maintained following the BT digital upgrade scheduled for 2010. It is also necessary to continue to provide funding for the growing telecare service which provides vital pieces of equipment to vulnerable customers across the city. Demand for this service has increased dramatically in the last three months and that trend is set to continue as more and more people become aware of what is available and the difference it can make to a person's independence.
47. The risk of not proceeding is that with the BT telephone infrastructure switching from analogue to digital in 2010 all existing dialling equipment such as Warden Call assistance is required to be digital compliant or it will not work. If this scheme does not go ahead the vital adult social care support of Warden Call will not be provided. As a result residents will not be able to ask for assistance with major health and potentially adverse consequences to most vulnerable customers.

Oakland's Sports Centre/ York High School Sports (£60k) - High

48. The Sports Hall floor is heavily used and has started to break up in places, which require emergency repairs. Generally these type of grant wood floors deteriorate quickly when they reach the end of their life and the current condition of the floor is causing health and safety concerns now. York has a shortfall of sports hall space and therefore if the hall was closed due to the floor condition it would have a significant impact on the operation of York High School and on public and club use.
49. Over the past two years emergency repairs have been carried out to enable the hall to remain open. Each one of these has resulted in a weakening of the floor and makes the next repair more expensive. To guarantee the hall can remain open and service the public safely it will need to be replaced.

Contingency (£300k) - High

50. Consideration should be given to creating a corporate capital contingency budget. This would be in effect approved by Council but would then be managed by the Executive. It would allow for small ad hoc schemes to be dealt with by the Executive, and allow for any minor items of an urgent nature to be approved in year.

Property Compliance - Asbestos and Fire Regulations (£240k) - High

51. Revenue funding has been provided to undertake compliance surveys for both asbestos and fire regulation management. Capital funding is required to undertake the emergency and remedial works, emanating from the surveys, to ensure compliance with current regulations. An asbestos capital emergency pot was established 4 years ago, of £100k, and is now fully expended. This bid is a request

for a similar fund that would average out at £40k per year each for both asbestos and fire, over a three year period. (£80k for each totalling £240k over 3 years).

52. The risk of not proceeding is that the Council fails to be compliant with regard to the asbestos and fire regulations potentially resulting in closure of certain high properties.

River Bank Repairs Urgent (£717k) - High

53. In 2002 the Council's Engineers undertook a survey of the riverbanks of the Ouse and Foss Basin, detailing a programme of works over a 10 year period. From that survey three main areas were identified as requiring stabilising work in 5 years time one of which forms part of this high priority bid; east bank between Scarborough Bridge and Clifton Bridge, east bank between Lendal mooring and Marygate Landing and Foss Basin island. The specific area causing the most concern is Foss Basin island which requires significant structural work to be carried out.
54. The Council would not be carrying out its legal duty as navigation authority which could result in legal action.

Replacement of unsound lighting columns (£1,000k) - Medium

55. As part of the new street lighting contract a structural testing regime for street lighting columns has been put in place. About 1200 steel columns have been tested in 2008/9 and this is showing a failure rate of 10%. Similarly the majority of concrete columns are rapidly coming to the end of their lives with about 100 reaching a critical condition each year. The Council will have little option other than to carry out these replacements on safety grounds and base budgets cannot support this replacement programme. A fund of approximately £90k is allocated from the LTP settlement but this is insufficient to stem the deterioration and tackle the backlog of columns needing replacing.
56. If the Council fails to act reasonably when provided with information about potentially dangerous lighting columns then it may be subject to legal action in the event of an accident. The alternative to replacement is to remove or cut the columns down. This would result in gaps in the lighting network making the night time scene less safe for the public with a potentially detrimental effect on crime figures.

Strensall and Towthorpe Sports Association (£100k) - Medium

57. To work alongside the local community to upgrade the Strensall and Towthorpe Sports Association building in Durlston Drive which incorporates changing rooms, small community rooms, tennis courts and a multi use games area (MUGA) which is currently unusable.

58. The Strensall and Towthorpe Sports Association is the governing body of the Durlston Drive Sports field with a responsibility for the MUGA, changing rooms and hard court tennis courts. The MUGA is currently unusable, the changing rooms are deemed not fit for purpose and the site requires investment to make it into a well used community facility. There is a possibility of the Association folding, leaving no one to take on the maintenance, security, health and safety. If the complex were left without investment the area may induce anti-social behaviour problems typically associated with vacant buildings. Without the investment the community of Strensall would have no local access to sporting facilities for young people and for anyone with transport difficulties accessing facilities in the City is prohibitive.
59. It should be noted that the Executive Member (Resources EMAP of 20th June 2005) accepted the advice of the panel that the Executive recommended that a proportion of the capital receipt be made available to Strensall Parish Council as a capital grant towards the provision of youth services in Strensall.

Yearsley Pool Energy Review (£220k) - Medium

60. Yearsley pool currently operates using a combination of power sources made up of steam supplied by Nestle and electricity. The cost of steam has more than doubled in the last three years alongside an increase in usage. The cost of energy has risen to in excess of £100,000 per year creating a significant revenue budget pressure. In order to address this an energy survey has been commissioned and the report has just been received. The report looks at the long-term sustainability and considers greener ways to heat and power Yearsley. Each of the recommended options varies in cost and the level of savings it produces but would reduce the revenue pressure, lower CO2 levels produced and ensure the long term future of the building in case of any change in agreement or circumstance of the steam supplier. As the report has recently been received further discussions are needed to establish the additional costs on top of those identified in the report varying from adaptations to the existing building to new gas mains. The capital costs in the report vary from £128k to £360k with the average cost being around £250k and savings ranging from between £9k and £45k.
61. The risk of not proceeding is that the cost of steam has doubled in the past two years and there is a realistic possibility the suppliers could continue to increase the price. If prices increased and no action was taken the revenue budget pressure would also grow.

River Bank Repairs (£1,053k) - Medium

62. In 2002 the Council's Engineers undertook a survey of the riverbanks of the Ouse and Foss Basin, detailing a programme of works over a 10 year period. From that survey three main areas were identified as requiring stabilising work in 5 years time two of which form part of this medium ranked bid; east bank between Scarborough Bridge and Clifton Bridge, east bank between Lendal mooring and Marygate Landing and Foss Basin island. These works are required now. Scarborough to Clifton Bridges section has suffered collapse in places with large

holes appearing which have been fenced off. This stretch is additional to the urgent works currently being undertaken by the Engineers in this area. The Council have been fortunate that no known injuries have been sustained by the public, especially as the cycle track runs close by. Lendal mooring to Marygate is a continuation of the piling work undertaken earlier at Lendal mooring which financial constraints prevented completing. This stretch is severely undermined by erosion and work is required urgently to avoid collapse and damage to visitor moorings.

63. The Council would not be carrying out its legal duty as the navigation authority which could result in legal action. Also if the riverbanks were allowed to collapse there would be no cycle/foot path, no visitor moorings and it would have to be fenced off to prevent access.

Health & Safety Repairs & Access Improvements (£500k) - Medium

64. Current 3 year capital programme of £0.6M (£0.1M for 2010/11) for urgent repair works is inadequate for level of urgent and essential works required as shown by the 2008/9 performance indicator which is in excess of £19M (£3M excluding schools). These repairs are needed to carry out Health and safety work only to Council buildings to safeguard delivery of services. The bid is for work on land and buildings which have been identified for retention only through the Service and Area Asset Management Planning. This bid is for one year only to supplement the amount already allocated as there is need for additional capital for the proposed works. It is the intention to submit an annual capital bid from now on to cover new urgent repairs identified during each year.
65. If funds are not available then the existing revenue and capital budgets are insufficient to meet the needs identified above with the result that a Health & Safety failure is likely to occur which would result in the closure of a building and the inability to provide the service to customers without a potentially expensive alternative being found.

Proposals to Fund the new 2010/11 – 2014/15 schemes

66. The requests for funding the extension of the existing rolling programme schemes into 2014/15 plus the two minor amendments in 12/13 and 13/14 totalling £2,294k is recommended. This would require revenue budget growth of £195k in the 2014/15 budget process. Clearly as with all the schemes in the programme funding will need to be reviewed over this period to ensure the programme remains deliverable subject to funding.
67. The requests for funding the Access York Phase 1 project (£2.057m Council requirement) that will generate a capital receipt from the disposal of the existing Askham Bar Park and Ride site is recommended. It is recommended that the sale proceeds generated should be attributable and therefore reinvested in this scheme.

68. The requests for funding the cremators at the Crematorium (£1.766m requirement) was included as part of this report to show the full potential capital pressures faced the by the Council. A separate report to this is being presented to the Executive in December which will consider funding options and business models and as a result of this it shall not be included in the funding proposals set out below.
69. In addition to the schemes ranked as high by officers as part of the CRAM process, the Executive has requested an additional amount of £1m for Highways Maintenance and Flooding Alleviation. This additional investment is as result of the feedback received from the budget consultation process. The consultation process identified in the category of 'Top priorities for spending' maintaining highway and footpath maintenance at current levels, allowing for inflation as a high priority and received support at a level of 97%. It should be noted that this is in addition to already high levels of discretionary funding currently approved at a level of £4.685m for Highways Re-surfacing and Reconstruction profiled for 10/11.
70. The requests for funding for the remaining bids that have been categorised as high (£2.267m requirement) are recommended along with the additional £1m as set out above (totalling £3.267m). The total of the Council funded recommended schemes are set out in tale 5:

Rolling Programme Scheme requiring CYC funding	10/11 £000	11/12 £000	12/13 £000	13/14 £000	14/15 £000	Total £000	Rank
Disability Support					150	150	High
Community Equipment Loans Service					105	105	High
Disabled Facilities Grant					475	475	High
City Walls Rolling Repair			12	12	90	114	High
Bridge Maintenance					200	200	High
Highways Resurfacing and Reconstruction					1,250	1,250	High
Sub Total	0	0	12	12	2,270	2,294	
New Schemes requiring CYC funding	10/11 £000	11/12 £000	12/13 £000	13/14 £000	14/15 £000	Total £000	Rank
Telecare Equipment	450					450	High
Oakland's Sports Centre/ York High School Sports	60					60	High
Contingency	300					300	High
Riverbank Repairs Urgent	717					717	High

Highways Maintenance and Flooding Alleviation	1,000					1,000	Public Consultation
Property Compliance (Asbestos and Fire regs)	80	80	80			240	High
Access York Phase 1	922	1,041	94			2,057	High
Explore History @ York		245	255			500	High
Sub Total	3,529	1,366	429	0	0	5,324	
Total	3,529	1,366	441	12	2,270	7,618	

Table 5 – Recommended new schemes

71. The total value of the Council funded recommended bids as shown above and the revenue implications of funding them through borrowing where applicable are shown in table 6:

Scheme Type / Description	Financial Year	Capital Expenditure Value	Revenue Growth Required Assuming Prudential Borrowing
New Schemes (Telecare/ Oaklands/ Contingency/ Prop Compliance/ River Banks/ Highways Maint & Flooding)	2010/11	£2.607m	£224k
New Schemes (Prop Compliance / Explore History)	2011/12	£325k	£28k
New Schemes (Prop Compliance / Explore History)	2012/13	£335k	£30k
Rolling Programme (City walls)	2012/13	£12k	
Rolling Programme (City walls)	2013/14	£12k	£1k
Rolling Programme (Disab Supp/ CELS/ DFG/ City walls/ Bridges/ Highways)	2014/15	£2.270m	£195k

R&R)			
	Total	£5.561m	
New Scheme (Access York Phase 1)	2010/11 – 2012/13	£2.057m	N/A – capital receipt allocated to fund growth
	Total	£7.618m	

Table 6 – Financial implications of funding 10/11 – 14/15 recommended schemes

72. As highlighted in the report it is reasonable to expect that some additional capital receipt funding be identified in the 5 year period of the capital plan. Such receipts would reduce the need for prudential borrowing. However the prudent approach is to assume all of these schemes will require revenue funding to support prudential borrowing in order to finance the funding requirement.
73. Based upon current projections, revenue contributions to capital will need to increase on an annual basis over the next 5 years to ensure the Capital Programme is sustainable. Table 7 sets out the required revenue growth that is needed to ensure the capital programme is affordable and prudent. The table combines the growth from the 09/10 – 13/14 budget process along with the new growth requirement from this years 10/11 – 14/15 budget process to show the full revenue impact of proceeding with the programme.

Financial Year	09/10 – 13/14 Budget Process	10/11 – 14/15 Budget Process	TOTAL 10/11 – 14/15	Revenue Growth Required Assuming Prudential Borrowing	Revenue Funding Awarded / Bid For	Comments
2009/10	£3.050m	N/A	£3.050m	£250k	✓	
2010/11	£1.373m	£2.607m	£3.980m	£342k	✓	Part of current 10/11 budget process
2011/12	£9.100m	£0.325m	£9.425m	£809k	x	

2012/13	£2.248m	£0.347m	£2.595m	£223k	x	
2013/14	£2.258m	£0.012m	£2.270m	£195k	x	
2014/15	N/A	£2.270m	£2.270m	£195k	x	
	£18.029m	£5.561m	£23.590m			

Table 7 – Revenue implications of funding recommended schemes

74. Clearly the overall position will need to be reviewed on an annual basis and the capital receipts will need to continue to be tightly monitored to update the latest position regarding capital receipts. The proposal to use the revenue contributions to fund the new schemes is made on the assumption that over the medium term the current level of required receipts is achieved. Clearly if the projected level of receipts is not achieved action will be required to overcome the resulting funding shortfall. This action could take the form of either increasing revenue contributions to meet any capital receipts shortfall or reducing the capital programme schemes funded by capital receipts. The ability to contribute revenue funds over and above the level currently being proposed as part of this report would have a significant impact on revenue budgets and would potentially place pressure on other Council service areas.
75. It is proposed that in addition to revenue contributions being used to fund the capital programme consideration is given to utilising any in year revenue under spends to support the capital programme in future years thus enabling the overall capital funding deficit to be reduced. This position will be monitored, on an ongoing basis, with a view to ensuring the overall 5 year position is broadly in balance.
76. Any short term shortfall in funding will be met from prudential borrowing. The revenue implications of any in year shortfall due to timing differences will be borne by the treasury management budget.
77. The additional schemes being proposed to be added to the capital programme that are funded from external sources are £72.860m. The funding types are a mixture of supported borrowing, grants and external contributions. Table 8 sets out the additional funding that has been added to the capital programme for 10/11 – 14/15.

Additional external scheme funding	2010/11 External Growth £000	2011/12 External Growth £000	2012/13 External Growth £000	2013/14 External Growth £000	2014/15 External Growth £000	Total External Growth £000

Housing Grants & Associated Investment (Gfund)					1,100	1,100
MRA Schemes	-524	-1,169	-1,213	-661	5,791	2,224
Disabled Facilities Grant (Gfund)					375	375
Local Authority Homes (part match funding)	625					625
NDS Devolved Capital		1,503	1,503	1,503	1,503	6,012
Harnessing Technology		317	317	317	317	1,268
Targeted Capital Fund 14-19 Diploma		3,600	3,600	3,600	3,600	14,400
Primary School Strategic Programme		3,227	3,227	3,227	3,227	12,908
NDS Modernisation		1,136	1,136	1,136	1,136	4,544
Sure Start		635	635	635	635	2,540
Extended Schools		82	82	82	82	328
Youth Capital Fund		42	42	42	42	168
Schools Access Initiative		173	173	173	173	692
Explore History @ York (part match funding)		245	255			500
Access York (part match funding)	6,525	15,080	1,122			22,727

Highway Resurfacing & Reconstruction (part match funding)		80	165	253	1,951	2,449
TOTAL	6,626	24,951	11,044	10,307	19,932	72,860

Table 8 – Additional Externally Funded Schemes

IT Development Plan

78. Each year the IT development plan makes a decision as to finance the expenditure using leasing or prudential borrowing. The existing IT revenue budget contains funds that allow a certain level of either borrowing or leasing to take place. This budget is sufficient as it currently stands to allow the level of borrowing set out here to be funded without any requirement for revenue growth. Due to the nature of the equipment being purchased and the access to low borrowing rates all equipment is now financed using prudential borrowing which as stated is supported by existing IT revenue budgets and now included as part of this report as it constitutes capital expenditure (note operating leases do not constitute capital expenditure and therefore not formed part of this budget process).
79. The main elements of expenditure that make up the £1.141m in 10/11 are the replacement of the Delphi payroll system, upgrade to Office 97, update to Citrix, and the corporate EDMS extension. The schemes that form the 10/11 budget are schemes that have been previously agreed and which, under the previous model of funding would have been funded over two years (only part year funding been set aside in the first year due to mid year implementation and spend patterns). The remaining funding requirement is set out here and appear as part of this report as part of the presentation of capital expenditure. As a result of this a scheme for the IT development plan with associated expenditure and funding has been added as part of this budget process for the period 2010/11 – 2014/15. It should be noted that the £1m per year expenditure is an indicative spend profile based on projected levels of activity. This projected investment in ICT will be considered in greater detail in future reports to the Executive. Consideration will be given as part of these future reports to join up the investment in ICT and the More for York programme to ensure that transformational ICT development delivers efficiencies that help to self fund new expenditure. It should however be noted that there will always be a need for medium term provision for Corporate ICT to ensure the systems are maintained fit for purpose. As with the 10/11 £1.141m of expenditure, the 11/12 onwards expenditure of £1m per annum is affordable under existing revenue budget levels and will therefore not require revenue growth to support the costs of borrowing. This is because the majority of ICT expenditure funded by prudential borrowing (or leasing) is done so on a 5 year repayment cycle. This means that after 5 years the capital is repaid but the revenue budget remains and would available for reinvestment to support new expenditure should Members decide to do so. The profiled expenditure is shown in table 9 including specific schemes for 10/11:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	Total £000
Pre Approved Schemes	1,141					
Future estimate subject to Exec approval	0	1,000	1,000	1,000	1,000	4,000
IT Development Plan	1,141	1,000	1,000	1,000	1,000	5,141
Total	1,141	1,000	1,000	1,000	1,000	5,141

Table 9 – IT Development Plan

More for York

80. In addition to the above it is recommended that Members approve a level of prudential borrowing in relation to the More for York programme totalling £210k for the 10/11 financial year. The requirement for investment is set out in detail in Annex 4 of the Revenue Budget report on this agenda, comprised in the main of the requirement to purchase segregated recycling containers to allow for efficiencies to be made to recycling rounds. The funding of this scheme will come from the More for York programme as set out in the Revenue Budget report.

Housing Revenue Account (HRA)

81. The HRA element of the proposed housing capital programme is requesting a revenue contribution totalling £3.236m from HRA balances over a period of 5 years as set out in table 10. Members do as with all the above bids have the option of funding from available resources or reducing the proposed schemes but is officers recommendation that the programme is financed from HRA contributions.
82. This revenue contribution will be used to fund the following schemes as set out in table 10:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	Total £000
Repairs to Local Authority Properties/ Modernisation of Local Authority Properties/ New build of Local Authority Homes	736	389	434	696	981	3,236
Total	736	389	434	696	981	3,236

Table 10 – HRA revenue requirement

Summary of Analysis

83. The outcome of the proposals outlined above if accepted are illustrated in Table 11 which sets out the proposed capital budget for each directorate over the next 5 years and in detail in Annex B.

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	Total £000
Chief Executives	1,151	1,330	80	0	0	2,561
Children's Services	22,849	10,715	10,715	10,715	10,715	65,709
City Strategy	15,544	19,738	4,833	3,617	90	43,822
City Strategy (Admin Accommodation)	12,494	12,304	13,388	0	0	38,186
City Strategy (Community Stadium)		4,000				4,000
Housing	9,958	9,425	9,028	10,923	8,722	48,056
Leisure & Heritage	3,250	490	510	0	0	4,250
Neighbourhood Services	5,326	5,635	3,220	3,308	3,401	20,890
Resources	1,651	1,000	1,000	1,000	1,000	5,651
Social Services	801	235	245	255	255	1,791
Total by Department	73,024	64,872	43,019	29,818	24,183	234,916

Table 11– Proposed Capital Programme 2010/11 – 2014/15

Corporate Priorities

84. The CRAM process ensures that all bids received for capital funding address the aspirations of the Corporate Strategy with each proposal addressing at least one corporate priority. The capital schemes put forward for consideration are derived from the service and area asset management plans which look at the capital needs and requirements of the service. All schemes that have progressed through for further consideration in this report have demonstrated through the CRAM process that they directly contribute toward the achievement of the Corporate Strategy.

85. As a result of this budget round the capital investment over the next 5 years up to 2014/15 will increase by £89.065m taking the new 5 year capital programme to £234.916m.
86. The following paragraphs set out the value of investment by the Councils current corporate priorities. It should be noted that many schemes contribute to more than one corporate priority but for the purpose of this section the priority they contribute to most has been chosen. The proposals contained in the capital programme make a major contribution to the Councils priorities and contribute to the Sustainable Community Strategy. These schemes represent major investment, which alongside the proposals within the revenue budget will tackle a range of priorities, and deliver major outcomes for the City. The impact in terms of the wider economy, infrastructure, and future prosperity of the City is significant.
87. £3.699m of schemes will contribute towards making York a Thriving City. These schemes include Highways R&R.
88. £25.784m of schemes are focused on making York a Sustainable City, including, Access York, and Highways improvements.
89. £42.860m of schemes will increase people's skills and knowledge to improve future employment prospects, including the Primary School Strategic Programme and the Targeted Capital Fund 14 – 19 Diploma.
90. £1.891m of schemes will contribute to making York a City of Culture, including the Explore History@York programme and the Oaklands Sports Centre Scheme.
91. £8.740m of schemes will improve the quality and availability of decent, affordable homes in the city, and make York a more Inclusive City, in particular among groups whose levels of health are the poorest. These schemes include MRA schemes, Modernisation of Local Authority Homes, Disabled Facilities Grant Schemes, and Telecare Equipment.
92. £5.681m of schemes will allow the Organisation to be more Effective, including IT Development.
93. In addition to contributing toward the achievement of the Corporate Priorities much of the discretionary capital investment is reflective of the feedback received from the budget consultation process. The consultation process identified in the category of 'Top priorities for spending' maintaining highway and footpath maintenance at current levels, allowing for inflation as a high priority and received support at a level of 97% and as a result Highways Maintenance and Flooding Alleviation scheme received £1m of discretionary funding in addition to the existing approved £4.685m for Highways Re-surfacing and Reconstruction profiled for 10/11.
94. In addition, the capital programme has considerable impact on the local economy. This is of particular significance given the current economic downturn. Whilst the

risks in respect of the economic downturn in terms of capital receipts have been outlined in this report, by continuing to invest in a major capital programme the Council will be making a significant contribution to the local economy. This programme ensures significant expenditure in schemes such as highways and bridge maintenance, schemes which have implications in terms of supplies and employment. Further investment over the current approved level of £146.061m will see the Councils commitment to capital schemes increase by £89.065m to a level of £234.916. As stated in the report the capital programme proposed is not without risk but the negative impact on York in this time of economic downturn of significantly contracting the capital programme would be significant.

Implications

Financial Implications

95. The financial implications are considered in the main body of the report.

Human Resources Implications

96. There are no HR implications as a result of this report.

Equalities Implications

97. A number of schemes have specific implications for Equalities. These include the Disability Support budget, and Disabled facilities grants, assistance to elderly, housing grants, and housing repairs. The detailed equalities implications of the individual schemes will be further assessed by individual directorates once the capital programme has been approved and the schemes are further developed. Any implications will be identified in the individual schemes project plans.

Legal Implications

98. The Council is legally required to set a balanced 3 year capital programme.

Crime and Disorder

99. There are no crime and disorder implications as a result of this report.

Information Technology

100. There are no information technology implications as a result of this report.

Property

101. The property implications of this paper are included in the main body of the report which covers the funding of the capital programme from the disposal of Council assets.

Risk Management

102. The risks associated with both the existing and proposed capital programme has been discussed extensively throughout this report.
103. This report highlights the challenge presented by the proposed capital programme, which includes a significant level of Council driven schemes. Despite the proposed

schemes being funded from revenue contributions the existing approved capital programme still places significant reliance on a small number of high value capital receipts. In addition the recent increase in the size of the programme has meant the Council has to ensure that the key skills are in place to allow the programme to be successfully delivered.

104. To mitigate the risks the capital programme is regularly monitored as part of the corporate monitoring process. In addition to this the Capital Asset Management Group (CAMG – capital programme managers along with the Capital Finance team) meets regularly to plan, monitor and review major capital schemes to ensure that all capital risks to the Council are monitored and where possible minimised. The development of the revised CRAM process and capital strategy has put in place gate keeping controls to ensure that only projects that can be delivered are put forward for approval by the Council.
105. The use of revenue contributions are required for a balanced programme to be set and the risk associated with this means of funding is the additional pressure placed on the existing revenue budgets. This issue has been covered in detail in the main body of the report.

Recommendations

106. The Executive is requested to recommend that Council:
 - Agree to the revised capital programme of £234.916, including specifically the inclusion in the capital programme of new schemes totalling £89.065m (as set out in Annex B 'growth' column) comprised of:
 1. the bids recommended in paragraph 70 (table 5) totalling £7.618m including the allocating of receipts to Access York Phase 1;
 2. the additional external funded schemes in paragraph 77 (table 8) totalling £72.860m;
 3. the use of prudential borrowing for the IT development plan in paragraph 79 (table 9) totalling £5.141m containing specific schemes of £1.141 with the remaining £4m subject to further approval and for the capital element of the More for York programme as in paragraph 80 totalling £210k ;
 4. the use of HRA balances to fund HRA capital schemes as set out in paragraph 81 (table 10) totalling £3.236m.
 - 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;
 - Endorse the principle of postponing asset sales until such when the market picks up sufficiently to allow optimum values to be realised;
 - Approve the full restated programme as summarised in Annex B totalling £234.916m up to 2014/15.

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

Author:

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Ex 1207

Chief Officer Responsible for the report:

Ian Floyd Director of Resources

Louise Branford –White
Finance Manager
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Ex 1187

Report Approved Date *January 2010*

Keith Best *AD Resources Corporate Finance*

Report Approved Date *January 2010*

Specialist Implications Officer(s):

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

All

For further information please contact the author of the report

Background papers:

CRAM bids departmental
Budget Control 09/10 – 13/14 & 10/11 – 14/15

Annexes:

Annex A – Summary of CRAM Bids (by type)
Annex B – Revised Capital Programme 2010/11 – 2014/15

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Bid Year	Scheme Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	10/11	Growth in 10/11	11/12	Growth in 11/12	12/13	Growth in 12/13	13/14	Growth in 13/14	14/15	Total Growth £000	Non CYC Funding £000	Growth in Non CYC Funding £000	Call on CYC funding £000	Growth In Call On CYC funding £000
10/11	Rolling	NS	Highways R&R (Within normal budget limits)	2	15,949	3,685	-	2,935	80	3,020	165	3,108	253	3,201	3,699	9,699	2,449	6,250	1,250
A programme for the resurfacing and reconstruction of the City's roads and footways has been established to halt deterioration of the assets and maintain them in the best condition possible with the anticipated level of capital available. The total annual rolling budget requirement for this minimum programme is circa £4,000m per year at 2008/10 prices. In 2009/10 a total budget of £3,374m was allocated, made up from £0.241m CYC Revenue, £1.215m CYC Capital and £1.918m from the DfT Local Transport Plan settlement. Although the proposed allocations in this bid are insufficient to fund the long term maintenance of the highway infrastructure they are considered to be the minimum required based on what is affordable. The bid identifies an increasing revenue commitment of £250K per year to offset the reduction in availability of capital receipts. This bid seeks to maintain the historic level of funding over the five year budget period.																			
10/11	Rolling	NS	Bridge Maintenance	2	1,000	200	-	200	-	200	-	200	-	200	200	-	-	1,000	200
Inspections are carried out on highway structures which result in a programme of bridge maintenance work. The regular cycle of general inspections provides a continuing programme of maintenance and there is a backlog of work identified from previous reports. Revenue funding has been made available over the past two years to carry out detailed principal inspections on the City's major bridges and this is beginning to identify further maintenance items and potential re-prioritisation of schemes. Funding is required to carry out the work to maintain the structures in a serviceable and safe condition.																			
10/11	Rolling	HASS	Community Equipment Loans Service	2	525	105	-	105	-	105	-	105	-	105	105	-	-	525	105
Enables people with complex and disabling conditions to be safely cared for in their own homes avoiding unnecessary admissions to Hospital or Nursing care. Provides support to Carers to enable them to continue to care for their partner/relative. Contributes to the costs of specialist Occupational Therapy assessments (£15k) and funds the purchase and maintenance of major items of equipment to aid daily living (£90k).																			
10/11	Rolling	HASS	Disability Support Budget	2	690	120	-	130	-	140	-	150	-	150	150	-	-	690	150
To provide discretionary assistance for disabled customers who need financial help. The grants help disabled people and parents with disabled children to adapt their homes to continue living there and maintain their independence. The assistance helps with the shortfall between the cost of the eligible works and the mandatory disabled facilities grant to purchase a more suitable property where it is more cost effective and relocation expenses. This budget has not seen any inflationary increase and given the relationship with the Mandatory DFG budget there is a need to increase funding for this area to meet the demand.																			
10/11	Rolling	HASS	Disabled Facilities Grant	2	4,250	850	-	850	-	850	-	850	-	850	850	1,875	375	2,375	475
To allow payment of mandatory disabled facilities grants in line with statutory and council policies (Housing Grants, Regeneration and Construction Act 1996 as amended and Grants policy last reviewed in June 2008). The DFG rolling programme enables disabled people to remain at home and maximise their independence.																			
10/11	Rolling	City Strat	City Walls Repair Rolling Programme	2	450	90	-	90	-	90	12	90	12	90	114	-	-	450	1
This bid continues the rolling programme, established in 1991, of essential repair and restoration to the City Walls. The bid will pay for works which will ensure the continued structural integrity and stability of the Walls and hence public access and enjoyment of this unique asset. In 2010-11 the programme will continue the assessment and restoration of the section of wall adjacent to Monk Bar Garage, will continue the restoration of areas where the York stone flags and copings on the walkway have failed, and will carry out repairs to the roof and balustrade at Walmgate Bar. A continual funding requirement for the foreseeable future is anticipated.																			
Sub Total Category 2 (pre-approved schemes in the capital programme but have not yet been started and could therefore be re-prioritised)					22,864	5,050	-	4,310	80	4,405	177	4,503	265	4,596	5,118	11,574	2,824	11,290	2,212
10/11	14/15	HASS	York Pride Communal Access Flooring (HRA Funded)	3	248	64	-	47	-	46	-	45	-	46	-	-	-	-	-
York Pride Communal Access Flooring Improvements to approximately 1140 dwellings																			
10/11	14/15	HASS	Improved Internal Communal Security Lighting (HRA Funded)	3	457	118	-	86	-	85	-	83	-	85	-	-	-	-	-
Improvements to the internal security lighting of approximately 1140 dwellings																			
10/11	14/15	HASS	York Pride Communal Entrance Security (HRA Funded)	3	245	62	-	45	-	45	-	46	-	47	-	-	-	-	-
Improvements to communal entrance security of approximately 1160 dwellings																			
10/11	11/12	HASS	York Pride Re-Rendering (HRA Funded)	3	281	274	-	7	-	-	-	-	-	-	-	-	-	-	-
York Pride Re-Rendering Improvements to approximately 64 dwellings																			
10/11	14/15	HASS	York Pride External Environmental Improvements (HRA Funded)	3	339	90	-	63	-	52	-	66	-	68	-	-	-	-	-
York Pride External Environmental Improvements to approximately 2573 dwellings																			
10/11	14/15	HASS	York Pride Security Upgrades (HRA Funded)	3	92	21	-	19	-	17	-	17	-	17	-	-	-	-	-
Improvements to security of approximately 246 dwellings																			
10/11	14/15	HASS	Heating Only (HRA Funded)	3	7,420	1,400	-	1,442	-	1,484	-	1,526	-	1,568	-	-	-	-	-
Installation of Heating Systems to Approximately 2000 Council Dwellings																			
10/11	14/15	HASS	Insulation/ Ventilation (HRA Funded)	3	91	17	-	18	-	18	-	19	-	19	-	-	-	-	-
Insulation/ Ventilation Improvements to approximately 390																			
10/11	10/11	HASS	Water Tanks (HRA Funded)	3	40	40	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Tank improvements to approximately 110 dwellings																			
10/11	14/15	HASS	Structural Works (HRA Funded)	3	381	72	-	74	-	76	-	78	-	81	-	-	-	-	-
Struct Works scheme to Approximately 55 Council Dwellings																			
10/11	14/15	HASS	Electrical Upgrades (HRA Funded)	3	398	75	-	77	-	80	-	82	-	84	-	-	-	-	-
Tenants choice Electrical upgrades only scheme on approximately 500 properties																			

Bid Year	Scheme Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	10/11	Growth in 10/11	11/12	Growth in 11/12	12/13	Growth in 12/13	13/14	Growth in 13/14	14/15	Total Growth £000	Non CYC Funding £000	Growth in Non CYC Funding £000	Call on CYC funding £000	Growth In Call On CYC funding £000
10/11	10/11 - 14/15	HASS	Misc Kitchens (HRA Funded)	3	164	31		32		33		34		35		-	-		-
Misc Kitchens Installation to Approximately 25 Council Dwellings																			
10/11	10/11 - 14/15	HASS	TC Capital Salaries (HRA Funded)	3	1,728	326		336		346		355		365		-	-		-
Funding of Tenants Choice Capital Salaries over a 5 Year Period																			
10/11	10/11 - 14/15	HASS	Genuine TC Backfill (HRA Funded)	3	1,908	360		371		382		392		403		-	-		-
Genuine TC Backfill Properties that are expected to undergo TC																			
10/11	10/11	HASS	TC Rowntree Avenue 10/11 (HRA Funded)	3	738	738										-	-		-
Tenants Choice Rowntree Avenue 10/11 Improvement Scheme on 59 Properties																			
10/11	10/11	HASS	TC Acomb (HRA Funded)	3	605	605										-	-		-
Tenants Choice Acomb 10/11 Improvement Scheme on 48 Properties																			
10/11	10/11	HASS	TC City 10/11 (HRA Funded)	3	279	279										-	-		-
Tenants Choice City 10/11 Improvement Scheme on 26 Properties																			
10/11	10/11	HASS	TC Lowfield 10/11 (HRA Funded)	3	1,417	1,417										-	-		-
Tenants Choice Lowfield 10/11 Improvement Scheme on 119 properties																			
10/11	10/11 - 14/15	HASS	Roofing- Covering and Chimneys (HRA Funded)	3	2,364	340		425		474		742		383		-	-		-
Roofing Improvements to both covering and chimneys to approximately 799 dwellings																			
10/11	10/11 - 14/15	HASS	Hydraulic Passenger Lifts (HRA Funded)	3	261	145		67		16		16		17		-	-		-
The installation of approximately 65 hydraulic passenger and /or stair lifts																			
10/11	10/11	HASS	Fire Protection Upgrades (HRA Funded)	3	70	70										-	-		-
Fire protection upgrade project to communal areas																			
10/11	10/11	HASS	Banister Project (HRA Funded)	3	65	65										-	-		-
Communal area staircase banisters to be upgraded to meet health and safety standards																			
10/11	11/12 - 14/15	HASS	Water Mains (Tang Hall) (HRA Funded)	3	4,235	-		1,333		1,413		1,453		36		-	-		-
Installation of new water mains to the Tang Hall area and the surrounding areas																			
10/11	11/12	HASS	TC Heworth 11/12 (HRA Funded)	3	1,256			1,256								-	-		-
Tenants Choice Heworth 11/12 Improvement Scheme on 89 Properties																			
10/11	11/12 - 12/13	HASS	Fire Prevention works (HRA Funded)	3	316			155		161						-	-		-
Upgrade of fire protection works to communal blocks as required																			
10/11	11/12	HASS	Misc 11/12 (HRA Funded)	3	441			441								-	-		-
Tenants Choice Misc 11/12 Improvement Scheme on 35 Properties																			
10/11	11/12	HASS	Sheltered Schemes (HRA Funded)	3	130			130								-	-		-
Improvements to CYC sheltered schemes																			
10/11	11/12	HASS	TC Clementhorpe 11/12 (HRA Funded)	3	853			853								-	-		-
Tenants Choice Clementhorpe 11/12 Improvement Scheme on 79 Properties																			
10/11	12/13	HASS	TC Clementhorpe 12/13 (HRA Funded)	3	228					228						-	-		-
Tenants Choice Clementhorpe Improvement Scheme on 19 Properties																			
10/11	12/13	HASS	TC City 12/13 (HRA Funded)	3	970					970						-	-		-
Tenants Choice City 12/13 Improvement Scheme on 71 Properties																			
10/11	12/13	HASS	TC Foxwood 12/13 (HRA Funded)	3	681					681						-	-		-
Tenants Choice Foxwood 12/13 Improvement Scheme on 62 Properties																			
10/11	12/13 - 14/15	HASS	Sound Proofing Works (HRA Funded)	3	530					172		177		181		-	-		-
Sound proofing to be undertaken on approximately 162 flats																			
10/11	12/13	HASS	TC Dunnington and Lowfields 12/13 (HRA Funded)	3	510					510						-	-		-
Tenants Choice Dunnington and Lowfields 12/13 improvement scheme on 36 properties																			
10/11	13/14	HASS	TC Clifton 13/14 (HRA Funded)	3	1,543							1,543				-	-		-
Tenants Choice Clifton 13/14 Improvement Scheme on 114 Properties																			
10/11	13/14	HASS	TC Lowfield 13/14 (HRA Funded)	3	557							557				-	-		-
Tenants Choice Lowfield Improvement Scheme on 37 Properties																			
10/11	13/14	HASS	Misc 13/14 (HRA Funded)	3	455							455				-	-		-
Tenants Choice Misc 13/14 Improvement Scheme on 32 Properties																			
10/11	14/15	HASS	Misc 14/15 (HRA Funded)	3	1,836									1,836		-	-		-

Bid Year	Scheme Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	10/11	Growth in 10/11	11/12	Growth in 11/12	12/13	Growth in 12/13	13/14	Growth in 13/14	14/15	Total Growth £000	Non CYC Funding £000	Growth in Non CYC Funding £000	Call on CYC funding £000	Growth In Call On CYC funding £000
Tenants Choice Misc 14/15 Improvement Scheme on 124 Properties																			
10/11	14/15	HASS	TC Clifton 14/15 (HRA Funded)	3	1,500									1,500		-	-		-
Tenants Choice Clifton 14/15 Improvement Scheme on 32 properties																			
10/11	10/11 - 14/15	HASS	Housing Grants and Associated Investment (RHB Grants)	3	5,200	950	-	1,000	-	1,050	-	1,100	-	1,100	1,100	5,200	1,100		-
To allow payments of grants and other forms of assistance in line with council policies (last reviewed in June 2008). These grants and other forms of assistance are aimed at vulnerable owner occupiers and private tenants to help in the repair of items affecting their health and safety and making their homes decent (PSA7). Currently the scheme is fully funded from Regional Housing Board grants. A three year (2008-2011) bid for £2.7m was submitted and approved.																			
10/11	10/11 - 14/15	Resources	ITT Capital programme Development plan	3	5,141	1,141	1,141	1,000	1,000	1,000	1,000	1,000	1,000	1,000	5,141	5,141	5,141		-
Capital expenditure is anticipated covering numerous information technology projects as defined and approved by Members to comply with the appropriate corporate objectives. These include the delayed expenditure on the replacement HR / payroll system, the introduction of Government Connect, and the office upgrade.																			
10/11	10/11	Resources	More for York	3	210	210	210								210	210	210		-
Level of capital investment required to deliver the 10/11 efficiency savings as set out in the revenue budget report.																			
Sub Total category 3 (fully funded schemes)					45,972	8,699	1,141	9,275	1,000	9,338	1,000	9,788	1,000	8,872	6,241	10,341	6,241		-
10/11	10/11	NS	Crematorium - Mercury Abatement - Install 3 No. Cremators	4	1,766	1,766	1,766								1,766	-	-	1,766	1,766
York Crematorium at present have three cremators, two are currently operational dealing with over 2000 cremations per year. Emissions legislation will be significantly tightened, with the result that by December 2012, DEFRA require that at least 50% of all cremations are subject to abatement of increased proportions of emissions specifically Mercury (Hg)																			
10/11	10/11 - 14/15	NS	Replacement of unsound lighting columns	4	1,000	200	200	200	200	200	200	200	200	200	1,000	-	-	1,000	1,000
As part of the new street lighting contract a structural testing regime for street lighting columns has been put in place. About 1200 steel columns have been tested in 2008/9 and this is showing a failure rate of 10%. Similarly the majority of concrete columns are rapidly coming to the end of their lives with about 100 reaching a critical condition each year. The Council will have little option other than to carry out these replacements on safety grounds and base budgets cannot support this replacement programme. A fund of approximately £90k is allocated from the LTP settlement but this is insufficient to stem the deterioration and tackle the backlog of columns needing replacing.																			
Sub Total Category 4 (legislative requirements)					2,766	1,966	1,966	200	200	200	200	200	200	200	2,766	-	-	2,766	2,71
10/11	11/12 - 12/13	LCCS	Explore History @ York	5	1,000	-	490	490	510	510				1,000	500	500	500	500	
This scheme implements the Executive's Vision for the City Archives Service by refurbishing the first floor former reference library and basement storage spaces in York Explore to allow the complete merger and relocation of the Archives Service with the Local Studies Library to create a single high-profile city centre access point to York's world-class archive and local history collections. The proposal builds on the Phase 1 York Explore capital investment of 2008/10 which refurbished the ground floor spaces in York Central library to convert them into an Explore Centre. Integration of the service into York Explore will allow the service to increase its user numbers from the current 5000 to around 22,000 annually with no increase in staffing costs. The scheme demonstrates the city's commitment to stop the physical deterioration and loss of our world-class civic archive which is currently housed in premises which do not meet even basic preservation standards. Action to preserve the archive is required to retain our National Archives Approved status, which enables the city to access external funding for the service.																			
10/11	10/11 - 12/13	City Strat	Access York Phase 1	5	24,784	7,447	7,447	16,121	16,121	1,216	1,216			24,784	22,727	22,727	2,057	2,057	
The Access York Phase 1 scheme provides 3 new Park & Ride sites (Ashkam Bar, A59, Wigginton Road) and improves the A59/A1237 roundabout. The scheme was the subject of a successful bid to the Regional Transport Board in April 2008 with a complete Major Scheme Business Case currently being developed for submission to the Department for Transport in December 2008. 100% of the preparatory costs before the submission of the DfT bid and 50% of the preparatory costs after gaining acceptance by the DfT have to be funded locally. A 10% local contribution is required for funding the construction of the scheme. It is anticipated that the sale of the existing Ashkam Bar site, which will be vacated when the new site becomes operational, will provide some of the this funding. It is anticipated that the remainder of the funding will be provided by the Local Transport Plan and Developer contributions.																			
10/11	10/11	Housing	Local Authority Homes	5	1,250	1,250	1,250							1,250	1,250	1,250		-	
Part Government funded scheme for the construction of 21 new local authority properties as part of the Government's initiative to increase the number of affordable homes available.																			
Sub Total Category 5 (match funding)					27,034	8,697	8,697	16,611	16,611	1,726	1,726	-	-	-	27,034	24,477	24,477	2,557	2,557
10/11	10/11	HASS	Telecare Equipment	6	525	525	450							450	-	-	525	450	
To provide necessary digital upgrades to sheltered housing schemes and telecare equipment in order that vital wardens services can be maintained following the BT digital upgrade scheduled for 2010. It is also necessary to continue to provide funding for the growing telecare service which provides vital pieces of equipment to vulnerable customers across the city. Demand for this service has increased dramatically in the last three months and that trend is set to continue as more and more people become aware of what is available and the difference it can make to a person's independence.																			

Bid Year	Scheme Year	Directorate	Name of Scheme	Scheme Category	Total Cost £000	10/11	Growth in 10/11	11/12	Growth in 11/12	12/13	Growth in 12/13	13/14	Growth in 13/14	14/15	Total Growth £000	Non CYC Funding £000	Growth in Non CYC Funding £000	Call on CYC funding £000	Growth In Call On CYC funding £000
10/11	10/11	LCCS	Strensall and Towthorpe Sports Association	6	100	100	100								100	-	-	100	100
To work alongside the local community to upgrade the Strensall and Towthorpe Sports Association building in Durston (DD) which incorporates changing rooms, small community rooms, tennis courts and a MUGA. (Currently unusable).						-									-	-	-		-
10/11	10/11	LCCS	Oaklands Sports Centre/ York High School Sports	6	60	60	60								60	-	-	60	60
The Sports Hall floor is heavily used and has started to break up in places, which require emergency repairs. In my experience these type of grantwood floors deteriorate quickly when they reach the end of their life and the current condition of the floor is causing health and safety concerns now. York has a massive shortfall of sports hall space (talk to Vicki Japes) and therefore if our hall was closed due to the floor condition it would have major impact on the operation of York High School, a massive impact on public and club use by local customers.						-									-	-	-		-
10/11	10/11	LCCS	Yearsley Pool Energy Review	6	220	220	220								220	-	-	220	220
The energy consumption at Yearsley Pool has increased to in excess of £100,000 per year by using steam and electricity to run the swimming pool. This scheme will be to look at the long-term sustainability and consider greener ways to heat and power Yearsley. I have already paid and commissioned an energy survey through a private company but have not got the results back until around Mid Oct 09.						-									-	-	-		-
10/11	10/11 - 12/13	Property/ LCCS	Riverbank Repairs	6	1,770	516	516	537	537	717	717				1,770	-	-	1,770	1,770
In 2002 the Council's Engineers undertook a survey of the riverbanks of the Ouse and Foss Basin, detailing a programme of works over a 10 year period. From that survey three main areas were identified as requiring stabilising work in 5 years time; east bank between Scarborough Bridge and Clifton Bridge, east bank between Lendal mooring and Marygate Landing and Foss Basin island. These works are required now. Scarborough to Clifton Bridges section has suffered collapse in places with large holes appearing which have been fenced off. This stretch is additional to the urgent works currently being undertaken by the Engineers in this area. The Council have been lucky that no known injuries have been sustained by the public, especially as the cycle track runs close by. Lendal mooring to Marygate is a continuation of the piling work undertaken earlier at Lendal mooring which lack of funds prevented completing. This stretch is severely undermined by erosion and work is required urgently to avoid collapse and damage to visitor moorings. Foss Basin island is in danger of collapse which could take the lock and sluice with it and drain the Foss.						-									-	-	-		-
10/11	10/11	Property	Health & Safety Repairs & Access Impvts	6	500	500	500								500	-	-	500	500
Current 3 year capital programme of £0.6M (£ 0.1M for 2010/11) for urgent repair works is inadequate for level of urgent and essential works required as shown by the 2008/9 performance indicator which is in excess of £19M (£3M excluding schools). These repairs are needed to carry out Health and safety work only to Council buildings to safeguard delivery of services. The bid is for work on land and buildings which have been identified for retention only through the Service and Area Asset Management Planning. This bid is for one year only to supplement the amount already allocated as there is need for additional capital for the proposed works. It is the intention to submit an annual capital bid from now on to cover new urgent repairs identified during each year.						-									-	-	-		-
10/11	10/11	Resources	Contingency Fund	6	300	300	300								300	-	-	300	300
Consideration should be given to the creation of a contingency fund to reduce the risk exposure of delivering the capital programme. In the current market environment where property prices are falling, expected capital receipts may not be realised. A contingency fund could be used to address the potential shortfall in budgeted capital receipts.						-									-	-	-		-
10/11	10/11 - 12/13	Property	Property Compliance (Asbestos and Fire regs)	6	240	80	80	80	80	80	80				240	-	-	240	240
Revenue funding has been provided to undertake compliance surveys for both asbestos and fire regulation management. Capital funding is required to undertake the emergency and remedial works, emanating from the surveys, to ensure compliance with current regulations. An asbestos capital emergency pot was established 4 years ago, of £100,000, and is now fully expended. This bid is a request for a similar fund that would average out at £40,000 per year each for both asbestos and fire, over a three year period. (i.e. £120,000 for each over 3 years)						-									-	-	-		-
10/11	10/11	City strat	Highways Improvements	6	1,000	1,000	1,000	-	-	-	-	-	-	-	1,000	-	-	1,000	1,000
Requested by Executive Members as a result of Budget Consultation						-									-	-	-		-
Sub Total Category 6				(100% CYC funding)	4,715	3,301	3,226	617	617	797	797	-	-	-	4,640	-	-	4,715	4,640

**Executive****16 February 2010**

Report of the Director of Resources

Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15**Purpose**

1. The purpose of this report is to ask the Executive to recommend that Council approve the:
 - integrated Treasury Management Strategy Statement including the annual investment strategy and the minimum revenue provision policy statement;
 - proposed Prudential Indicators for 2010/11 to 2014/15
 - adopt the revised CIPFA Treasury Management Code of Practice 2009 (“the Code”)
 - revised Treasury Management Policy Statement
 - reporting arrangements as described by “the Code” and that Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports
 - Treasury Management Scheme of Delegation and role of the section 151 officer

Summary

2. The report provides a background to why it is necessary to produce a Treasury Management strategy, a minimum revenue provision policy statement and set prudential indicators for the following three years.
3. The Council is currently undertaking a series of significant capital schemes that will realise revenue savings over the following 30 years. This high level of upfront capital investment will contribute to the rise in the Council’s underlying need to borrow from the current level of approximately £113.1m in 2009/10 to over £160.1m in 2014/15. The borrowing strategy aims to minimise the risks to the Council of borrowing large amounts in a single year by giving the Council the flexibility to borrow in advance of need or reduce the amount of borrowing taken, in order to take advantage of favourable borrowing and investment interest rates as they arise.
4. The annual investment strategy reviews the projected interest rates over the next 3 years until the 2011/12 financial year, and seeks to maximise the returns to the Council whilst minimising the risks involved in placing deposits on the money market.

5. The CIPFA¹ Treasury Management in the Public Services Code of Practice (the Code) and the Cross-Sectoral Guidance Notes have been revised during 2009 in light of the Icelandic situation in 2008.

Background

6. The Local Government Act 2003 requires the Council to set out its Treasury Management Strategy for Borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) that sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
7. As part of the strategy, the Local Government Act 2003 also requires the Council to 'have regard to' the CIPFA Prudential Code and to set Prudential Indicators for a minimum of the next three years to ensure the Council's capital investment plans are affordable, prudent and sustainable. The strategy therefore is affected by the Council's capital spending plans, as set out in the Capital Programme Budget report and the revenue implications of these that are reflected in the Revenue Budget report, both presented to Full Council on 25 February 2010.
8. In addition, the local Government Act 2003 also requires the Council formally to adopt the CIPFA Treasury Management Code of Practice. The revised code has emphasised a number of key areas that need to be taken into account in future and these are detailed in the body of the report.
9. The suggested strategy for 2010/11 in respect of the following aspects of the treasury management function is based upon the Director of Resources views on interest rates, supplemented with market forecasts provided by Sector Treasury Services, the Council's treasury management adviser. The strategy covers:
 - The requirements of the revised CIPFA Treasury Management Code of Practice 2009 (paragraph 8-18)
 - Balanced Budget Requirement (paragraph 19)
 - Treasury limits in force which will limit the treasury risk and activities of the Council (paragraph 20 -22);
 - Prudential Indicators (paragraph 23 –25);
 - Current treasury position (paragraph 26-29);
 - Prospects for interest rates (paragraph 30 -32);
 - Economic Background (paragraph 33)
 - Borrowing strategy (paragraph 34-41);
 - Policy on Borrowing in advance of need (paragraph 42-44)
 - Policy on gross and net debt (paragraph 45-51)
 - Debt rescheduling (paragraph 52-56);
 - Investment strategy (paragraph 57-64);

¹ Chartered Institute of Public Finance and Accountancy (CIPFA)

- Creditworthiness Policy (paragraph 65-71)
- Minimum Revenue Provision strategy (paragraph 72 -77)
- Policy on external advisers (paragraph 78-80)
- Scheme of Delegation / Role of the Section 151 Officer (paragraph 81)

Consultation and Options

10. The treasury management function of any business is a highly technical area, where decisions are often taken at very short notice in reaction to the financial markets. Therefore, to enable effective treasury management, all operational decisions are delegated by the Council to the Assistant Director of Resources (Finance), who operates within the framework set out in this strategy and through the Treasury Management Policies and Practices. In order to inform sound treasury management operations the Council works with its Treasury Management advisers, Sector Treasury Services. Sector Treasury Services offer the Council a comprehensive information and advisory service to enable the Council to maximise its investment returns and minimise the costs of its debts.
11. Treasury Management strategy and activity is influenced by the capital investment and revenue spending decisions made by the Council. Both the revenue and capital budgets have been through a corporate process of consultation and consideration by the elected politicians. The revenue budget and capital budget proposals are included within this agenda.
12. At a strategic level, there are a number of treasury management options available which depend on the Council's stance on interest rate movements. This report sets out the Council's stance and recommends the setting of key trigger points for borrowing and investing over the forthcoming financial year.

Analysis

Revised CIPFA Treasury Management Code of Practice 2009

13. The CIPFA Treasury Management in the Public Services Code of Practice "the Code" has been revised during 2009, in light of the Icelandic situation in 2008. It is a requirement that the "the Code" is formally adopted as attached at Annex A and also the revised Treasury Management Policy Statement attached at Annex B.
14. The revised code has emphasised a number of key areas which have been taken into account in the Treasury Management Strategy and are highlighted as follows:
 - a) All councils must formally adopt the revised Code and four clauses (paragraph 13 and Annex A and B)
 - b) The strategy report will affirm that the effective management and control of risk are prime objectives of the Council's treasury management activities (paragraph 12)

- c) The Council's appetite for risk must be clearly identified within the strategy report and will affirm that priority is given to security of capital and liquidity when investing funds and explain how that will be carried out (paragraph 50)
 - d) Responsibility for risk management and control lies within the organisation and cannot be delegated to any outside organisation (paragraph 71)
 - e) Credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support (paragraph 57)
 - f) Councils need a sound diversification policy with high credit quality counterparties and should consider setting country, sector and group limits (paragraph 57-63)
 - g) Borrowing in advance of need is only to be permissible when there is a clear business case for doing so and only for the current capital programme or to finance future debt maturities (paragraph 34-36)
 - h) The main annual treasury management reports MUST be approved by full Council (paragraph 11)
 - i) There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved (paragraph 11)
 - j) Each council must delegate the role of scrutiny of treasury management strategy and policies to a specific named body (paragraph 11)
 - k) Treasury management performance and policy setting should be subjected to scrutiny (paragraph 11)
 - l) Members should be provided with access to relevant training.
 - m) Those charged with governance are also personally responsible for ensuring they have the necessary skills and training (paragraph 73)
 - n) Responsibility for these activities must be clearly defined within the organisation (paragraph 73)
 - o) Officers involved in treasury management must be explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council (this will form part of the updated Treasury Management Practices).
15. This strategy statement has been prepared in accordance with the revised Code. Accordingly, the Council's Treasury Management Strategy will be approved annually by full council and there will also be a mid year report. In addition there will be monitoring reports and regular review by Members in both executive and scrutiny functions. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

16. This Council will adopt the following reporting arrangements in accordance with the requirements of the revised Code:

Area of Responsibility	Council/ Committee/ Officer	Frequency
Treasury Management Policy Statement (revised)	Full council	Initial adoption before the start of the financial year – February 2010
Treasury Management Strategy / Annual Investment Strategy / MRP policy	Full council	Annually before the start of the financial year – February 2010
Treasury Management Strategy / Annual Investment Strategy / MRP policy – mid year report and updates or revisions at other times	Full council	Mid year / Quarterly
Annual Treasury Outturn Report	Full council	Annually by 30 September after the end of the financial year
Treasury Management Monitoring Reports	Executive	Quarterly
Treasury Management Practices	Officers	Annually
Scrutiny of treasury management strategy	Audit & Governance Committee	Annually
Scrutiny of treasury management performance	Audit & Governance Committee	Quarterly

Table 1 – Reporting Arrangements

17. CIPFA Prudential Code has also been revised to include the requirement that where there is a significant difference between the net and gross borrowing position, the risks and benefits associated with this are clearly stated in the treasury management borrowing strategy. An additional change has also occurred when reporting prudential indicators –where the authorised limit and operational boundary and actual external debt indicators are now to be reported as Treasury Indicators rather than prudential Indicators. This is a minor amendment as all indicators are presented together as one suite.

18. It should also be noted that the Department of Communities and Local Government (DCLG) is currently undertaking a consultation exercise on draft revised investment guidance which will result in the issue of amended investment guidance for English local authorities to come into effect from 1 April 2010. A separate report will be made to members to inform them when this guidance has been finalised. It is not currently expected that there will be any major changes required over and above the changes already required by the revised Code.

Balanced Budget Requirement

19. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:
- a. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
 - b. any increases in running costs from new capital projects
- are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

Treasury Limits 20010/11 –2014/15

20. It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Authorised Borrowing Limit”, and is the absolute maximum level of debt the Council is permitted to take. Within this limit there is an “Operational Borrowing Limit”, which is the maximum level of debt allowed for on going operational purposes. In reality the operational limit would only be breached as a result of in year cash flow movements.
21. The Council must have regard to the Prudential Code when setting the Authorised and Operational Limits which essentially requires the Council to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is ‘acceptable’. Both the operational limit and authorised limit have been reviewed in light of the capital investment plans, as set out in the capital programme, and rebased for 20010/11. They now stand at £188.3m and £228.3m respectively.
22. The “Authorised Borrowing Limit” incorporates external borrowing and other forms of liability, such as credit arrangements. Both limits are set on a rolling basis for the forthcoming financial year and two successive financial years as set out in the Prudential Code. Details of the Authorised Limit can be found in Annex C of this report – Prudential Indicators 2010/11 to 2014/15

Prudential Indicators

23. The Council is required by regulation to have regard to the Prudential Code when carrying out its duties under the Local Government Act 2003. The key objectives of the Prudential Code are to ensure, within a clear framework, that local authorities’ capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in

accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported. Annex C illustrates the Prudential Indicators for the next 3 financial years, as required by the prudential Code, 2010/11 to 2014/15 with a description of what each indicator represents.

24. The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. Full Council last adopted this on 21 February 2008 and the revised Code will be adopted by Full Council as part of this report on 25 February 2010.
25. The Prudential Indicators and adoption of the revised CIPFA Code of Practice on Treasury Management help drive the treasury management strategy and annual investment strategy. The effective management and control of risk are prime objectives of the Council's treasury management activities and the paragraphs below take account of all additional factors that need to be taken into consideration when formulating the treasury strategy.

Current Treasury Management Portfolio Position

26. The Council's current treasury portfolio position at 31 January 2010 is detailed below in Table 2:

Institution Type	Principal	Average Rate
<u>Public Works Loan Board</u> (PWLB) – Money borrowed from the Debt Mgt Office (Treasury Agency)	£98.065 m	4.217%
<u>Market Loans</u>		
Club Loan – A loan taken in conjunction with 2 other Authorities	£10.0m	7.155%
LOBO Loan – Lender Option Borrower Option	£5.0m	3.880%
Total Gross Borrowing	£113.065	4.462%
Total Investments	£ 40.550	2.25%
Net Debt	£ 72.515	

Table 2 – Current treasury portfolio position

27. The Council currently has £113.1m of fixed interest rate debt with an average life of loan of 20 years and average cost of debt of 4.46%. The Council currently has no variable rate borrowing. The Council is only permitted to borrow to invest in capital projects, unless permitted to do otherwise by the Government. Therefore the majority of the Councils existing debt is secured against its asset base.
28. Figure 1 shows the Councils current debt maturity structure as at 31 January 2010:

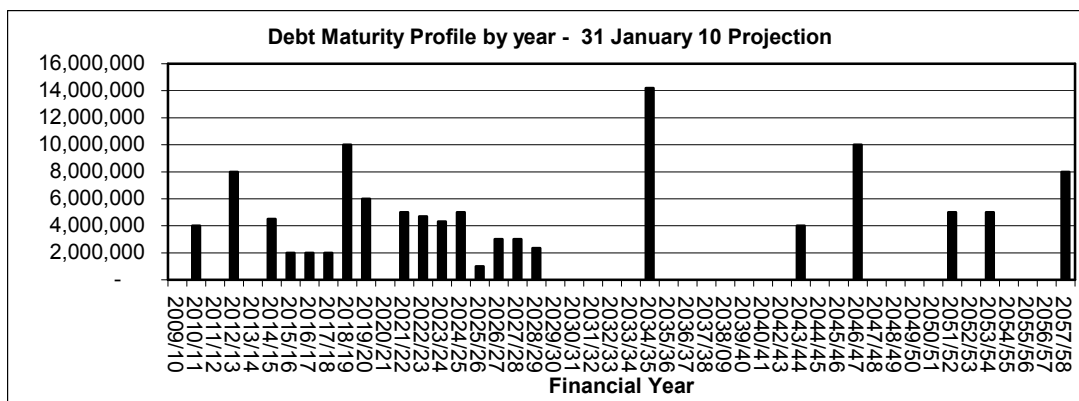


Figure 1 – Debt Maturity Profile as at January 2010

29. The Council’s total investments at 31 January 2010 was £40.55m of which £7.05m were held in instant access call accounts with the remaining £33.50m being invested in fixed term deposits on the UK money market.

Prospects for Interest Rates

30. Current interest rates and the future direction of both long term and short term interest rates have a major influence on the overall treasury management strategy and affects both investment and borrowing decisions. To facilitate treasury management officers in making informed investment and borrowing decisions the Council contracts Sector Treasury Services as its treasury advisers. Part of their service is to assist the Council in formulating a view on interest rates. Annex D draws together a number of current forecasts for short term (Bank Rate) and longer fixed term rates. Sector Treasury Services central view on the Bank rate forecast for the following years is detailed below in Table 3:

Year	2009/10	2010/11	2011/12	2012/13
Rate	0.50%	1.50%	3.50%	4.50%

Table 3 – Sector’s Bank Rate forecast

31. Sector Treasury services view of fixed long term borrowing rates (PWLb) and the base rate are also shown below in Figure 2.

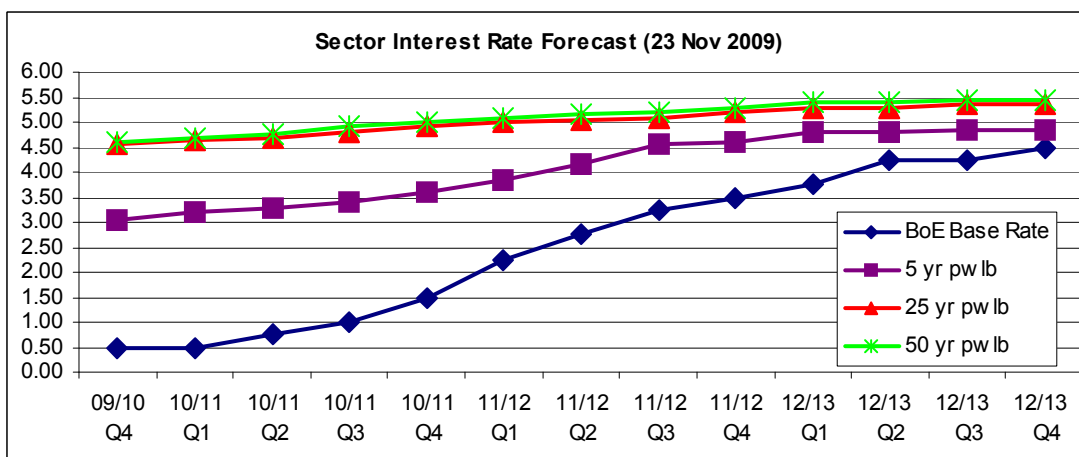


Figure 2 – Sector interest rate forecast

32. The graph clearly shows that the base rate and a range of PWLB borrowing rates are forecast to rise to between 4.5% and 5% in the foreseeable future. There is a downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected.

Economic Background

33. A detailed view of the current economic background is contained within Annex E and assists in the formulation of the treasury management strategy as it details the current economic and market environment.

Borrowing Strategy

34. Historically the Council has needed to borrow approximately £10m a year to finance its capital programme. This level of borrowing is the level at which the Government provide support through grant funding to cover the cost of interest payments and debt repayment. The Council intends to borrow above the level supported by Government grant funding in future years taking advantage of the Prudential Code (introduced April 2004) which allows Local Authorities to determine their own programmes for capital investment so long as the plans are affordable, prudent and sustainable.
35. The Financial Regulations currently delegate the approval of prudential borrowing less than £100k to the Director of Resources. The interest rate used is the Consolidate Rate of Interest on the loans portfolio. Executive currently approves the repayment period for all borrowing. In future, the Director of Resources should have full discretion to choose the length of the repayment period for all borrowing to ensure that borrowing matches the asset life. This will ensure value for money as it will allow prudential borrowing repayment periods to alter as asset life changes This is a day to day operational matter that should be delegated to the Director of Resources.
36. The main reason for the increase in unsupported borrowing to date is due to the delayed timing of capital receipts being received and large-scale investment in major assets that will result in long-term revenue savings to the Council. The key project is the Administrative Accommodation Rationalisation Project (£28m borrowing requirement)
37. As a result of the Capital programme 2010/11 to 2014/15 the borrowing requirement is projected to increase significantly from its current level of £113.1m in 2009/10 to £160.1m in 2014/15. The treasury management and borrowing strategy needs to reflect this position when considering the current economic and market environment. The Sector forecast for PWLB borrowing rates for future years is detailed below in table 4:

	Mar - 10	Jun - 10	Sep - 10	Dec - 10	Mar - 11	Mar - 12	Mar - 13
Bank rate	0.50%	0.50%	0.75%	1.00%	1.50%	3.50%	4.50%
5 yr PWLB rate	3.05%	3.20%	3.30%	3.40%	3.60%	4.60%	4.85%
10 yr PWLB rate	4.00%	4.05%	4.15%	4.30%	4.45%	5.00%	5.15%
25 yr PWLB rate	4.55%	4.65%	4.70%	4.80%	4.90%	5.20%	5.35%
50 yr PWLB rate	4.60%	4.70%	4.75%	4.90%	5.00%	5.30%	5.45%

Table 4 – Forecast of PWLB Borrowing Rates

38. In view of the above forecast the Council's borrowing strategy will be based upon the following information.
- a) Rates are expected to gradually increase during the year so it should therefore be advantageous to time new long term borrowing for the start of the year when 25 year PWLB rates fall back to or below the central forecast rate of about 4.65%.
 - b) Variable rate borrowing is expected to be cheaper than long-term borrowing and will therefore be attractive throughout the financial year compared to taking long term fixed rate borrowing.
 - c) PWLB rates on loans of less than ten years duration are expected to be substantially lower than longer-term PWLB rates offering a range of options for new borrowing.
 - d) There is expected to be little difference between 25 year and 50 year rates so therefore loans in the 25-30 year periods could be seen as being more attractive than 50 year borrowing as the spread between the PWLB new borrowing and early repayment rates is considerably less. This would maximise the potential for debt rescheduling and allow the Council to rebalance its debt maturity profile.
 - e) Fixed rate market loans at 25 – 50 basis points below the PWLB target rate offer the opportunity to maintain an appropriate balance between PWLB and market debt in the debt portfolio.
39. In light of these projections the proposed Council strategy is as follows:
- a) With medium to long term borrowing (25 - 50 year PWLB) forecast to be between 4.5% and 5% during the year and shorter borrowing forecast to be lower than 4.5% a suitable trigger point for considering PWLB fixed rate borrowing would be 4.5%. Borrowing will be considered throughout the financial year in order to spread risk, although concentration will be focussed in the first few months of 10/11 as rates are forecast to rise during the year. Consideration will also be given to the maturity profile of the debt portfolio so the Council is not exposed to the concentration of debt being in any one year.
 - b) Variable rate borrowing is also expected to be cheaper than long-term borrowing and will therefore be considered during the year. It should be noted, however, that variable rate borrowing would only bring short-term benefit and increase the risk to the Council of refinancing debt at a future date when it is forecast for rates to be at a higher level.

- c) Borrowing for the timing in shortfall of Capital receipts will be kept at the very short end - 1 or 2 years - in order to spread the interest rate cost over a number of years until budget pressures have eased and the capital receipt realised.
 - d) Consideration will also be given to not taking full level of borrowing required, in light of investment rates being lower than borrowing rates. The investment portfolio can be reduced and surplus funds used to support the capital borrowing requirement rather than new debt.
40. Caution in this approach will be adopted with the Director of Resources monitoring interest rates and ensuring a pragmatic approach is taken to changing circumstances reporting any decisions as part of the monitoring cycle.
41. The main sensitivities of the forecast are likely to be the two scenarios below. The Treasury Management team in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:
- if it were felt that there was a significant risk of a sharp fall in long and short term rates, due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.
 - if it were felt that there was a significant risk of a much sharper rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap

Policy on Borrowing in advance of need

42. Any decision to borrow in advance of need will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds. If Investment rates are higher than borrowing rates, the Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed.
43. The borrowing requirement is projected to increase significantly from its current level of £113.1m in 2009/10 to £160.1m in 2014/15 in line with the Capital programme Budget report 2010/11 to 14/15. Borrowing rates are forecast to rise in the future years in the current economic environment, whereas the level of investment rates are forecast to be lower.
44. Consideration will be given to borrowing in advance of need to seek to minimise the risk of being required to borrow a large amount of money in a

single year. The strategy therefore allows borrowing to be taken in advance of need if interest rates are at favourable levels or not to borrow until future years if borrowing rates remain above investment rates.

Policy on Gross and Net debt

45. The revised Prudential Code paragraph 43 now requires each authority to explain its policy on gross and net debt if there is a significant difference between them. This Council currently has a difference between gross debt (£113.1m) and net debt (£72.5m)(after deducting cash balances), of £40.6m.

Comparison of gross and net debt position at year end	2008/09	2009/10	2010/11	2011/12	2012/13
	Actual	Probable	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Gross external debt		113.1	136.1	158.2	161.9
Cash balances		40.6	36.0	29.0	26.0
Net debt		72.5	100.1	129.2	135.0

Table 5 – Comparison of Gross and Net Debt

46. The general aim of this treasury management strategy is to reduce the difference between the two debt levels over the next three years in order to reduce the credit risk incurred by holding investments. However, measures taken in the last year have already reduced substantially the level of credit risk (see paragraph 65) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
47. The next financial year is expected to be one of historically abnormally low Bank Rate. Therefore consideration will be given to reducing the level of the investment portfolio to support the capital investment requirement, rather than taking on new external borrowing.
48. Over the next three years, investment rates are expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short-term savings. Table 4, still shows debt levels increasing, this is largely due to delay in capital receipts realised and the borrowing is therefore short term. It is expected that this borrowing can be taken at rates below investment rates available. If not, further internal borrowing will be considered.
49. That said, the benefits of short term savings by avoiding new long term external borrowing in 2010/11 will also be weighed against the potential for

incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher.

50. The Council has examined the potential for undertaking early repayment of some external debt to the PWLB in order to reduce the difference between its gross and net debt positions. However, the introduction by the PWLB of significantly lower repayment rates than new borrowing rates in November 2007 has meant that to date large premiums would be incurred by such action and would also do so in the near term; such levels of premiums may not be justifiable on value for money grounds. This situation will be monitored in case the differential is narrowed by the PWLB or when repayment rates rise substantially.
51. Against this background caution will be adopted with the 2010/11 treasury operations. The Director of Finance will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

Debt Rescheduling

52. The introduction of the new PWLB rates structure on 1 November 2007 that introduced a spread between the rates applied to new borrowing and repayment of debt, (of about 40 – 50 basis points for the longest period loans narrowing down to 25 – 30 basis points for the shortest loans), has meant that PWLB to PWLB debt restructuring is now much less attractive for the Council than before that date. However, significant interest savings will still be achievable through using LOBOs (Lenders Option Borrowers Option) loans and other market loans (note commercial markets are not currently fully operational thus decreasing the likelihood of debt restructures).
53. As short term borrowing rates will be considerably cheaper than longer-term rates, there maybe opportunities to generate savings by switching from long term debt to short-term debt. However, these savings will need to be considered in the light of their short-term nature, the costs of premiums involved and the likely cost of refinancing those short-term loans, once they mature.
54. The reasons for any rescheduling to take place will include:
- a) the generation of cash savings and / or discounted cash flow savings;
 - b) helping to fulfil the strategy outlined in paragraph xx above, and
 - c) enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
55. There has been much discussion as to whether the size of spread between long term PWLB repayment and new borrowing rates should be revised (downwards) in order to help local authorities currently dissuaded

from using investment cash balances to repay long term borrowing and thereby reduce counterparty and interest rate risk exposure. The Debt management office / PWLB have issued a consultation document with suggested options to revise the methodology used to calculate the early repayment rate. The consultation period ended in January 2010 and this authority will monitor developments in this area and may amend its strategy if significant changes are introduced

56. Any rescheduling will be reported in accordance with the usual monitoring cycle.

Investment Strategy

57. The Council will have regard to the department of Communities and Local Government's (DCLG) Guidance on Local Government Investments ("the Guidance") issued in March 2004, any revisions to that guidance, the Audit Commission's report on Icelandic investments (which was reported in the Annual Outturn report 2008/09) and the 2009 CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

58. The Council's investment priorities are the security of capital and the liquidity of its investments. The Council also aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments, see later in the section of the Creditworthiness Policy.

59. The borrowing of monies specifically to invest or lend on and make a return is unlawful and the Council will not engage in such activity.

60. Investment instruments identified for use in the financial year are listed in Annex F under the Specified and Non-Specified Investments categories. Counterparties limits will be as set through the Council's Treasury Management Practices Schedule. Consideration will be given throughout the year and approval requested where necessary to the alteration of the specified and non-specified investment categories to allow the continued effective management of the Council's treasury management operations. The Council continues to take a prudent approach to investing funds as set out in the Creditworthiness Policy below.

61. The Council's in-house funds are mainly cash flow derived. Investments will accordingly be made with reference to the core balance, cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). The Council uses matrices that stipulate both time and financial limits in order to spread counterparty (credit) risk when investing money with approved counterparties.

62. The market interest rate outlook for 2010/11 is based on the position of the Bank Rate. The Bank Rate has been unchanged at 0.50% since March

2009 but is forecast to commence rising in quarter 3 of 2010 and then to rise steadily from thereon. Bank rate forecast for the financial year-end are as follows: 2009/10 0.50%, 2010/11 1.50%, 2011/12 3.50% and 2012/13 4.50%. There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected. The Council should therefore avoid locking into longer-term deals while investment rates are down at historically low levels, unless exceptionally attractive rates are available which make longer-term deals worthwhile.

63. For 2010/11 the Council has budgeted for an investment return of 1% on investments placed during the financial year. For its cash flow generated balances, the Council will seek to utilise short dated fixed term deposits along with instant access business reserve accounts (call accounts) in order to benefit from the compounding of interest.

64. At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Creditworthiness Policy

65. This Council uses the creditworthiness service provided by Sector Treasury Services. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

66. This modelling approach combines credit ratings, credit watches, credit outlooks and CDS (Credit Default Swap) spreads in a weighted scoring system for which the end product is a series of colour code bands, which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much-improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

67. The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within the following durational bands:

- Purple 2 years

- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No colour not to be used

68. This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys are currently very much more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Sector creditworthiness service does though, use ratings from all three agencies, but by using a scoring system, does not give undue preponderance to just one agency's ratings.

69. All credit ratings will be monitored on an ongoing basis as information is provided weekly basis and also adhoc. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service:

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

70. Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and information, information on government support for banks and the credit ratings of that government support.

71. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). This list will be added to or deducted from by officers should ratings change in accordance with this policy.

Minimum Revenue Provision (MRP) Policy Statement

72. Statutory Instrument 2008 no. 414 s4 explains that a local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent. This is a substitution for the previous requirement to comply with regulation 28 in S.I. 2003 no. 3146, (as amended).

73. Along with the above duty, the Government issued new guidance in February 2008 which requires that a Statement on the Council's policy for

its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

74. The Council are legally obliged to “have regard” to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The four options are:
- a) The regulatory method – 4% of the borrowing outstanding;
 - b) The Capital Financing Method – 4% of the Council’s Capital Financing Requirement;
 - c) The Depreciation Method – repayment of the debt over its depreciation life;
 - d) The Asset Life Method – repayment over the life of the asset to which the borrowing has been taken to fund.
75. Options a and b have broadly the same impact on the Council and the DCLG states are only used for the government supported borrowing. Option c would take the maximum repayment period to 40 years on operational land and buildings. Option d would take the maximum repayment period up to 60 years for some assets.
76. There are merits in adopting all the options, however, in terms of prudence it is recommended that the Council adopts option b for government supported borrowing and option d for unsupported borrowing, with a caveat that the asset life is an absolute maximum and wherever possible the debt should be repaid over a shorter period. To this end it is recommended that the standard repayment period should be up to 25 years or less if the asset life is shorter, unless approval is sought to extend the repayment provision over a longer period and a formal business case is made to the Executive to do so.
77. It should be noted that with all debts, the longer the repayment period the more is paid in interest over the period of the loan. It is therefore deemed as prudent to reduce the period over which the repayments are made.

Policy on use of External Service providers

78. The Council uses Sector Treasury Services as its external treasury management advisers.
79. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

80. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Scheme of Delegation and the Role of the Section 151 Officer

81. Those charged with governance are responsible for the treasury management activities and these need to be clearly defined within the organisation. Attached at Annex G are the Treasury Management Scheme of Delegation and also the Treasury Management role of the section 151 officer (the Director of Resources).

Corporate Priorities

82. The Treasury Management Strategy Statement and Prudential Indicators are aimed at ensuring the Council maximises its return on investments and minimises the cost of its debts, to allow more resources to be freed up to invest in the Council's priorities, values and imperatives, as set out in the Corporate Strategy.

Implications

- **Financial** – The revenue implications of the treasury strategy are set out in the Revenue Budget report on this agenda.
- **Human Resources (HR)** – None
- **Equalities** – None
- **Legal** – Complying with the Local Government Act 2003
- **Crime and Disorder** – None
- **Information Technology (IT)** – None
- **Property** – None

Risk Management

83. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required. The Prudential Indicators, adopted 4 Clauses of "the Code" and the treasury management policy statement are all attached at Annex A, B and C respectively.

Recommendations

84. The Executive are asked to recommend that Council approve:

- a. The proposed Treasury Management Strategy for 2009/10
- b. The Prudential Indicators for 2009/10 to 2013/14 (Annex C);
- c. The revised CIPFA Treasury Management Code of Practice 2009 “the Code” and revised Treasury Management Policy Statement (Annex A & B)
- d. The Specified and Non-specified investments schedule (Annex F)
- e. The Scheme of Delegation and the Role of the Section 151 Officer (Annex G)
- f. The Financial Regulations be amended to give delegated authority to the Director of Resources to have full discretion to choose the length of the repayment period for all prudential borrowing as set out in paragraph 35.
- g. The Treasury Management Reporting arrangements set out in paragraph 16, table 1, as described by “the Code” and the terms of reference in the Constitution be amended to include that Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports

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

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Chief Officer Responsible for the report:

Ian Floyd
 Director of Resources

**Report
 Approved**

Date 03/02/10

Ian Floyd
 Director of Resources

**Report
 Approved**

Date 03/02/10

Specialist Implications Officer(s)

N/a

Wards Affected:

All

For further information please contact the author of the report

Background Papers

2009/10 monitoring workings

Prudential Indicator Workings 09/10 – 13/14

Treasury Management budget 10/11

Capital Budget Control 09/1008/09.

Sector Treasury Services -Treasury Management Advisers Commentary.

Annexes

Annex A – Revised CIPFA Treasury Management Code of Practice 2009

Annex B – Treasury Management Policy Statement

Annex C – Prudential Indicators 2009/10 – 2013/14

Annex D – Prospects for Interest Rates

Annex E – Economic Background

Annex F – Specified and Non-Specified Investments categories Schedule

Annex G – Scheme of Delegation and the Role of the Section 151 Officer

Annex A

Adoption of the revised CIPFA Treasury Management Code of Practice 2009

1. The CIPFA Code of Practice on Treasury Management in Local Authorities was last updated in 2001 and has been revised in 2009 in the light of the default by Icelandic banks in 2008. The revised Code requires that a report be submitted to the council, board or other appropriate body, setting out four amended clauses which should be formally passed in order to approve adoption of the new version of the Code of Practice and Cross-Sectoral Guidance Notes.
2. The revised Code also includes an amended version of the treasury management policy statement (TMPS) incorporating just three clauses and a revised definition of treasury management activities. The Code does not require this statement to be approved by the council, board or other appropriate body.
3. The revised Code has also set out various requirements which have been summarised in paragraph 14 of the Treasury Management Strategy Statement report.
4. CIPFA recommends that all public service organisations adopt the following four clauses.
 1. This organisation will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. This organisation (i.e. full board/council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Director of Resources, who will act in accordance with the organisation's policy statement and TMPs and, as a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
4. This organisation nominates Audit & Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

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Annex B

TREASURY MANAGEMENT POLICY STATEMENT

1. This organisation defines its treasury management activities as: “The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.”

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Annex C

PRUDENTIAL INDICATORS			2009/10	2010/11	2011/12	2012/13	2013/14	2013/14
			Probable Outturn	estimate	estimate	estimate	estimate	estimate
			£'000	£'000	£'000	£'000	£'000	£'000
1)	Capital Expenditure							
	To allow the authority to plan for capital financing as a result of the capital programme. To enable the monitoring of capital budgets to ensure they remain within budget	Non - HRA	6,884	6,908	7,575	7,128	8,973	0
		HRA	56,043	66,116	57,297	35,891	20,845	24,183
		TOTAL	62,927	73,024	64,872	43,019	29,818	24,183
2)	Ratio of financing costs to net revenue stream							
	This indicator estimates the cost of borrowing in relation to the net cost of Council services to be met from government grant and council tax payers. In the case of the HRA the net revenue stream is the income from Rents and Subsidy	Non - HRA	6.90%	9.30%	10.06%	10.57%	10.61%	10.50%
		HRA	3.10%	3.11%	1.20%	0.81%	0.52%	0.52%
3)	Incremental impact of capital investment decisions - Council Tax		£ p	£ p	£ p	£ p	£ p	£ p
	Shows the actual impact of capital investment decisions on council tax. The impact on council tax is a fundamental indicator of affordability for the Council to consider when setting forward plans. The figure relates to how much of the increase in council tax is used in financing the capital programme and any related revenue implications that flow from it.	Increase in Council Tax (band D) per annum	19.49	25.43	21.82	16.69	8.53	0.19
4)	Incremental impact of capital investment decisions - Hsg Rents		£ p	£ p	£ p	£ p	£ p	£ p
	Shows the actual impact of capital investment decisions on HRA rent. For CYC, the HRA planned capital spend is based on the government's approved borrowing limit so there is no impact on HRA rents.	Increase in average housing rent per week	0.00	0.00	0.00	0.00	0.00	0.00
5)	Capital Financing Requirement as at 31 March		£'000	£'000	£'000	£'000	£'000	£'000
	Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	Non - HRA	106,763	128,483	140,617	149,257	149,736	148,384
		HRA	12,235	12,610	12,610	12,610	12,610	12,610
		TOTAL	118,998	141,093	153,226	161,866	162,345	160,994

6a)	Authorised Limit for external debt -		£'000	£'000	£'000	£'000	£'000	£'000
	The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long term liabilities for 3 financial years.	borrowing	187	192	202	211	221	221
		other long term liabilities	0	0	0	0	0	0
		TOTAL	187	192	202	211	221	221
6b)	Operational Boundary for external debt -		£'000	£'000	£'000	£'000	£'000	£'000
	The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.	borrowing	167	172	182	191	201	201
		other long term liabilities	0	0	0	0	0	0
		TOTAL	167	172	182	191	201	201
7)	Adoption of the CIPFA in Public Services: Code of Practice and Cross-Sectoral Guidance Notes	Recommended in the Treasury Management Strategy 2010/11 to 2014/15						
8a)	Upper limit for fixed interest rate exposure							
	The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts	Net principal re fixed rate borrowing / investments	114%	108%	105%	104%	104%	104%
8b)	Upper limit for variable rate exposure							
	The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts	Net principal re variable rate borrowing / investments	-14%	-8%	-5%	-4%	-4%	-4%

			2009/10	2010/11	2011/12	2012/13	2013/14	2013/14
			£'000	£'000	£'000	£'000	£'000	£'000
9)	Upper limit for total principal sums invested for over 364 days							
	The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year. The limits are set as a percentage of the average balances of the investment portfolio.	Upper Limit	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000
10)	Maturity structure of new fixed rate borrowing during 2006/07		Upper Limit	Lower Limit				
		under 12 months	20%	0%				
	To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long term loans mature in different periods thus spreading the risk.	12 months and within 24 months	20%	0%				
		24 months and within 5 years	25%	0%				
		5 years and within 10 years	40%	0%				
		10 years and above	90%	30%				

Glossary Of Abbreviations

HRA Housing Revenue Account
SORP Statement of Recommended Practice - for Local Authority Accounting

CYC City of York Council
CFR Capital Financing Requirement

Explanation of Certain Indicators:

- Ratio of financing costs to net revenue stream** – In 10/11 this indicator significantly increase due to the amount of borrowing required to be taken out in due to the capital receipts not being received. In future years this indicator remains fairly static due to the timing of the capital receipts being received, which reduces the affect of further borrowing.
- Incremental impact of capital investment decisions on Council Tax** – the increased borrowing in 10/11 increases the finance costs in 11/12 and therefore a marked rise in the increase on council tax.

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Annex D

Interest Rate Forecasts

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. INDIVIDUAL FORECASTS**Sector Treasury Services interest rate forecast – 23.11.09**

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Bank rate	0.50%	0.50%	0.75%	1.00%	1.50%	2.25%	2.75%	3.25%	3.50%	3.75%	4.25%	4.25%	4.50%
5yr PWLB rate	3.05%	3.20%	3.30%	3.40%	3.60%	3.85%	4.15%	4.55%	4.60%	4.80%	4.80%	4.85%	4.85%
10yr PWLB rate	4.00%	4.05%	4.15%	4.30%	4.45%	4.60%	4.80%	4.90%	5.00%	5.10%	5.10%	5.15%	5.15%
25yr PWLB rate	4.55%	4.65%	4.70%	4.80%	4.90%	5.00%	5.05%	5.10%	5.20%	5.30%	5.30%	5.35%	5.35%
50yr PWLB rate	4.60%	4.70%	4.75%	4.90%	5.00%	5.10%	5.15%	5.20%	5.30%	5.40%	5.40%	5.45%	5.45%

Capital Economics interest rate forecast – 5.11.09

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB rate	2.65%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%
10yr PWLB rate	3.15%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%
25yr PWLB rate	3.95%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
50yr PWLB rate	4.15%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%

UBS interest rate forecast (for quarter ends) – 30.10.09

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Bank Rate	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%
10yr PWLB rate	3.90%	4.05%	4.40%	4.75%	4.90%	5.15%	5.40%	5.40%
25yr PWLB rate	4.45%	4.65%	5.00%	5.15%	5.40%	5.65%	5.90%	5.90%
50yr PWLB rate	4.55%	4.75%	5.10%	5.25%	5.50%	5.75%	6.00%	6.00%

Continued Annex D

2. SURVEY OF ECONOMIC FORECASTS

HM Treasury December 2009 – summary of forecasts of 23 City and 12 academic analysts for Q4 2009 and 2010. Forecasts for 2010 to 2013 are based on 21 forecasts in the last quarterly forecast – November 2009.

BANK RATE FORECASTS	actual	quarter ended		annual average Bank Rate			
		Q4 2009	Q4 2010	ave. 2010	ave. 2011	ave. 2012	ave. 2013
Median	0.50%	0.50%	1.30%	0.70%	1.80%	3.00%	3.70%
Highest	0.50%	0.50%	2.30%	1.30%	3.30%	4.30%	4.60%
Lowest	0.50%	0.50%	0.50%	0.50%	0.50%	1.00%	1.40%

Economic Background

Introduction

1. The credit crunch storm of August 2007 eventually fed through to the near collapse of the world banking system in September 2008. This then pushed most of the major economies of the world into a very sharp recession in 2009 accompanied by a dearth of lending from banks anxious to rebuild their weakened balance sheets. Many governments were forced to recapitalise and rescue their major banks and central banks precipitately cut their central bank rates to 0.10 – 1.00% in order to counter the recession.
2. The long awaited start of growth eventually came in quarter 3 2009 in the US and the EU. However, there was disappointment that the UK failed to emerge from recession in quarter 3.
3. Inflation has plunged in most major economies and is currently not seen as being a problem for at least the next two years due to the large output gaps and high unemployment putting a lid on wage growth. In many countries there have been widespread pay freezes in 2009 and these are likely to be persistent for some time.
4. Deflation could become a threat in some economies if they were to go into a significant double dip recession.
5. Asian countries, especially China, are buoying world demand through their own stimulus measures.
6. There still needs to be a radical world rebalancing of excess savings rates by cash rich Asian and oil based economies and excess consumption rates in Western economies if the world financial system is not to avoid a potential rerun of this major financial crisis in years to come.
7. Most major economies have resorted to a huge expansion of fiscal stimulus packages in order to encourage a fast exit from recession. This, together with expenditure on direct support provided to ailing banks, has led to a drastic expansion in government debt levels which will take many years to eliminate and to restore the previous health of national finances.

Two growth scenarios

8. The current big issue is 'how quickly will the major world economies recover?' There is a sharp division of opinion on this question as set out below. The knock on effects on forecasts for interest rates can be seen in Annex D – UBS strong recovery, Capital Economics – weak recovery.

Scenario 1: Strong recovery

9. This is a normal cyclical recovery which will be strong in the major world economies. The US still has potential to add further fiscal stimulus in 2010 to ensure that strong recovery continues after the current round of stimulus measures end. Growth in the EU is likely to be strong in 2010 and not require such help.

The UK:

10. GDP growth will almost get back to the long term average of about 2.5% in 2011 but is likely to peak in the first half of the year as inventory rebuilding and stimulus measures fade and fiscal contraction kicks in later in the year.
11. The economy will rebalance with strong growth in exports and import substitution helped by strong recovery in the EU and the rest of the world.
12. Sterling has depreciated by 25% since the peak in 2007 and is likely to stay weak.
13. Consumer spending – only a mediocre recovery is expected due to a steady increase in the savings ratio from +5.6% in 2009 to about 8% in 2011 as consumers pay down debt or build cash balances. Consumer incomes will be held down by wage freezes and increases in taxation.
14. House price recovery is expected to persist helped by a low Bank Rate for a prolonged period; the peak to trough fall in house prices is now expected to be no more than 20%. House prices to rise by about 6% in 2010, and 3% in 2011; mortgage approvals will rise back to the level of 75 - 80,000 per month needed to ensure a continuation of a trend of rising house prices.
15. CPI inflation to peak @ 2.5% in early 2010 after the rise in VAT in January but then to fall to a trough near 1.5% in early 2011 and to stay below 2% for the rest of 2011.
16. The current MPC attitude is one of hang on as long as possible before increasing Bank Rate. The aim of this would be to try to ensure that growth gets going at a decent rate and that Bank Rate gets back to 4 – 5% before the next recession and that all assets purchased through QE have been sold off by then. The first Bank Rate increase is expected in Q3 2009.
17. If there is a change of Government in 2010 with a more aggressive fiscal approach then this could delay the timing of Bank Rate starting to go up.

18. The fiscal deficit is 6.4% of GDP, about £90bn, which is expected to fall at £11bn p.a. over eight years at currently planned rates. This is similar to the peak deficit of 7% in 1990s which was remedied to a surplus of 1.6% in the space of 6 years helped by strong, steady economic growth of 3% p.a. supported by loose monetary policy that compensated for the fiscal squeeze.
19. Gilt yields, especially longer term ones, are currently artificially low due to the Bank of England's Quantitative Easing operations. £200bn of gilts, commercial bonds and paper are being purchased under this scheme which has inflated prices and depressed yields. Once this campaign ends, yields will inevitably rise but will also rise due to the huge level of issuance of new gilts to finance the fiscal deficit. Long gilt yields are therefore forecast to reach 6% during 2011.
20. Gilt yields could rise higher if there was a hung Parliament in 2010 or if the fiscal situation deteriorates further.
21. The major risk to this scenario would be a lack of supply of bank credit. However, it is felt that the Bank of England is on alert to ensure that this does not happen and would continue various measures to assist the expansion of credit.

Scenario 2 - Weak recovery

22. The current economic cycle is not a normal business cycle but a balance sheet driven cycle. Over borrowed banks, corporates and consumers are focused on shrinking their levels of borrowing to more viable and affordable levels and this balance sheet adjustment will take several years to be effected. Repayment of debt will therefore act as a major head wind to the required increase in demand in the economy. Consequently there will only be weak economic recovery over the next few years after the initial sharp inventory rebuilding rebound fades. GDP growth is forecast to reach only +1.5% in 2011.
23. Fiscal contraction will further dampen economic recovery driven by a strong political agenda to accelerate cuts in expenditure and increases in taxation after the general election in 2010.
24. The consumer savings ratio will rise so as to eliminate over borrowing and to insure against people losing their jobs during this downturn. This will depress consumer expenditure, the main driver of the UK economy.
25. Growth will also be hampered by a reduced supply of credit from weakened banks compounded by weak demand for credit.

26. The eventual reversal of Quantitative Easing will take cash out of the economy and reduce demand in the economy.
27. Unemployment is likely to rise to near to 3m in 2010 and take years to subside due to weak growth. High unemployment will reduce tax income and increase expenditure on benefits and the costs of local authority services.
28. Inflation will not be a threat for several years as the current 6% output gap will take until 2014 to be eliminated. However, deflation is a major danger for some years: the major falls in manufacturing prices over the last 12 -18 months have still to feed through to the economy and then to impact wage deflation.
29. CPI inflation will blip up over 2% in early 2010 but will then be on a strong downward trend to about -1% in 2011.
30. There is no need for the MPC to change Bank Rate from 0.5% in 2010 or 2011 and possibly for 5 years as they will need to counter the fiscal contraction which will dampen demand in the economy.
31. Long PWLB rates will FALL from current levels to near 4% in 2010 due to weak economic recovery and minimal inflation so that the real rate of return (net of inflation) on long gilts is healthy at these low levels

Treasury Management Advisers - Sector Treasury Service's view

32. Sector Treasury Services recognises that at the current time it is difficult to have confidence as to exactly how strong the UK economic recovery will prove to be. Both the above scenarios are founded on major assumptions and research which could or could not turn out to be correct. Sector Treasury Services has adopted a more moderate view between these two scenarios outlined above i.e. a moderate return to growth.
33. It is felt that the risks that long term gilt yields and PWLB rates will rise markedly are high.
34. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas: -
 - i. degree of speed and severity of fiscal contraction after the general election
 - ii. timing and amounts of the reversal of Quantitative Easing,
 - iii. speed of recovery of banks' profitability and balance sheet imbalances
 - iv. changes in the consumer savings ratio
 - v. rebalancing of the UK economy towards exporting and substituting imports

35. The overall balance of risks is weighted to the downside i.e. the pace of economic growth disappoints and Bank Rate increases are delayed and/or lower.
36. There is an identifiable risk of a double dip recession and deleveraging creating a downward spiral of falling demand, falling jobs and falling prices and wages leading to deflation but this is considered to be a small risk and an extreme view at the current time on the basis of current evidence

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Specified and Non-Specified Investments Categories

SPECIFIED INVESTMENTS:

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	Coded: Orange on Sectors Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Individual B, Support 2 Or equivalent rating from Standard & Poors and Moody's	In-house
Certificates of deposits issued by banks and building societies covered by UK Government guarantee	Fitch's rating: Short-term F1+, Long-term AA-, Individual B, Support 2 or equivalent rating from Standard & Poors and Moodys	In-house buy and hold and Fund Managers
UK Government Gilts	Long term AAA	In-house buy and hold and Fund Managers
Bonds issued by multilateral development banks	Long term AAA	In-house buy and hold and Fund Managers
Bonds issued by a financial institution which is guaranteed by the UK government	Long term AAA	In-house buy and hold and Fund Managers
Sovereign bond issues (i.e. other than the UK govt)	AAA	In-house buy and hold and Fund Managers
Treasury Bills	--	Fund Managers
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	Short-term F1, Long-term AAA Volatility rating	In-house and Fund Managers
2. Money Market Funds	Short-term F1, Long-term AAA Volatility rating	In-house and Fund Managers
.3. Enhanced cash funds	Short-term F1, Long-term AAA Volatility rating	In-house and Fund Managers
4. Bond Funds	Long-term AAA Volatility rating	In-house and Fund Managers

5. Gilt Funds	Long-term AAA Volatility rating	In-house and Fund Managers
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Since the credit crunch crisis there have been a number of developments that require separate consideration:

Nationalised banks in the UK have credit ratings, which do not conform to the credit criteria usually used by local authorities to identify banks, which are of high creditworthiness. In particular, as they no longer are separate institutions in their own right, it is impossible for Fitch to assign them an individual rating for their stand-alone financial strength. Accordingly, Fitch have assigned an F rating which means that at a historical point of time, this bank failed and is now owned by the Government. However, these institutions are now recipients of an F1+ short term rating as they effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. They also have a support rating of 1; in other words, on both counts, they have the highest ratings possible.

UK banking system support package. Please note that the UK Government has NOT given a blanket guarantee on all deposits but has underlined its determination to ensure the security of the UK banking system by supporting eight named banks with a £500bn support package. Therefore, this authority will authorise lending to those named banks on the basis of that implicit guarantee on local authority deposits placed with these eight banks up to a limit of 1 year. The eight Banks eligible for support under the UK bail-out package: Abbey, Barclays, HBOS, Lloyds TSB, HSBC, Nationwide Building Society, RBS, Standard Chartered

Blanket guarantees on all deposits. Some countries have supported their banking system by giving a blanket guarantee on ALL deposits e.g. Ireland and Singapore. The sovereign rating of those countries is considered to take precedence over the individual credit ratings for the banks covered by that guarantee, if the sovereign rating has a credit criteria of AAA. Currently this is not the case and no deposits are invested with Countries with blanket guarantees.

Other Countries banking system support packages. In addition, this authority does not rely on the implicit guarantee for the banking systems of other countries, like the UK banking support package. Sector Treasury Services, treasury management advisers, do not provide an information service on other countries support packages.

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
UK Government support to the banking sector	Sovereign rating	In-house and Fund Managers	100%	1 Year

Points to Note:

If **forward deposits** are to be made, the forward period plus the deal period should not exceed one year in aggregate.

N.B. **buy and hold** may also include sale at a financial year-end and repurchase the following day in order to accommodate the requirements of SORP.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, a review of the accounting implications of new transactions will be occur before they are undertaken.

NON-SPECIFIED INVESTMENTS:

A maximum of 100% can be held in aggregate in non-specified investment

1. Maturities of ANY period

	* Minimum Credit Criteria	Use	*** Max % of total investments	Max. maturity period
Term deposits – banks and building societies	Coded: red and green on Sectors Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	100%	3-6 Months
Fixed term deposits with variable rate and variable maturities: -Structured deposits	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house	25%	1 Year
Certificates of deposits issued by banks and building societies NOT covered by UK Government guarantee	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house buy and hold and Fund Managers	30%	1 Year
Commercial paper issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house and Fund Managers	30%	1 Year
Commercial paper other	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house	30%	1 Year
Corporate Bonds issued by UK banks covered by UK Government guarantee: the use of these investments would constitute capital expenditure	UK Government explicit guarantee	In-house and Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure

Corporate Bonds other: the use of these investments would constitute capital expenditure	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house and Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure
Other debt issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house and Fund Managers	30%	
Floating Rate Notes: the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank	Long-term AAA	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure
Property fund: the use of these investments would constitute capital expenditure	--	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure

2. Maturities in excess of 1 year

Term deposits – local authorities	--	In-house	10%	> 1 year
Term deposits – banks and building societies	Coded: Purple on Sectors Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Individual B, Support 2 Or equivalent rating from Standard & Poors and Moody's	In-house	10%	> 1 year
Certificates of deposits issued by banks and building societies	Short-term F1+, Long-term AA-, Individual B, Support 2	In house and Fund Managers	10%	> 1 year
UK Government Gilts	AAA	In-house and Fund Managers	10%	> 1 year
Bonds issued by multilateral development banks	AAA	In-house and Fund Managers	10%	> 1 year
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house and Fund Managers	10%	> 1 year
Sovereign bond issues (i.e. other than the UK govt)	AAA	In-house and Fund Managers	10%	> 1 year

Treasury Management Scheme of Delegation

(i) Executive / Full Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

(ii) Executive

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit & Governance Committee

- receiving and scrutinising reports on treasury management policies, practices and activities
- scrutinising the annual strategy

(iv) Director of resources (Section 151 Officer)

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

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Executive

16 February 2010

Report of the Director of Resources

Financial Strategy 2010-2016

Summary

- 1 This paper presents the Financial Strategy 2010-2016 including the detailed Revenue Budget proposals for 2010/11. There are separate reports on the agenda covering the capital budget and the treasury management strategy. The proposals in this paper present a balanced budget for the council for 2010/11 with the following key features:
 - a. Revenue investment of £14.794m the funding for which will be achieved through:
 - i Revenue savings. The council has gone through a very rigorous and difficult exercise to propose revenue savings of £6.627m which increase the efficiency of the organisation but will have minimal impact on front line services
 - ii Efficiency savings from the first year of the More for York programme will deliver further savings of £4.500m of which £0.775m is incorporated into the council tax base leaving £3.725m to fund revenue investment
 - iii An additional £2.564m from a City of York Council tax rise of 2.9% resulting in a Band D Council Tax, for City of York Council only, of £1,092.97, an increase of £30.80
 - iv Meeting £0.500m of one-off expenditure from the venture fund
 - v Meeting £0.288m of one-off expenditure from the collection fund surplus available
 - vi Additional formula grant funding of £1.090m;
 - b. A net revenue budget of £117.978m, which will be funded by:
 - i Council tax income of £72.619m
 - ii Government grant of £44.571m
 - iii Use of reserves at £0.500m
 - iv Collection fund surplus adjustment of £0.288m;

- c. Funding for pupil led aspects of education, primarily schools, of £92.905m to be met by the Dedicated Schools Grant;
 - d. A comprehensive consultation exercise has been undertaken as part of the budget process. The recommendations in this report are based on a set of proposed growth and savings items which when amalgamated with the grant settlement and a 2.9% council tax increase produce a balanced budget. In considering whether or not to accept any of these additional proposals Members need to take due cognizance of the need to ensure that any amendments to the budget are balanced, that is
 - savings and growth must either equal each other, or
 - the net value of savings and growth changes must be corrected via appropriate transfers to or from reserves, or
 - the net value of savings and growth changes must result in equivalent adjustments to the council tax levied by the council, or
 - the net value of savings and growth changes must be reflected in adjustments to the fees and charges levied.
- 2 The directorate savings identified are likely to result in 35 fte posts being lost, with approximately a further 100 from the More for York transformation programme. Every effort will be made to redeploy the staff affected. However, these proposals will enable the council to maintain and continue to improve its existing quality services (such as education and social care) whilst investing in core priorities and areas of need.
- 3 Alongside this the council has also been able to maintain public priorities such as:
- free national bus passes for the over 60's
 - free evening car parking for residents
 - freeze most parking charges
 - enhanced waste recycling arrangements, and
 - invest £1m of capital resources in highways maintenance.
- 4 It is useful to put this in the context of a council tax increase of approximately 59 pence per week and that in 2009/10 York had the second lowest council tax and the lowest spend per person of any Unitary Authority.
- 5 In addition to known commitments there are increasing volume and price/cost demands on services, particularly in children's and adult social services and in waste:
- landfill tax increase of £8 per tonne per annum will add around £0.5m to costs
 - the number of looked after children in York continues to increase, with a rise of 35% in the numbers between March 2008 and December 2009. Associated costs include fostering, out-of-city placements and guardianship and legal fees. In total an additional sum of £1.5m has been included in the budget

- A further £0.5m has been incorporated to fund increased demand for adult learning and disabilities services, including complex cases, and for home care contracts.
- 6 The total non-schools directorate growth allowed for in the proposed budget is £10.551m. A full list of these pressures is shown at Annex 3.
 - 7 To help fund the rising budget pressures and keep council tax down the non-schools budget proposals include efficiency savings and income generation proposals of £6.627m. A full list is shown at Annex 4. In addition to this a further gross efficiency saving of £4.5m (net £3.725m) will be delivered through the council's transformation programme, More for York. In total these savings amount to a gross sum of £11.128m.
 - 8 Members should note that there are a number of potential expenditure pressures which may materialise in 2010/11 but which cannot at this stage be quantified with any certainty. Whilst there were no ongoing allocations made during 2009/10 it has been crucial in providing funding for issues that have arisen in year, and the proposed base budget contingency provision of £855k is recommended as a minimum level for 2010/11 based on a risk assessment of all the as yet unquantified financial issues that face the council next year. The contingency allows for just under 80% of the known issues to be funded should they arise. Possible calls on this contingency are detailed in Annex 7 and summarised in paragraph 57.
 - 9 The medium term plan sets out the forecast expenditure plans for the council for the following five years compared with projected levels of grants and council tax. It identifies the need for efficiencies/savings of around £10m per annum. It is clear that the council faces a number of significant pressures in coming years resulting in the need to deliver efficiency savings whilst ensuring service quality is maintained and improved. A number of key assumptions are made within the financial plans, and these are set out later in this report.
 - 10 The budget as set out continues significant investment in a range of council priorities and provides for affordable investment in a range of pressures and priorities facing the council. Medium term planning has been enhanced through the revised strategies, which seek to ensure prudent and affordable financial planning over the longer term. The impact of the budget proposals is considered within the report, with specific reference to council priorities, the economic downturn and consultation.
 - 11 The strategy takes particular account of the economic downturn, this is important in terms of risk and also in terms of the council making a positive contribution to dealing with the economic situation. In terms of risk various factors are considered, including particularly levels of income, eg car parking and treasury management. Additional information is included in the section on budget impact assessment.

REVENUE BUDGET 2010/11 - DETAILED ANALYSIS

Background

- 12 The base for the 2010/11 budget is the council's net revenue budget for 2009/10 of £113.536m. The medium term financial strategy (MTFS) for 2009/10 (presented to the Executive on 15 December 2009) included the following key assumptions:
- a a council tax rise of 2.9%
 - b a formula grant rise of 2.5%
 - c cash limiting budgets for directorates, with the need to self-fund all non-exceptional budget pressures within this cash limit, including:
 - i pay increases, i.e. operating on a cash standstill basis
 - ii inflationary increases, as above
 - iii any cost of appeals and increments arising from the pay and grading review
 - iv one-off growth items to reduce pressure on the council's reserves
 - d an assumed level of savings gained through the More for York programme
 - e reinvestment of any such savings into priority areas identified as part of ongoing budget monitoring and from the corporate strategy.
- 13 The provisional funding settlement for 2010/11 was released on 26 November 2009 and final details were published on 20 January 2010. This gave the council a 2.51% increase in grant compared to a unitary average increase of 3.0%. York's annual increase is top sliced under the 'damping' system to guarantee other councils a minimum level of grant, meaning a loss of £1.155m in 2010/11. At the same time the average formula grant funding per person that York receives is £224.19 compared with the unitary average of £378.18.
- 14 In accordance with the budget approach directorates were required to self-manage all non-exceptional or non-priority budgetary pressures. This included identifying areas where savings or efficiencies could be made in order to fund costs relating to pay and price inflation, increments, additional costs following the implementation of the pay and grading review and other areas where an investment need was identified. Major items were considered as part of the overall corporate budget.
- 15 In arriving at the budget proposals to be recommended to Council consideration has been given to the savings and growth proposals considered by the individual Executive Decision Making Sessions (EDMS) meetings and the representations thereon, as well as the responses to the budget consultation exercise. The following changes have been made to the growth and savings schedules taken to the EDMS meetings:
- include £100k corporate provision for the revenue implications of increasing capital investment on highways and drainage by £1m in response to both the consultation exercise and also in recognition of the damage done to the infrastructure by the recent spell of bad weather

- in response to the feedback from the consultation exercise, and the need to retain front line service provision, revise the saving proposal within Housing and Adult Social Services for a reduction in social care assessment staffing of 5.5 ftes to just 0.5 fte, a currently vacant post (a change in the value of the proposal of £150k)
- introduce a new saving proposal within Housing and Adult Social Services relating to the recent decision to amend the non-residential charging policy. An analysis of the implementation costs have identified that costs can be reduced by £25k which partially offsets the cost of the assessment team
- reduce the overall sum allocated for home to school transport within LCCS by £200k, with the service to seek through the More for York programme to constrain this area of growth. Whilst this sets a stretching target it is considered that in view of the tight financial position the council needs to seek to mitigate growth as much as possible.

- 16 Members of the Executive will be asked to recommend the expenditure and income proposals in this budget paper for the approval of full Council on 25 February 2010.

Expenditure Pressures & Budget Position

- 17 Annex 1, summarised in Tables 1 to 6, sets out the latest estimate of the budget position for 2010/11, using the funding assumptions described in the earlier section and the savings and growth being recommended to Council. Annex 2 summaries the same information on a directorate basis.

Expenditure Requirements	2010/11 £'000
Net Expenditure Budget for 2009/10	117,010
Less: One-off Funding for non-recurring items	-3,474
Starting Expenditure Requirements for 2010/11	113,536
Expenditure Pressures in 2010/11	
Unavoidable and corporate non-schools expenditure pressures	3,235
Priority investment	4,374
Directorate growth funded via reprioritisation	6,177
One-off growth	1,008
Total Expenditure Pressures	14,794
Total Expenditure Requirements for 2010/11	128,330

Table 1 - 2010/11 Expenditure Requirements

- 18 The corporate, priority investment and directorate spending pressures and growth proposals are outlined in Annex 3 and summarised below:

	Proposed Ongoing	Proposed One-off
	£'000	£'000
Unavoidable and Corporate Growth		
Treasury management	2,363	500
Economic downturn	420	0
Loss of YPO dividend	97	0
Neighbourhood priorities	100	0
Contingency fund	255	
Single Persons Review		35
Total unavoidable and corporate growth	3,235	535
Priority Investment		
Children's social care	1,557	
Adult social care	544	
Concessionary fares	900	
Waste	879	
Pay and grading allowances	364	
Barbican Centre maintenance	120	
Youth Offending team	90	
Home to school transport	120	
Proposal to reduce departmental growth	-200	
Total priority investment	4,374	0
Directorate Growth funded via Reprioritisation		
Chief Executive	585	0
City Strategy	651	251
Housing and Adult Social Services	1,473	0
Learning, Culture and Children's Services	1,894	20
Neighbourhood Services	981	202
Resources	593	0
Total directorate growth	6,177	473

Table 2 - 2010/11 Summary of Growth

- 19 Annex 3 lists growth proposals totalling £14.794m split between base budget of £13.786m and one-off of £1.008m. Within this, £10.551m relates to recurring directorate pressures, including both the priority investment items listed above and directorate growth funded via reprioritisation. The proposed funding for the one-off growth items are £0.500m from the council's venture fund, £0.220m from utilising the final year's receipt of Housing and Planning Grant (this is shown as a one-off saving in Annex 4) and the remaining £0.288m will be met by the surplus available from the collection fund (which is also one-off income, see paragraph 50 for further information).

Unavoidable and Corporate Growth

Treasury Management (£2,363k recurring and £500k non-recurring)

- 20 The council has to make provision within the revenue account to fund the interest and principal repayments on any borrowing it undertakes. Overall there is a growth proposal for £2,363k in the treasury management budgets mainly due to a reduction in the interest earned from investments (£860k) and the additional cost (£1,360k) of the minimum revenue provision (MRP). In addition there is a small cost of interest being paid on external borrowing (143k).
- 21 Pending the market improving some asset sales are being delayed. This has a potential financial benefit in the longer term, but in the short-term will mean we have to incur short-term borrowing at an estimated cost of £500k. The use of the venture fund to support this is considered financially prudent, with a view to maximising capital receipts in the longer term.
- 22 The MRP represents the minimum amount the council must set aside to repay its debt, rather like the principal element of a mortgage repayment. This is calculated as a percentage of the council's capital financing requirement. The capital financing requirement reflects the council's underlying need to borrow for a capital purpose. Further detail on treasury management is included in a further report on this agenda.

Other Unavoidable and Corporate Growth (£872k recurring and £35k non-recurring)

- 23 There is still pressure on income streams resulting from the economic downturn, and together with the impact of the reinstatement of VAT to 17.5% the loss of income, particularly on car parking and planning income, is expected to be £420k. This proposal would enable the relevant budgets to be set at a level which is likely to be achieved. Equally there is an expectation that the trading profits of the Yorkshire Purchasing Organisation will be deflated by £97k.
- 24 One of the priority areas for increased spending from the public consultation was on maintaining or increasing spending on road and footpath maintenance. The recent bad weather has had a further detrimental effect on their condition. An increased budget of £100k is therefore included to provide the revenue funding to support an additional £1m capital spend on highways and drainage.
- 25 Whilst there have been no ongoing allocation from the current base contingency of £600k it has been crucial in providing funding for issues that have arisen in the year. The items identified as potentially needing additional funding during 2010/11 include £860k relating to income reductions if the current economic position continues. It is therefore recommended that the minimum level for 2010/11 is a contingency in the sum of £855k, an increase of £255k. This is based on a risk assessment of all the as yet unquantified financial issues that face the council next year. This level of contingency allows for just under 80% of the known issues to be funded should they arise.

- 26 External consultants have undertaken a review of residents who claim single persons discount against their council tax. This review has resulted in the removal of many of these claimants and increased the council tax base of the council. This has led to an anticipated increase in the surplus expected on 31 March 2010 and it is proposed to fund the fees from this increased surplus during 2010/11.

Priority Investment

- 27 The council has experienced cost pressures during 2009/10 due to demographic and demand-led changes which will have continuing impact in 2010/11. At the same time there are other pressures that result from council and government priorities. Each of these has been separately addressed during the preparation of the budget and is detailed below. It should be noted that these pressures were included within the appropriate EDMS report and are included within the departmental analysis in Annex 2.
- 28 As previously reported to Members, the number of looked after children in York continues to increase. Between March 2008 and December 2009 there was an increase of 59 children (35%). In addition, the existing arrangement for accommodating and supporting 16/17 year olds who present as homeless have very recently been challenged by a House of Lords ruling. The Lords ruling suggests that where there are more than one category of need (i.e. more than needing a roof over their head) then the young people should be considered 'in need of accommodation' under S20 of the Children Act 1989 (Looked After). This means that where 16-17 year olds have previously been accommodated under housing legislation, unless they were clearly identified as extremely vulnerable, now all 16-17 years will be assessed with the presumption that care services should be provided under section 20 of the Children Act 1989. It is estimated that growth of £1.557m would be required in 2010/11 to accommodate both these pressures and others on a range of social care issues. This budget includes £0.5m for the potential costs of the 1989 Act. It is recommended that this budget is not released until there has been a further report to the Executive setting out the full implications, including costings.
- 29 Adult social care costs are increasing due to demographic changes, increased demand and known costs associated with individuals with complex needs transferring from Children's Services. The pressures include costs of increased placements for older people and people with mental health needs as well as the necessity to increase the number of home care hours available to support people in their own homes due the aging population of the city. In total increased investment of £544k is being made to meet all these demands.
- 30 The concessionary fare scheme is a government initiative that provides free bus travel to anyone over the age of 60 years and for persons with a disability that meet set criteria in order to qualify for a pass. The rising costs are due to increased usage, inflation and increased take-up of the token scheme. These increased costs are offset by savings and additional grant, which are included in Annex 4.

- 31 In order to avoid increasing landfill tax liabilities and penalties the council is undertaking a joint procurement exercise with North Yorkshire County Council (NYCC) for a waste processing facility to reduce the amount of waste landfilled. There are ongoing costs from the procurement, primarily legal and financial consultants, as the preferred bidder is appointed and a commercial contract is drawn up, for which it is estimated that CYC's contribution will be £200k. In the meantime, landfill tax increases £8 per tonne up to and including 2010/11 and contract step increases in landfill processing cost £2 per tonne from 2010/11. Further investment costs arise from the implementation of the approved waste strategy refresh report and from further promoting the need to reduce landfill and increase recycling. Altogether £879k is being invested.
- 32 Other areas where investment is being made is to cover the additional costs of allowances following the implementation of the pay and grading review in line with costs identified in the monitoring reports during 2009/10; funding to maintain the Barbican Centre while the current tendering exercise is being completed; funding to secure provision of statutory youth justice services, compliance with National Standards, requirements of HM Inspectorate of Probation, Youth Justice Board/CAA Capacity & Capability review, and conditions of YJB grant which were formerly funded through the use of reserves and short-term funding; and to provide additional costs for increased demand for home to school transport. In addition to the priority investment of £120k for home to school transport the EDMS for Learning, Culture and Children's Services report included a growth item for a further £311k. It is proposed to reduce this by £200k.

Directorate Budget Growth and Investment

- 33 As set out in paragraph 14 directorates identified cost pressures relating to pay and price inflation, increments, additional costs following the implementation of the pay and grading review and other areas which require increased investment for which they needed to identify savings/efficiencies. The full list of the directorate growth proposals, including those that are shown as priority investment in Table 2, are detailed in Annex 4.

Funding Position

Government Settlement - 2010/11

- 34 The government has committed itself to longer-term financial settlements linked to the Comprehensive Spending Review (CSR) cycle. The CSR 07 announced in September 2007 covered the three year period 2008/09 to 2010/11. Annex 1, summarised in Table 3, shows how these changes in funding affect the overall funding position for the council.

Funding Requirements	2010/11 £'000
Existing funding	117,010
Removal of one-off funding for non-recurring exp.	-3,474
One-off use of collection fund surplus	-236
Starting Funding for 2010/11	113,300
Funding Changes in 2010/11	
Increase in formula grant	1,090
Contribution from collection fund surplus	288
Use of venture fund	500
Total Additional Funding for 2010/11	1,878
Additional council tax income received from an increase in council tax of 2.9%	2,800
Net Funding Available	117,978
Additional Funding in 2010/11	4,678

Table 3 - Funding Available 2010/11

Budget Position Summary

- 35 The above has highlighted both corporate and departmental expenditure pressures and new funding that the council will be receiving in 2010/11. The following table shows the budget position at this stage.

	£'000
Corporate expenditure pressures	3,235
Priority investment	4,374
Directorate growth requirements	6,177
One-off growth	1,008
Total Expenditure Pressures	14,794
Additional government grant	-1,090
Additional council tax income at 2.9%	-2,800
Net collection fund surplus	-52
Use of venture fund	-500
Total Additional Funding	-4,442
Budget Gap	10,352

Table 4 - Budget Position Summary

Savings and Income Generation

- 36 As required by the budget approach directorates have put forward savings of which £5.507m is being recommended, with a further £0.9m identified to address the priority investment in concessionary fares and £0.220m to fund items of non-recurring expenditure, giving a total of £6.627m. Net corporate efficiency savings, through the More for York programme, of £3.725m have also been identified. Annex 4, summarised in Table 5, details the £6.627m of individual savings and income generation proposals on a directorate basis.

	2010/11 £'000
Chief Executive	468
City Strategy	1,811
Housing and Adult Social Services	930
Learning, Culture and Children's Services	1,778
Neighbourhood Services	1,030
Resources	610
Net Total of Savings	6,627
Corporate Savings	3,725
Total Savings	10,352

Table 5 - Saving Proposals

- 37 The savings proposals above, if accepted, will reduce the establishment by 35 fte posts, with approximately a further 100 from the More for York transformation programme. It is not possible to calculate a cost in terms of redundancy or early retirement as staff may be redeployed into other posts. Comments from the Head of Human Resources on the implications of these proposals in terms of posts lost and possible redundancy situations are detailed later in this report.

More for York Efficiency Programme

- 38 At the heart of the council's budget strategy and medium term plan is the More for York programme. This seeks to transform how the council delivers services and ensure we can meet financial pressures without the need for service reductions/cuts.
- 39 More for York set a 3-year target of £15m net real efficiency gains. Recognising that there will be a natural "build up" of these efficiencies, the plan set a lower level of savings for 2010/11. The programme was expected to deliver £3.5m savings in 2010/11 net of any investments and fees. Following the end of the NKA involvement in the programme a wholesale review of expected savings and investments has been undertaken. All assumptions have been explored and revised savings targets have been identified. Following this work the expected savings went down and to ensure that the overall target was achieved further work was brought into scope or accelerated from future years. Table 6 below sets out the estimated savings in the original More for York

programme followed by the estimates after the review, for years 1 and 2 totalling in the ongoing revenue savings per year from 2010/11 onwards. Gross savings of £5.254m and investment of £1.251m give a net savings estimate of £4.003m. The financial strategy for 2010/11 sets out the need for savings of £4.5m in 2010/11, leaving a further net savings target of £497k still to be identified. The overall position is set out in Table 6 below and is detailed in Annex 5a. The majority of this work has already been authorised by Executive but additional work is proposed in City Strategy and LCCS.

Workstream Area	Original Year 0 2009/10	Review Year 0 2009/10	Original Year 1 2010/11	Review Year 1 2010/11	Review Gross Total	2009/10 & 2010/11 One Offs	Original Estimated Savings	2010/11 Budget Total
Customer Services	267	95	672	356	451	71	939	380
Neighbourhood Services	401	273	1,308	901	1,174		1,709	1,174
Income Collection	735	70	1,403	296	366	150	2,138	316
Procurement	20	38	410	362	400	150	430	400
ICT	-	18	390	517	535		390	535
Human Resources	-	-	230	373	373		230	373
Property	-	-	-	165	165		-	165
Adult Social Care	-	18	470	119	137		470	137
Finance	-	-	-	85	85		-	85
Chief Executives	-	-	-	50	50		-	50
City Strategy	-	-	-	91	91		-	91
Organisational Review	-	-	305	600	600		305	600
LCCS	-	-	-	100	100		-	100
Housing	-	-	73	73	73		73	73
Total	1,423	512	5,261	4,088	4,600	371	6,684	4,479
Adjustment for increase in council tax base				775	775			775
Total		512		4,863	5,375			5,254
Investment		250		1,251	1,501			1,251
Net Savings		262		3,612	3,874			4,003

Table 6 - More for York Savings

- 40 On 20 October 2009 Executive agreed a capital and revenue investment budget for More for York to deliver these efficiencies, to be financed through prudential borrowing, with associated revenue implications being funded from savings arising from the programme. In addition to this, fees for the efficiency partner were also to be paid from savings, over 4 years.
- 41 This investment profile has been revised and is presented in detail in Annex 5b. A summary is presented in Table 7 following:

	2010/11 Agreed Budget £'000	2010/11 Revised Budget £'000	Difference £'000	Comment
Capital Investment				
Capital budget (funded from prudential borrowing)	225	210	-15	See separate capital report
Revenue Investment				
Revenue support for capital	153	148	-5	Cumulative costs for 2009/10 and 2010/11 capital programme
Recurring revenue	410	184	-226	Removed data centre ongoing investment £200k
One-off revenue	115	120	+5	
CYC programme resources	100	789	+689	Increased CYC delivery team
Total revenue investment	778	1,241	+463	

Table 7 - More for York Investment

- 42 This revised estimate requires an additional net revenue investment of £463k with a reduced recurring revenue requirement (- £231k) offset by an increase in one off costs (+£694k). There are significant changes in two areas, firstly there is a significant drop in the recurring revenue requirement due to taking out of scope the outsourcing of the data centre where the business case for this indicates that this would cost significantly more to run externally than internally. The revenue amount for the CYC programme team has significantly increased because in order to deliver the expanded programme by ourselves, it will be necessary to supplement the current in house team. However the impact of this will be more than offset by the fact that we will no longer be liable for fees from an efficiency partner.
- 43 It is proposed to identify the precise gaps in our internal capacity skills and experience and fill these with a combination of additional CYC programme staff or external specialists with a track record of transformation and efficiency in the functional areas of the programme. A full report on this will be brought back to Members in April but in the meantime CYC will need to initiate work and will therefore need to recruit or procure additional capacity into the team. Members are asked to delegate authority to the Chief Executive and the Director of Resources to make decisions on programme resourcing within the bounds of the overall investment profile set out in Annex 5.

Expanding the Programme

- 44 The medium term financial plan sets out the scale of efficiency/other savings that will be required in future years and these are projected at around some £10m per annum over the next few years. This means that the More for York programme will need to be much wider than the current agreed reviews, and will need to consider both efficiency and overall level of service provision.
- 45 The council needs to begin to identify further savings that will contribute to these future financial pressures, and therefore it is recommended that further work commence immediately in a number of areas set out below. These will have a target saving of £497k in 2010/11, with a view of achieving a much greater full year impact in 2011/12. These represent a further step in the More for York programme, and in time the programme will need to look into and challenge all service areas within the council and is unlikely to leave any area untouched. This initial list suggests some areas that are likely to deliver significant savings and have delivered efficiencies for other councils, as well as some ideas that have been suggested by staff.

Project	Detail	Potential Saving
Review of corporate transport, fleet management and travel expenses	Fleet management is already being worked on in Neighbourhood Services but we have extensive fleets in Adults and Children's social services which could be rationalised. We also procure significant transport through bus and taxi contracts in these areas and savings could be made. Travel arrangements also need to come into scope to ensure that corporate contracts deliver value for money and we are managing all travel spend through these contracts.	£200 - 250k
Early exit from a CYC admin building (e.g. 10-12 George Hudson St)	Extend programme of flexible and home working and exit one or more buildings ahead of the move to the new HQ (1-2 year saving). For 10-12 GHS the lease runs until 2016. Break point in lease due June 2011 and may not be extended until new HQ. May be possible to terminate early and make a £200k pa saving but this is a hub in the CYC fibre network and hosts the back up data centre. Costs of re-provisioning this may be incurred. Other sites could be considered to produce a saving for 2 years ahead of the move to the new HQ.	£100-200k pa

Review commercial property portfolio to increase revenue income	The council reviewed its commercial portfolio in 2007 and the approach agreed at that time was to review properties as leases drop out and bring forward proposals if the revenue yield was low or the repair and maintenance liability was high. A more comprehensive review of broad options for delivering higher levels of income with less cost could deliver a better yield on this investment portfolio.	£250k pa
Shared services	Identify high performing/low performing services and enter into shared service partnerships with other agencies/local authorities. Potential is already being explored in ICT, HR and procurement. Potential to reduce management and administration costs across partners also a possibility.	£500k speculative
Advertising and sponsorship	Contract with an external advertising agency to provide income from advertising and sponsorship of the CYC Website, roundabouts, bus stops and CYC properties. Planning issues may have an impact on potential income levels.	£200k speculative
Review of library provision	The new Explore Centres have successfully shown that a new model of library provision is very successful. The whole provision of library services needs to be reviewed to ensure that the funding put in delivers value for money.	Unknown
Review of all non statutory services and service levels	The council funds a host of services which are discretionary. These should be reviewed (along with associated service levels) to see whether they can be delivered more cheaply or whether they are delivering value for money.	£100k
Review of fees and charges especially areas where no fees are levied	In benchmarking exercises York's fees and charges are routinely low compared with other comparable unitary authorities. CYC provide some services free where other authorities make charges. Income could be generated by applying reasonable charges in these areas and reviewing charges elsewhere to ensure that we are covering the cost of the service.	£100k - £1m

Total Place	Exploration of the possibilities of sharing service delivery or commissioning functions with other agencies in the city could give rise to substantial efficiencies over the next few years.	Unknown
Review the management arrangements for partnerships	The council supports many partnership forums and provides secretariat functions which could be rationalised and made more efficient.	Unknown

Table 8 - More for York Programme Expansion

- 46 It is proposed that there is a further report back to Executive early in the new financial year setting out detailed proposals for these further workstreams, including the projected savings and investments needed to deliver the work.

Council Tax and the Collection Fund

- 47 The existing components of the current (2009/10) band D council tax for a CYC resident are shown in the Table 9. It should be noted that these figures exclude parish precepts which are an additional charge in some areas.

	£
City of York Council	1,062.17
North Yorkshire Police Authority	199.17
North Yorkshire Fire Authority	60.89
TOTAL	1,322.23

Table 9 - Make Up of 2009/10 Council Tax

- 48 The recommendation made in these papers is that from April 2010 the CYC element of the council tax will rise by 2.9% to £1,092.97. Such an increase would yield £2.8m in additional income for the council.
- 49 The collection fund is the ring-fenced account where all council tax is credited. This account can either be in surplus or deficit at the year-end, depending on whether the authority has managed to collect more or less than it originally anticipated and the growth in property numbers. If there is a surplus, the funds are used to reduce the council tax. If in deficit, a higher council tax must be set and the taxpayer must fund the shortfall. All major precepting authorities share in any surplus or deficit on the fund; York's share of the surplus in 2009/10 is 80%.
- 50 For a number of years, due to high collection rates and the buoyancy of the housing market, York's collection fund has been in surplus. During 2009/10, despite the current economic position but also reflecting the fact that there are increased numbers of accounts paid through the benefits system, the position has been maintained. As a result a one-off contribution towards the council's

budget of £288k is being made, which is being used to partially fund the non-recurring growth items identified in Annex 4.

Fees and Charges Proposals

- 51 Detailed proposals for fees and charges were included in each directorate's budget EMDS papers in January 2010 and as such are available in the Members library. The vast majority of proposals are in line with a recommended increase of 2.5%.

Reserves

- 52 The agreed budget for 2009/10 included the following:

“Transfer of £2m of the council's accumulated balances to a capital reserve fund, this sum to be earmarked to support the capital programme in later years.”

In the light of the latest in-year monitoring position, as reported elsewhere on this agenda, it is recommended that Members agree that this transfer is not made at this time, but that the principle will be kept under review if resources are sufficient to support the transfer.

- 53 Table 10 shows the position on all of the un-earmarked general fund reserves which, it is anticipated, will decrease from an estimated £6.347m at the start of the 2010/11 financial year to £5.010m by the end of 2010/11. These figures are based on the assumption that Members agree the recommendation in paragraph 52. In the longer term the council's budget should not rely on one-off funds to support recurring expenditure, but it is good financial practice to use such funds to support one-off expenditure. It should be noted that the figures below include an estimated overspend on the 2009/10 budget of £2.3m and the release of venture fund money to the easy@york project of £0.626m, previously approved, and to support one-off growth of £0.500m in 2010/11.

	2009/10 Projected Out-turn	2010/11 Budget
	£'000	£'000
General Fund	4,160	4,160
Venture Fund	2,187	850
Total at end of year	6,347	5,010
Prudent Minimum Reserves	5,686	5,893
Headroom/(Shortfall) in Reserves	661	-883

Table 10 - Projected General Reserves

- 54 Formerly CPA guidance recommended a prudent level of reserves should be 5% of the net non-schools revenue budget. For 2010/11 this would be equal to 5% of £117.978m, or approximately £5.899m. However in line with best practice the council also undertakes a targeted calculation taking into account

identified risks and known commitments. In considering what level of general purpose balances that should be held, rather than those held for earmarked purposes, it has been determined that, as a minimum, the prudent level must:

- i. Provide sufficient cover to match the highest peak values for net departmental overspends over the last three financial years (£2.333m);
- ii. be sufficient to fund the council's contribution to the Bellwin scheme relating to the costs of two major disasters in a financial year (£0.840m);
- iii. Cover a shortfall in council tax income of approximately 0.5% (£0.360m);
- vi. Cover 2% of the council's net revenue budget (£2.360m).

- 55 The total of the above is that the prudent minimum level of reserves is calculated at £5.893m compared to the former CPA guideline figure of £5.899m. For calculation purposes, the overall general reserves comprise the general fund reserve and the venture fund reserve. Details of these are shown in Annex 6.

General Contingency

- 56 In order to meet any unforeseen or currently unquantifiable costs which may arise during the financial year, the council sets aside a contingency amount in the budget. This is a prudent way to ensure that unforeseen costs do not result in any substantial overspends against budget, which would impact on council reserves or require in-year cuts to be made. Since decisions to release contingency funds are reserved to the Executive it also allows a clear and transparent decision to be made about the release of contingency funds based on information provided in reports to the Executive. Due to the uncertainty of the size and nature of the issues and indeed whether some of them will happen at all, the level of funding provided is less than the total potential demands.
- 57 The general contingency for 2010/11 will need to be set at a level to allow the council to cope with some potentially significant financial issues, which are at this stage not fully quantifiable. Details of possible calls on the contingency are set out in Annex 7 and summarised in Table 11 below.

Possible Calls	Ongoing	One-off
	£'000	£'000
Chief Executive		
Economic Downturn	300	0
City Strategy		
Economic Downturn	330	0
Learning, Culture and Children's Services		
Economic Downturn	235	0
Building Schools for the Future	125	0
Neighbourhood Services		
Security at Towthorpe HWRC	83	0
TOTAL	1,073	0

Table 11 - Summary of Potential calls on Contingency

58 In the context of the estimates provided above and the difficulties of forecasting whether or not the economic downturn will continue it is recommended that Members set a contingency for 2010/11 of £0.855m (80%).

59 The contingency included in the 2009/10 budget was £0.6m which has been used to fund one-off items of expenditure, with the remaining sum held against overspending areas. Whilst this has not been allocated to schemes in the year it has been referred to in current year budget monitoring reports as being used to offset the pressures across all areas, and the monitoring reports have identified this specifically. The base figure available for 2010/11 therefore remains at £0.6m. This means that if the contingency amount is agreed at £0.855m there is a need for an increase from the base budget of £0.255m.

Adopting Changes to the Proposals

60 Details of service budgets and plans were provided to Members as part of the EMDS papers for consultation. Included in those papers were a number of items identified as to be proposed to the Executive. The recommendations in this report are based on a set of proposed growth and savings items which, when amalgamated with the grant settlement and a 2.9% council tax increase, produce a balanced budget.

61 At Executive or Full Council members are invited to move amendments in order to either

a. to make amendments to, delete or enhance the list of budget options that are proposed

b. to alter the council tax level, taking account of the information about possible capping and allowing for the fact that each 0.5% reduction in council tax requires a further £353k of budget to be identified.

62 Members also need to take due cognizance of the need to ensure that any amendments to the budget are balanced, that is savings and growth must either equal each other; or be corrected via appropriate transfers to or from reserves; or result in equivalent adjustments to the council tax levied by the council; or reflect adjustments to the fees and charges levied.

Housing Revenue Account (HRA)

63 There is a separate budget report for the HRA which is attached at Annex 8. The result of all the adjustments outlined within the report is an in-year surplus of £662k. Together with the projected brought forward working balance of £8,254k and after making a contribution to the capital programme, this leaves a working balance of £8,918k on the account.

64 This surplus is broadly in line with that forecast in the HRA business plan. The HRA surplus needs to remain on the account to be reviewed once the HRA business plan is updated to reflect both the budget detailed in this report and

the 2008/09 outturn position. Members are reminded that the HRA surplus is needed to fund expenditure in future years.

- 65 In 2000 the government announced that from April 2002 all councils and housing associations had to set their rents on a new, fair and consistent basis. This involved a phased change in rents over 10 years beginning in April 2002 based on a formula for rent setting created by Central Government. The implications of this for the level of housing rents for 2010/11 are set out in Annex 9 and lead to an average rent increase of 1.83%.

Dedicated Schools Grant and the Schools Budget

- 66 For schools funding through the dedicated schools grant (DSG), 2010/11 is the third year of a Department of Children, Schools and Families (DCSF) three-year budget period. For 2010/11 therefore the DSG allocation for York will be based on the December 2007 announcement, updated for changes in pupil numbers.
- 67 The DSG is ring-fenced for funding the provision of education for pupils in schools (maintained, Pupil Referral Units [PRUs], private, voluntary and independent [PVI] nurseries or externally purchased places). As such it covers funding delegated to individual council maintained schools through the local management of schools (LMS) funding formula and funding for other pupil provision which is retained centrally by the council (eg special educational needs [SEN], early years, PRUs etc.). It is distributed according to a formula that guarantees a minimum per pupil increase for each authority (2.9% in 2010/11). Additional funding is then allocated based on Ministers' priorities. For 2010/11 personalised learning was identified as a priority.
- 68 The council itself cannot use the DSG for any purpose other than schools block funding, although with the permission of the Schools Forum limited contributions can be made to the following areas:
- Combined budgets supporting every child matters objectives where there is a clear educational benefit.
 - Prudential borrowing, where overall net savings to the schools budget can be demonstrated.
 - Some SEN transport costs, again only when there is a net schools budget saving.
- 69 There are also strict limits (central expenditure limits [CEL]) on the amount of the DSG that the council can retain to fund pupil costs outside mainstream schools e.g. SEN, Out of City Placements, early years, PRUs, behavioural support, etc.
- 70 The headline figures from the DSG settlement show that for 2010/11 York's increase in DSG is estimated at £4.307m (+4.4 %) giving a sum of £4,103 per pupil (+4.2%). For 2010/11 this includes additional funding (above the minimum 2.9% per pupil) of £1,145k that has been allocated to York for personalised learning at KS3 and in primary schools.

- 71 Despite these increases York's actual funding level is still at the lower end nationally, 23rd lowest out of 149 local authorities. If York received the national average funding in 2009/10 there would be an extra £295 for every pupil or £6.630m in total. This would be enough to give an extra £292k to every secondary school and £62k to every primary school. This is also the equivalent of an additional 168 teachers or 306 additional classroom assistants.

Funding Available within the DSG

- 72 The funding available, £92.905m, includes an initial estimate of the 2010/11 DSG allocation (£92.259m) less an estimated deficit carry forward from 2009/10 based on the 2nd budget monitor for 2009/10 reported to the Executive in December (£0.354m). This estimate will be updated once the provisional results of the annual schools and early years census are known.

Balancing the Dedicated Schools Grant

- 73 There is still a budget gap within the schools budget of £105k at the time of writing this report. Further work will be undertaken in conjunction with the Schools Forum at its meeting on 30 January to identify options for bridging this gap. At its budget meeting on 16 February the Executive will be updated on the outcome of the discussions with and decisions/comments of the Schools Forum.

Precepts

- 74 In addition to the council tax to be charged by the City of York, the overall charge must include the precepts from the Police Authority, Fire Authority and parish councils. Due to the timing of this report these precepts are not yet available but will be included in the report which is considered by full Council on 26 February.

- The Police Authority will be meeting on 5 February 2010 to determine its precept and council tax charge
- The Fire Authority will be meeting on 11 February 2010 to determine its precept and council tax charge.

- 75 Table 12 demonstrates both the cash and percentage increase in 2009/10 for these which resulted in a total band D council tax for a York property of £1,322.23.

	2008/09 Charge £	Increase (£)	2009/10	
			Increase (%)	Council Tax
CYC	1,028.74	33.43	3.25	1,062.17
Police	193.37	5.80	3.00	199.17
Fire	58.56	2.33	4.00	60.89
Total	1,280.67	41.56	3.25	1,322.23

Table 12 - Headline Council Tax Figures for City of York Area

76 There are 31 parish councils within the City of York Council area all of which have now set their precepts for 2010/11 at an average decrease of 0.5%, however there is a wide range of variations from a reduction of 14.06% to an increase of 28.00% in the individual precepts. These increases lead to variations in the band D charges as demonstrated in Chart 1 below.

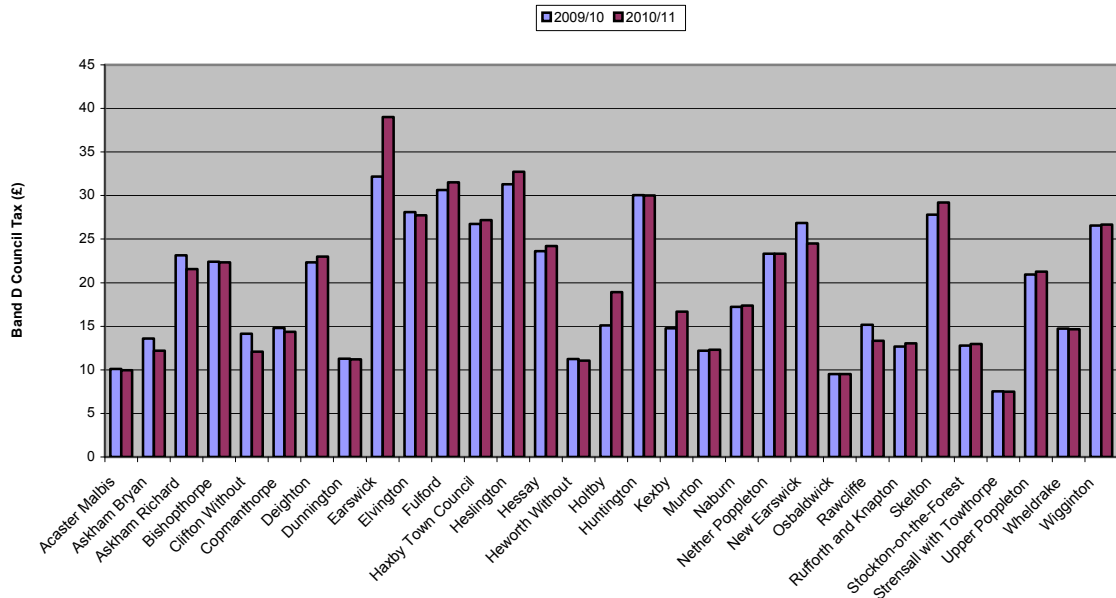


Chart 1 - Parish Band D Charges

National Non Domestic Rates (NNDR)

77 In April 2009 the two NNDR multipliers were 48.5p in the pound for normal properties and 48.1p in the pound for smaller properties (based upon the total rateable values of all properties held by a single owner). In April 2010 the quinquennial review of business rates will be implemented and at the same time there will be lower revised multipliers. These multipliers will decrease to 41.4p (14.64%) and 40.7p (15.38%) respectively.

78 During the consultation meeting with the business community concern was expressed that as a city York did not benefit from growth in its business community through the payments made by companies via NNDR. The NNDR income that the council collects is remitted in full to the Treasury, which redistributes amounts to local authorities as part of the RSG settlement process.

THE FINANCIAL STRATEGY 2011-2016

79 The medium term revenue plan is based on an analysis of the key influences on the council's financial position and an assessment of the main financial risks facing the council. Attached, as Appendix 1 is the background to the Financial Strategy, including information on its purpose, links, priorities and issues,

objectives and financial context. The financial forecast is set out below and the individual components of it are discussed in more detail in the following sections.

RESOURCES	2011/12	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m	£m
Increase in Grants	0.00	0.00	0.00	0.00	0.00
Increase in Council Tax (1% in 2011/12; 2% from 2012/13)	0.72	1.46	1.49	1.52	1.55
TOTAL RESOURCES AVAILABLE	0.72	1.46	1.49	1.52	1.55
INDICATIVE ALLOCATIONS					
Cash Allocations in budgets (pay/prices) 1% in 2011/12; 2% from 2012/13	1.20	2.45	2.50	2.56	2.61
Increments	1.39	0.00	0.00	0.00	0.00
Treasury Management	2.00	2.00	2.00	2.00	2.00
National Insurance	0.80	0.00	0.00	0.00	0.00
Pension Deficit	0.81	0.81	0.81	0.81	0.81
Waste PFI	0.70	0.70	0.70	0.70	0.00
Concessionary Fares	0.35	0.35	0.35	0.35	0.35
General Demographic Pressures	1.50	2.50	2.50	2.50	2.50
Contingency Sum	2.00	2.00	2.00	2.00	2.00
	10.75	10.81	10.86	10.92	10.27
Financial gap to be met from efficiencies and other savings	10.03	9.35	9.37	9.40	8.72

Table 13 - Revenue Plane 2011-2016

- 80 The figures outlined in Table 13 show the scale of the financial gap that will have to be met from efficiencies and other savings. In broad terms this is estimated at some £10m per annum, equivalent to almost a 10% reduction in net expenditure.

81 This sort of scale of reduction is very much in line with the forecasts of other public sector organisations, and clearly represents a major challenge for the council. Members should note the statutory advice of the Director of Resources in paragraphs 128 to 140 in this context.

82 The council will need to plan effectively for the achievement of these efficiencies, in order to ensure continued financial stability of the council. This will require both a major programme of transformation/efficiency (which the council has embarked upon through More for York) and also a complete review of all areas of activity, the range of services provided, and the scale of such provision. Further regular reports to the Executive will be required over the coming year to consider these issues.

Increase In Grants and Council Tax

83 This assumes a freeze in grant funding for all years and council tax increases of 1% in 2011/12 and 2% from 2012/13 onwards. Clearly these forecasts are merely for planning purposes, but they are based upon the broad objective that the medium term plan should not be based upon excessive council tax rises. Ultimately it will be for Members to consider the balance between council tax and spending pressures, but an effective plan should promote the development of choices, rather than making an assumption that a high level of council tax will be the solution.

Cash Allocations

84 An increase of 1% for both pay and prices is assumed for 2011/12 with 2% for future years, recognizing both the general trend on pay and prices at present, but also the need to keep cost pressures to manageable levels in future years.

Increments

85 The implementation of the pay and grading review has resulted in all pay scales consisting of four incremental points. 2011/12 is the final year that there will be major costs resulting from annual increments for staff who were placed at the bottom of the new scales in April 2008.

Treasury Management

86 For a very long time the council has had good treasury management performance. In recent years this has become excellent with our borrowing rates being among the lowest in the country and loans almost always being taken out at market low points. Investments have outperformed market benchmarks and cash flow has been very strong, although more could still be done in terms of the timeliness of income collection. This performance and the interest earned is now built into our interest and borrowing budgets and we have to achieve it in order to meet our budget expectations. With the global economic situation there is risk that this will not be achievable and the reliance on continuing with this level of performance over future years cannot be guaranteed.

- 87 The capital programme is funded from a combination of sources including capital receipts and revenue contributions. The current state of the economy and the general depressed property market make it an unfavourable time to be disposing of high value assets and this results in pressures being placed on capital receipts values being realised as discussed in the capital report. In addition, as there are no further surplus assets to dispose of to fund new capital expenditure requirements, the use of revenue contributions to fund capital expenditure on a permanent basis was introduced as part of the 2009/10 budget process. This has resulted in growth in the treasury management budget to allow for a certain level of capital expenditure to be supported in line with the levels set out in the Capital Programme Budget report.
- 88 Further growth in revenue will be needed to fund the proposed capital programme and these assumptions will be incorporated into the council's medium term financial strategy, but will clearly need to be considered/reviewed as part of each years budget setting process. In particular it may be that additional capital receipts are identified over coming years which would reduce the need for prudential borrowing, and also some capital schemes within the programme are still subject to detailed business cases being considered by the Executive, and as such some of the assumptions for future years will potentially change.

National Insurance Increase

- 89 The government has already announced a 1% increase in the employer's national insurance rate from April 2011. This is forecast to cost the council £800k pa.

Deficit on the Pension Fund

- 90 The last triennial valuation of the pension fund showed that whilst the overall deficit had reduced slightly and the term for recovery until there is no deficit has reduced to 21 years, there is still a substantial deficit of over £95m. This in itself is a key risk for the authority as the valuation was at a time when stock markets were high compared to the current significant global financial problems and the new contribution rate of 18% is based on an assumption of strong investment returns which now look very questionable. Unless there is a substantial improvement from the current position the next triennial valuation, which will take place over the next six months, may require a substantial increase in the contribution rate. The medium term financial forecast includes an assumption that costs will have to increase by 1% pa to contain the increase. Each 1% increase in the rate costs over £810k per year.

Waste Management

- 91 There are significant cost pressures facing the waste management budget over coming years. Landfill tax is currently increasing by £8 per tonne per annum and the introduction of landfill allowances limits the amount of biodegradable municipal waste that the council can dispose using landfill. On current forecasts the council will not achieve the landfill allowance trading scheme

(LATS targets) at some point in the future (probably 2011/12 or 2012/13) and will then have to buy LATS permits or pay fines of £150 per tonne. This is a consequence of the landfill allowance falling significantly to 20,640 tonnes by 2020. On current estimates this could potentially cost the council £3.4m in LATS fines and £1.6m in landfill tax increases over the next four years leading up to the implementation of the Waste PFI solution. The council is currently monitoring developments within the local area particularly around anaerobic digestion plants to determine whether short-term contracts can be secured to divert waste until such time as the PFI facility comes on stream. However, if short-term solutions can not be secured, then the council will be looking to purchase LATS permits. The council also needs to set aside significant resources from the start of 2010/11 onwards in order to fund the waste management or LATS costs that will be incurred over the next four years and to build up a base budget to fund the council's share of the Waste PFI solution. The financial strategy currently assumes a sum of £700k per annum needs to be built into the base budget from 2010/11 to 2014/15. This will need to be reviewed once the project reaches commercial close.

Concessionary Fares

- 92 The gross cost of concessionary fares approaches £5m. Following additional government grant of £350k in 2010/11 and a proposed reduction in the reimbursement rate payable to operators (subject to appeal) it has been possible to contain increases in council support within current resources for 2010/11. However inflationary increases of 5% and growth in usage as the population grows older will result in likely pressures of £350k per annum over future years.

General Demographic Pressures

- 93 Nationally there are projections of significant demographic pressures expected over the next 10 - 15 years with respect to both the older peoples population and people with learning disabilities. York starts with a slightly above average older population for England and a 14% increase in the number of over 65s is expected by 2015 along with a 6.4% increase in the number of adults with a learning disability. The impact of this growth in the client base will be further magnified should historic increases in the average cost per client also continue. Alongside this a number of actions have been taken to control social care costs. In order to maintain a balanced budget into the future it is imperative that these actions are successfully monitored and delivered. Adult Social Services face a number of significant challenges and changes, mainly related to personal choice and funding agenda and the procurement of services. In addition the Personal Care at Home Bill proposes free personal care for those with the highest needs, adding an additional financial pressure in future years. The Council's response to these issues and the changing demographics is critical to its future financial stability.
- 94 Services providing housing related support are currently funded by the Supporting People Grant. It is expected that there will be a 5% pa reduction in

the level of grant provided which is used to fund a range of services, including warden call, sheltered housing, homelessness support workers and support to vulnerable adults including victims of domestic violence.

Contingency Sum

- 95 A sum of £2m is included for each of the next 6 years, for pressures that will affect the council, in line with recent practice of providing such a contingency for cost pressures that are not easily quantifiable when the budget is set.

IMPACT ASSESSMENT OF THE BUDGET PROPOSALS

- 96 The budget set out aims to tackle a variety of issues. Clearly it aims to be prudent and to set medium term plans which are set out in the report. However, a financial plan is more than just about the numbers, it is about how resources are allocated and what impact that allocation has upon a range of issues. The following sections bring together how this budget has contributed to the following:

- Council Priorities
- Feedback from consultation
- Economic downturn
- Sustainability
- Equalities

Council Priorities

- 97 The budget proposals contained within this report will support the achievement of the council's overall objectives in many ways, specific initiatives include;
- investment of £420k for issues that arise due to the economic downturn (Thriving City)
 - investment of £180k in increased recycling (Sustainable City)
 - investment of £2.9m in elderly residential care, fostering and external placements of children and home to school transport (Inclusive City).
 - increased spend of £1m in the capital programme supported by £100k in revenue on highway maintenance (Safer City).
 - cuts in administration, including staffing and back office savings, and embarking on an ambitious efficiency programme (Effective Organisation).

Feedback from Consultation

- 98 The council has consulted on its budget through various forms including a postal questionnaire to every household, face to face sessions and budget forum. The feedback from the consultation is shown in detail at Annex 10 and a summary of the results is shown in Table 14 below.

	% Support
Increase fees and charges rather than increase council tax	56
Greater spending on social care and support in the community to help people live in their own homes for longer	80
Support for sorting recyclable waste at home before collection	63
In favour of having three recycling boxes the same size as the current box	83
In favour of retaining the existing boxes and bags for recycling	71
Replace council-run paying points with links through local shops and post offices to pay council bills	70
Reduce the number of city centre reception points to save money	63
Invest in energy efficiencies to reduce energy usage and save money in the long term	83
Take a strong/robust approach to chasing unpaid council bills	93
Reduce the number of council staff to release money for front-line services	64
Maintain the current cost of school meals, as opposed to reducing them	67
Maintain or increase spending on road and footpath maintenance	97
Maintain or increase spending to create and maintain jobs	93

Table 14 - Summary of Consultation Feedback

- 99 At its meeting on 12 January 2010, Effective Organisation Scrutiny Committee received a report on the Budget Strategy for 2010/11 and on the Medium Term Financial Planning for 2011/12-2013/14. This was after the Executive had already considered and approved the report on 15 December 2009. The Committee were particularly keen to receive a similar report at an earlier stage in 2010/2011 before the Executive considered it so that scrutiny could help inform the Executive's decisions on financial planning for the future.
- 100 In accordance with constitutional practice, Scrutiny Management Committee considered a scrutiny budget consultation report at its meeting on 1 February 2010. That report set out spend to date in the current financial year against scrutiny reviews undertaken. It also invited the Committee, in accordance with the constitutional requirement, to recommend an appropriate level of budget to the Executive for 2010/11 in relation to supporting scrutiny reviews. The Committee recommended the Executive to maintain the current level of funding for scrutiny reviews (marketing & research) at £17k. It noted that the carry forward agreed in 2009/10 for the traffic congestion survey would be spent in the current financial year.

101 The budget proposals included in this report if accepted are addressing the following:

- most areas are proposing inflationary increases in fees and charges; although car parking charges are being frozen and RESPARK charges are to rise for high emission vehicles.
- £660k is being invested in supported living in community based housing.
- increased roll-out of kerbside recycling collection.
- capital investment of £1m on highways is being supported by revenue funding of £100k.
- the council's efficiency programme is addressing such issues as replacing council-run paying points and reducing the number of reception points, as well as improving income collection rates.

Responding to the Economic Downturn

102 The financial strategy addresses the economic downturn in a number of ways. Within the separate report on the capital programme and referred to within this report, the impact of declining capital receipts is considered. This has major implications for the council and in order to provide for a balanced capital programme and to limit the extent of borrowing, the council will need to make prudent revenue provision to support the capital programme.

103 The revenue budget also considers the impact on a range of budgets and this includes car parking and planning charges, where income is likely to suffer. The budget for treasury management also considers the impact of reduced interest rates.

104 The continuing extent and impact of the economic downturn will be constantly monitored throughout 2010/11 and the council will endeavour to respond wherever possible or practicable to any events as they arise.

Sustainability

105 The council is making further investment in kerbside recycling in an effort to keep landfill to a minimum and is also continuing to support the joint waste PFI project with NYCC. The project's relocation to a new building is still ongoing and any solution will involve the most environmentally friendly features as possible.

Equalities

106 Dealing with inequality in social and economic outcomes, is at the heart of the budget strategy. In addition, the council is required by legislation, the Audit Commission and allied inspectorates/quality of service frameworks, to:

- engage groups/representatives from the equality strands in decision-making
- assess any the impact of major decisions like budget savings, on people and staff from the equality strands
- consider ways to tackle concerns.

107 In addition, the recently approved CYC Fairness and Inclusion Strategy 2009-10 states that "...councillors and managers will work with partners and stakeholders to consider the allocation of resources". As result, in developing the strategy officers have:

- analysed responses to the 2010 Budget consultation from residents who identified themselves as belonging to equality strands
- held a face-to-face consultation with members of the TalkAbout panel, selected to be representative of the equality strands. This also helped to identify needs for additional investment
- considered the impact of proposed council savings on people from the equality strands, identified possible impacts and discussed their findings with the SIWG on 28 January. The draft minutes from the meeting of Social Inclusion Working Group (SIWG) are in Annex 11. The SIWG has been set up to advise the Executive on major projects and initiatives on equalities issues in CYC. The Executive is asked to note the comments from SIWG but also to take into account that these are draft notes yet to be agreed.

108 This process has identified a number of areas where residents from the equality strands would like to see more investment, as well as possible negative effects for people from the equality strands arising from proposed revenue savings. Key findings are as follows:

Proposed Investment

Replies to the budget consultation offered by respondents from the equality strands, indicated that their views were that more investment is needed in:

- recycling facilities: Younger respondents - those aged 18 to 34 years (51%), BME respondents (48%) and non-heterosexual respondents (47%) are more likely to want more investment in recycling facilities than respondents overall (38%).
- road and footpath maintenance: Older respondents - those aged over 75 years (66%) and disabled respondents (63%) are significantly more likely to want more investment in road and footpath maintenance than respondents overall (49%).
- facilities for older people: Older respondents - those aged over 75 years (54%), female respondents (50%) and disabled respondents (61%) are more likely to want more investment in facilities for older people than respondents overall (45%).
- facilities for disabled people: Older respondents - those aged over 75 years (51%), disabled respondents (62%) and non-heterosexual respondents (47%) are more likely to want more investment in facilities for disabled people than respondents overall (40%).
- creating and maintaining jobs: Disabled respondents (53%) are more likely to want more investment in creating and maintaining jobs than respondents overall (49%).
- working with other organisations to reduce crime: Older respondents - those aged over 75 years (58%) and disabled respondents (58%) are significantly

more likely to want more investment in working with other organisation to reduce crime than respondents overall (49%).

- keeping the streets clean: Older respondents - those aged over 75 years (42%) and disabled respondents (40%) are significantly more likely to want more investment in keeping the streets clean than respondents overall (33%).
- providing more affordable housing: Older respondents - those aged over 75 years (45%), female respondents (41%) and disabled respondents (49%) are more likely to want more investment in providing more affordable housing than respondents overall (36%).

Proposed Reductions

Proposed reductions in the mediation service for private tenants, the availability of respite care, adult social care assessment posts, support for community arts and proposed increase in warden call charges, may have impacts for disabled people, women, members of the black and minority ethnic communities, older people and gay, lesbian and transsexual people especially those who have limited financial means. If these proposed savings are approved by the Council, full equality impact assessments will take place with a view to tackling any negative impact.

More for York Equality Impact Assessments (EIAs)

Following the completion of the EIA process for Year 0 (2009/10), undertaken with support from the SIWG, officers are currently finalising the schedule of EIAs of blueprints to be considered in year 1 (2010/11) of the programme. Actions arising from the EIA process in Year 0, have already been integrated in the final blueprints for that year.

109 In considering the information above, the attention of Members of the Executive is drawn to:

- growth proposals that have a beneficial effect on people from the strands:
 - the council in conjunction with the North Yorkshire Concessionary Fare partnership has agreed to widen the eligibility criteria for disabled bus pass users entitled to travel with a companion free of charge. Residents in receipt of higher rate of care component disability living allowance, higher rate attendance allowance or higher rate mobility component of disability living allowance as well as those who are blind or partially sighted will be able to apply for a bus pass allowing this additional benefit.
 - CG01 - looked after children increase £1,557k. This responds to a significant increase in the number of vulnerable children looked after by the council. In addition, the existing arrangement for accommodating and supporting 16/17 year olds who present as homeless have very recently been challenged by a House of Lords ruling and budget is being set aside to cover the costs of providing support to this group.

- the saving from reduced placements in bed & breakfast and more placements in private accommodation has a positive impact, as the saving identified has been netted off after additional investment in homelessness prevention, which may have a positive impact on potentially all 6 groups.
- following a review of adults with learning disabilities currently living in residential care schemes, a person centred review has been completed for each customer involving the individuals, their families, key workers, etc. The outcome of these reviews has enabled the council to develop service specifications for integrating residents into community based housing and support solutions offering increased independence and choice. Growth of £325k is included in the 2010/11 budget to cover the increased cost of this approach.
- The council's fairness and inclusion strategy 2009-2012, which has been widely consulted upon and which states: "In keeping with the expectations of local residents and good management requirements, fair and inclusive services and employment must happen within the council's existing financial means. This means targeting the council's resources where they will have the most impact, in other words where they will benefit large numbers of people or address an issue that affects a large number of people. Therefore, it will not always be possible to meet the needs of every individual. The council has to prioritise and work in partnership with a number of organisations to make sure that it acts in a fair and inclusive, but cost-effective, way."
- the general duties that the council has under disability, race and gender equality legislation. In summary, these require the council to eliminate discrimination and harassment, promote equality of opportunity, promote positive attitudes towards gender, disability and race, as well as in the case of disabled people to "take steps to take account of disabled persons' disabilities, even where that involves treating disabled persons more favourably than other persons."
- other equality legislation that places a requirement on Council not to discriminate in service delivery and/or employment in terms of sexual orientation, religion and belief and age.

Specialist Implications

110 The following implications apply to this report:

Financial

111 These comprise the body of the report.

Human Resources (HR)

112 Any HR implications will be managed in accordance with established council procedures. As part of this process consultation with affected staff will be undertaken to ensure they have every opportunity to find suitable alternative employment with the council.

Risk Management

- 113 Attached at Annex 12 is a schedule of risks connected to the budget; these will be monitored regularly throughout the year.

Legal

- 114 The Council is required to set a Council Tax for 2010/11 before 11 March 2010. It may not be set before all precepts have been issued or before 1 March 2010, whichever is the earlier. This decision is reserved to Council and cannot be taken by the Executive or delegated to officers, although the Executive has to recommend a budget to the Council. These comments are intended to apply to both the Executive meeting and the subsequent Council meeting. Before setting the level of the tax, the Council must have agreed a balanced budget, differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies and any amounts required to be transferred between funds. The tax itself must be sufficient to cover the difference between the agreed budget less government grants credited to the revenue account, and any other expenditure which must be met from the Collection Fund, less any surplus (or plus any deficit) brought forward from previous years.
- 115 In addition, following the implementation of the Local Government Act 2003, the Council's Chief Financial Officer (under s151 Local Government Act 1972) is required to report to the Council on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. The Council must have regard to the report when making decisions about the calculations in connection with which it is made. The Chief Financial Officer is also obliged to report to the Council if in relation to the previous financial year it appears that a controlled reserve is or is likely to be inadequate. A controlled reserve is one where the Secretary of State has, by regulation, defined the appropriate minimum level of reserve. The s151 officer must report the reasons for that situation, and the action, if any, which he considers it would be appropriate to take to prevent such a situation arising in relation to the corresponding reserve for the financial year under consideration. No Regulations defining controlled reserves have been made.
- 116 In reaching decisions on these matters, Members are bound by the general principles of administrative law. Lawful discretions must not be abused or fettered and all relevant considerations must be taken into account. No irrelevant considerations may be taken into account, and any decision made must be one which only a reasonable authority, properly directing itself, could have reached. Members must also balance the interests of service users against those who contribute to the Council's finances. The resources available to the Council must be deployed to their best advantage. Members must also act prudently.
- 117 Members have a fiduciary duty to the council tax payers and others in the local authority's area. This means that members must behave responsibly in

agreeing the budget. Members have no authority to make anything other than a balanced budget.

- 118 Among the relevant considerations which Members must take into account in reaching their decisions are the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans is contained in Section 65 of the Local Government Finance Act 1992.
- 119 In considering the advice of officers, and the weight to be attached to that advice, Members should have regard to the personal duties placed upon the Director of Resources as Chief Financial Officer. The Council may take decisions which are at variance with his advice, providing there are reasonable grounds to do so. However, Members may expose themselves to risk if they disregard clearly expressed advice, for example as to the level of provision required for contingencies, bad debts and future liabilities. In addition, if Members wish to re-instate savings recommended by the Director of Resources in order to balance the budget, they must find equivalent savings elsewhere.
- 120 The Director of Resources is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 (as amended) to ensure that the council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. He is in addition subject to the requirements set out in paragraph 115 above.
- 121 Members must also have regard to, and be aware of, the wider duties placed upon the council by various statutes governing the conduct of its financial affairs. These include the distinction between revenue and capital expenditure, specified in the Local Government and Housing Act 1989. The law in relation to the council's borrowing has been changed by the Local Government Act 2003. The previous regime of capital controls was abolished and the Council is now required to set prudential indicators in line with capital investment plans that are prudent, affordable and sustainable.
- 122 In setting the council tax for the next financial year and in agreeing the council's budgetary requirements, the Council also needs to take into account the fact that the Government still has power to cap local authority budgets under the Local Government Act 1999. The government may either set a maximum amount for the budget in the forthcoming year or put an authority on notice to set a maximum budget in the next financial year. If the government proposes to cap the council, the council will be given a short period to put its case. If the cap is then confirmed in the current year, this could require the authority to revisit its budget decisions and would be likely to require rebilling of council tax.
- 123 Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with arrears of council tax which have been outstanding for two months or more to attend any meeting at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears and will not be voting on

the decision for that reason. The Member concerned must not vote but may speak. If an Executive member has arrears outstanding for two months or more, they are prevented from taking any part in such a decision. The application of Section 106 of the 1992 Act is very wide and Members should be aware that the responsibility for ensuring that they act within the law at all times rests solely with the individual Member concerned.

- 124 The importance of setting a balanced budget cannot be over emphasised. Members have a duty to consider this seriously and to endeavour to reach a decision which, if not in accordance with the advice of the s151 officer has at the very least taken his advice conscientiously into account. Members are also required to act reasonably and this duty extends to their conduct in the meeting agreeing the Budget. Members should endeavour to agree a balanced budget and the level of council tax at this meeting.

Crime and Disorder

- 125 None other than the growth and savings proposals in this report.

Information Technology (IT)

- 126 None other than the growth and savings proposals in this report.

Property

- 127 None in this report.

Statutory Advice From the Director of Resources/Comments

- 128 The Local Government Act 2003 places responsibilities upon the council's Chief Finance Officer to advise the council on the adequacy of its reserves and the robustness of the budget proposals including the estimates contained in this document. This section also addresses the key risks facing the council in relation to current and future budget provision. The following paragraphs give my views on the budget (both 2010/11 and beyond), reserves and general robustness of the process.
- 129 The proposals in this budget give a balanced budget for 2010/11 and give consideration to the financial years 2011/12 to 2015/16. The council has taken many steps to try to put itself on a firmer long-term financial position, with longer term planning and improved budget monitoring. Full scrutiny of the budget proposals for 2010/11 has taken place and I believe that a proper risk assessment of a range of issues has been conducted.
- 130 There are significant savings contained within the budget proposals, and clearly there are risks in the achievement of some of these. I would draw Members attention specifically to the proposals within the More for York programme. Whilst I am assured of the robustness of the projected savings, and the extent of rigour in their calculation, they represent a major challenge for the council, and one that will only be achieved through full commitment across the

organisation to the Transformation process. I consider there are naturally some risks in terms of their achievement, and very careful monitoring of the More for York programme will be essential.

- 131 I consider that the overall estimates in the budget are sound and that the proposals to achieve a balanced budget are achievable, albeit demanding. The overall package, which includes provision for a contingency (which I consider to be an essential feature of the budget proposals), and provision for 1% increased public sector pay (again I consider this an essential component of the robust budget) is a realistic approach in dealing with the potential financial pressures facing the council next year. In addition the major financial pressures being experienced during 2009/10 have been addressed through significant additional investment (e.g. looked after children, adult social care) and this is key to ensuring a prudent budget. Whilst I consider the budget to be robust, it is not without its challenges, and there will be a need for very tight cost control and robust monthly monitoring.
- 132 I would highlight that any significant variation in terms of the assumptions regarding the level of contingency and provision for pay awards could require me to amend my statement, as would any other potential amendments to the budget proposals that I felt were not prudent/properly assessed.
- 133 Looking ahead there remains a range of very significant pressures for the future. The major challenge facing the council in coming years will be to secure savings from real efficiency gains (i.e. no deterioration in service quality) and for cost pressures to be managed effectively. In doing so, the council will also need to provide capacity for additional investment in unavoidable costs and priorities.
- 134 In addition however, looking ahead over the next few years the economic situation clearly provides a further major challenge to the council. The council has sought to recognise this in a number of ways within this budget, however it is a very volatile position and whilst the full impact of the recession and its impact on public spending in the future (especially post General Election) still needs to be assessed, there is a very high likelihood that all public organisations will need to reduce expenditure significantly. Whilst efficiency improvements will go some way towards these likely reductions, the council will need to prepare itself for fundamental reviews of the services, and respective levels, that it provides. Tackling this financial challenge will clearly be one of the major challenges facing the council in coming years.
- 135 Key to tackling these medium term challenges will be the need for the council to continue its transformational change programme, through the More for York programme. However, as outlined elsewhere in this report that programme needs to deliver not only very significant efficiency improvements, but also the council will need to consider the level and type of service it provides, as it is highly unlikely that the scale of financial savings required in future years can be met from true efficiency alone. There is likely to be a need for reductions in the scope and level of services provided by all public sector organisations in

coming years, and this needs to be planned for at an early stage. Meeting the financial challenges facing the council in coming years will require the council to think very carefully about its core priorities, how it works with its partners and key stakeholders, and its overall provision of public services.

- 136 In terms of reserves, there are no proposals contained within this report that use balances to fund recurring items of expenditure, which is a positive feature. It is particularly important that there is continual review of reserves, and Members are advised that there should in the foreseeable future be very little utilisation of existing General Reserves. The scale of pressures on the 2009/10 budget are placing potential further calls on reserves, and it may be that at some point in the future reserves need to be increased. There remains a risk that I may need to advise Members of the need to consider increasing reserves at some point in the medium term.
- 137 Ensuring adequate reserves is particularly important as there is potentially great pressure/risks in future years and there are significant commitments against the venture fund in coming years which mean that reliance upon this reserve is very limited. The decision on the adequacy of the level of reserves is linked to the general robustness of the budget process and the council's systems of budgetary control and risk management. These need to ensure that the council will not be exposed to any unforeseen major financial problem requiring the use of reserves to resolve. I stress that it should not be assumed that the council has significant reserves - as can be seen from the tables in this report, the future calls on those reserves are potentially putting the council in a position whereby reserves may approach, or even reduce below minimum levels.
- 138 The government have announced that they will again consider capping councils who they feel are raising council tax levels excessively. The capping criteria they use are based on budget growth and council tax increases. The government have talked about average increases needing to be well below 5% and in the past have clearly meant maximum rises of 5%, but they do not publish the criteria they will use until after we will have set our budget. Based on their actions in the past I believe that in 2010/11 the maximum council tax rise that York should consider is 3%, which is marginally higher than the 2.9% in this report
- 139 I would highlight that this is a maximum figure and whilst this report currently does assume an increase of 2.9%. Members may wish to consider further options to bring this increase down, in order to reduce any risk of the possibility of being capped this year. In reaching their final decision Members need to consider that if the council were capped it would bring with it reputational damage and potential costs of re-billing which are estimated at £170k.
- 140 I also would highlight the separate capital programme report, and the issues that are set out within that. In particular, the capital plan has some significant implications in terms of the revenue budget in coming years, and both programmes will need to be carefully managed in terms of ensuring proper provision is made in the medium term.

Recommendations

- 141 Members are asked to consider the appropriate levels of council tax that they wish to see levied by the City of York Council for 2010/11. In doing so they should pay due regard to factors such as:
- a expenditure pressures facing the council in 2010/11 as detailed at Annex 1;
 - b the impacts in 2010/11 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 levels of reserves projected to be held at the 31 March 2010, 2011, 2012, 2013, 2014, 2015 and 2016 (Annex 6);
 - e significant future pressures identified;
 - f the statutory advice from the Director of Resources;
 - g the need to ensure that any adjustments to these proposals are self-balancing within the requirements laid down by the Director of Resources as the council's responsible financial officer.
- 142 In light of these considerations Members are asked to recommend to Council approval of the budget proposals as outlined in this report, and set out in detail within the financial strategy. In particular:
- a the net revenue expenditure requirement for 2010/11 of £117.978m, as set out in Annex 1;
 - b the housing revenue account proposals outlined in Annex 8;
 - c the dedicated schools grant proposals outlined in the report;
 - d the revenue growth proposals of £13.786m on-going for 2010/11, plus one-off growth of £1.008m, outlined in Annex 3;
 - e the revenue savings proposals of £10.352m for 2010/11 outlined in Annex 4;
 - f in terms of the council's reserves to agree the use in 2010/11 of £0.500m from the venture fund;
 - g use of prior year collection fund surplus of £0.288m;
 - h agree that release of growth of £500k for 16/17 year olds is subject to a further report to the Executive setting out the full implications (paragraph 28)
 - i agree that the £2m transfer from general balances to the capital reserve fund is not made (paragraph 52);

- j approve the increase for council dwelling rents by an average of 1.83% in line with government guidance on rent restructuring as set out in Annex 9;
- k Note the medium term financial strategy projections that indicate the need for savings/efficiencies in future years of £10m per annum.
- 143 In relation to the More for York programme Members are also asked to:
- a note the revised More for York savings set out in Annex 5a;
- b agree to undertake to incorporate into More for York a programme of efficiency in City Strategy to
- rationalise the administration teams in light of changes to HR, ICT, Customer Services EDRMS and Finance
 - improve processes in Planning and Building control through better use of technology and improved customer contact arrangements.
- c agree to undertake to incorporate into More for York a programme of efficiency in Chief Executive's directorate to
- rationalise use of administrative buildings over the Christmas period, saving on heating, lighting, etc.
- d incorporate a review of out of area placements for Looked After Children into the Children's Social Care blueprint
- e agree a revised More for York investment total of £1.241m, as set out in Annex 5b, and to delegate to the Chief Executive and the Director of Resources the authority to decide on the early resourcing needs of the programme in advance of a detailed report to Executive
- f note the proposal to expand the programme focussing initially on the areas identified in this report and to receive a further report on this early in the new financial year.
- 144 The effect of approving the income and expenditure proposals included in the recommendations would result in an increase in the City of York element of the council tax of 2.9%. It is intended that the total council tax increase including the parish, Police and Fire Authority precepts, will be agreed at the full council meeting on 25 February 2010.

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Report Approved

Date 05/02/10

Specialist Implications Officer(s) Human Resources
Name

Title

Tel; No. Extension

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

All

For further information please contact the author of the report

Background Papers

Medium Term Financial Strategy - Executive
3rd Finance and Performance monitoring report - Executive
Executive Member Decision Session reports and minutes January 2010
Government Grant settlement papers

Annexes

- 1 Summary of Budget
- 2 Directorate Analysis of Budget Proposals
- 3 Growth and Reprioritisation
- 4 Saving Proposals
- 5 More for York
- 6 Estimated Reserve Balances
- 7 Contingency Items
- 8 Housing Revenue Account budget report
- 9 Housing Revenue Account Rent Increase
- 10 Public Consultation on Budget Proposals
- 11 SIWG Draft Minutes
- 12 Risk Assessment

Appendix

Financial Strategy

Summary of Budget

	2010/11
	£'000
Net Expenditure Budget Brought Forward	117,010.0
Removal of one-off funding for non-rec exp. from Reserves/Balances	-3,474.0
Starting Expenditure requirement	113,536.0
Corporate Expenditure Pressures	
Economic Downturn	420.0
YPO Dividend Shortfall	97.0
Additional financing for borrowing (capital programme)	884.0
Minimum Revenue Provision - new borrowing	476.0
Interest Paid on Borrowing	143.0
Interest earned on cash balances	860.0
Neighbourhood Priorities	100.0
Contingency	255.0
Additional Budget Pressures Identified	
Departmental Recurring	10,551.0
Departmental and Corporate Non-recurring	1,008.0
Total Expenditure Pressures	14,794.0
Reduced Costs and Additional Income	
Council wide savings (M4Y) - total £15m by year three	-3,725.0
Departmental Savings Taken	-6,627.0
Total Expenditure Reductions	-10,352.0
Revised Projected Budget Requirement	117,978.0

FUNDING	
Existing Funding	-117,010.0
Removal of one-off funding for non-rec exp. from Reserves/Balances	3,474.0
Starting Funding	-113,536.0
Funding Changes	
Variation in Revenue Support Grant	-1,090.0
Use of Reserves	-500.0
Adjustment for prior year Collection Fund Surplus	236.0
In-year Collection Fund surplus (-) or deficit (+)	-288.0
Increased Council Tax from assumed 2.90% rate	-2,025.0
Increased Council Tax from increased base at new rate (M4Y)	-775.0
Revised Funding	-117,978.0

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Directorate Analysis of Budget

	Base Budget 2010/11	Priority Investment	Directorate Recurring	Growth One-off	Directorate Savings	Final Budget 2010/11
	£'000	£'000	£'000	£'000	£'000	£'000
Directorate						
Chief Executives	4,934	0	585	0	-468	5,051
City Strategy	7,691	1,100	651	251	-1,811	7,882
Housing and Adult Social Services	43,597	544	1,473	0	-930	44,684
Leisure, Culture and Children's Services	43,303	2,051	1,894	20	-1,778	45,490
Neighbourhood Services	29,777	679	981	202	-1,030	30,609
Resources	3,485	0	593	0	-610	3,468
	132,787	4,374	6,177	473	-6,627	137,184
Corporate Budgets						
Treasury Management	8,168	2,463	0	500	0	11,131
Other Corporate Budgets	-28,019	517	0	35	0	-27,467
Contingency	600	255	0	0	0	855
Corporate Efficiency Savings	0	0	0	0	-3,725	-3,725
	-19,251	3,235	0	535	-3,725	-19,206
TOTAL BUDGET	113,536	7,609	6,177	1,008	-10,352	117,978

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Detailed Growth and Reprioritisation - Summary

	2010/11	
	Recurring	One-off
	£'000	£'000
Directorate		
Chief Executives	585	0
City Strategy	1,751	251
Housing and Adult Social Services	2,017	0
Leisure, Culture and Children's Services	3,945	20
Neighbourhood Services	1,660	202
Resources	593	0
Corporate	3,235	535

General Fund Impact 13,786 1,008

Non-General Fund		
Dedicated Schools Grant	3,585	0

Detailed Growth and Reprioritisation

Chief Executives

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
Report	<u>Pay and Price Increases</u> Based on a pay increase for Local Government staff of 1.0% (from 1 April 2010), and 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.	72	
CEXEG01	<u>Cost of Increments</u> Cost of increments across the Directorate for 2010/11.	141	
CEXEG02	<u>Cost of P&G Appeals</u> The cost of successful pay and grading appeals across the directorate totals £155k.	155	
CEXEG05	<u>Water Management (Legionella)</u> The council agreed at Executive 9th June 2009 to undertake water monitoring at its establishments. The growth bid would support the majority of the additional costs of undertaking this work.	100	
CEXEG06	<u>Contribution to Leeds City Region</u> Continuation of the Leeds City Region growth agreed in 2008/09 as a two year bid. The regional agenda has moved quickly and given the consequences of becoming a forerunner region the secretariat costs have increased. The ongoing cost of this therefore remains within the council budget. Further liabilities will be supported by secondments etc.	23	
CEXEG07	<u>Coroner's Pay Budget</u> The Coroner's terms and conditions are set by the Ministry of Justice based on workload. Latest figures suggest an increase cost to the council of £10k.	10	
CEXEG08	<u>Additional Savings 2009/10</u> Unallocated savings from the 2009/10 budget resolution. The allocation of the savings are being formalised within 2010/11 savings proposals.	84	
Total		585	0

City Strategy

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
Report	<u>Pay Award</u> Based on a pay increase for Local Government staff of 1.0% (from 1 April 2010).	96	
Report	<u>Price Increases</u> 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.	71	

CSTRCOR1	<u>Concessionary Fares</u> The delivery of the concessionary fare scheme for anyone over the age of 60 years and for persons with a disability that meet set criteria in order to qualify for a pass. The additional funding required covers the budget shortfall in 2009/10 (£420k) inflation and increased usage (£380k) and the costs of increased take up from tokens (£100k). Note that these increased costs will be offset by savings and additional grant.	900	
CSTRCOR2	<u>Waste PFI procurement budget:</u> The council is undertaking a joint procurement exercise with NYCC for a waste processing facility to reduce the amount of waste landfilled. This is important due to the need to avoid increasing landfill tax liabilities and potential LATS penalties. There are ongoing costs from the procurement, primarily legal and financial consultants, as the preferred bidder is appointed and a commercial contract is drawn up. Current estimates of CYC's contribution for the procurement is £200k.	200	
CSTRG01/02	<u>Staffing Cost Increases</u> Cost of increments across the Directorate and Pay and Grading appeals.	358	
CSTRG06	<u>Companion Passes</u> Extension of the eligibility of companion passes has been accepted by the Concessionary Fares Partnership. This has been estimated to have a small additional cost for the council.	35	
CSTRG07	<u>Environment Agency Levy</u> The EA are looking to increase the council levy from £33k to £49k in 2010/11. The 50% increase is to fund flood prevention measures across the Yorkshire and Humber area.	16	
CSTRG08	<u>Cycle Training Income</u> The council historically has enjoyed income levels from providing training courses to cycle trainers from other Local Authorities. This income stream is no longer providing significant revenue.	15	
CSTRG09	<u>Roll Out of Kingsway West Initiative</u> It is intended to learn from the successful Kingsway West Pilot targeting more deprived parts of the council and roll out into other areas of the city.	40	
CSTRG11	<u>Learning City Partnership</u> Funding is required to support the work of the Learning City Partnership to address economic inclusion and adult skills across the city; this issue has increased in importance to enable residents to be well equipped to respond to the current economic situation.	20	
CSTRN02	<u>Local Development Framework</u> There are still significant costs to completing the Local Development Framework process. The budget to support the initiative is only set to March 2010. It is proposed to use the anticipated one-off final year award of Planning Delivery Grant (see below) to fund the programme for 2010/11. The largest costs to be incurred relate to the examinations of the core strategies and Area Action Plans. A new approach to York North West will have to be considered with the preparation of new and revised planning briefs and frameworks.		180
One-off			
CSTRN03	<u>Speed Limit Review</u> Budget to allow review of appropriate speed limits across the city.		15
One-off			

Annex 3

CSTRN05	<u>Car Parking Initiatives</u> To purchase 4 new parking ticket machines in selected car parks to accept credit and debit card payments.		25
One-off			
CORPN02a	<u>One-off Growth Agreed During Previous Year's Budgets</u> Land Options Waste - year three of three.		31
One-off			

Total 1,751 251

Housing and Adult Social Services

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
Report	<u>Pay Award</u> Based on a pay increase for Local Government staff of 1.0% (from 1 April 2010).	226	
HASSG01	<u>Cost of Increments</u> Cost of increments across the Directorate for 2010/11.	150	
HASSG02	<u>Cost of P&G Appeals</u> The cost of successful pay and grading appeals across the directorate totals £155k.	375	
HASSG06/CORPG09	<u>Reprovision of Residential Care as Supported Living</u> The full year effect of previously agreed growth associated with residents currently living residential care moving to community based housing and support.	325	
HASSG07/CORPG11	<u>Increased Demand - Complex Needs</u> Known costs associated with individuals who are transferring from Children's Services into adulthood with extremely complex needs.	320	
HASSG08	<u>Increased Demand - Older People</u> Costs of increased placements for older people and people with mental health needs.	286	
CORPG10	<u>Community Based Care</u> To increase the number of home care hours available to support people in their own homes.	335	

Total 2,017 0

Learning, Culture and Children's Services

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
Report	<u>Pay Award</u> Based on a pay increase for Local Government staff of 1.0% (from 1 April 2010) and Teaching staff of 2.3% (from 1 September 2010), the net costs of staff increments after allowing for new starters at the lower point of the grade, the estimated cost of successful pay & grading appeals, and the additional cost of allowances following the implementation of the pay and grading review.	1272	

Report	<u>Price Increases</u> 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 is net of any inflationary allowance included in on-going grants supporting core services.	123	
CG01	<u>Children's Social Care - Looked After Children Increase</u> As previously reported to Members, the number of Looked After Children (LAC) in York continues to increase. In March 2008 the number was 166, but by December 2009 it had risen to 225. It is estimated that growth of £1,657k will be required in 2010/11 to manage this significant increase, and cover the consequent pressures on a range of social care budgets. In addition, the existing arrangement for accommodating and supporting 16/17 year olds who present as homeless have very recently been challenged by a House of Lords ruling. The Lords ruling suggests that where there are more than one category of need (i.e. a roof over their head) then the young people should be considered 'in need of accommodation' under S20 of the Children Act 1989 (Looked After). This means that where 16-17 year olds have previously been accommodated under housing legislation, unless they were clearly identified as extremely vulnerable, now all 16-17 years will be assessed with the presumption that care services should be provided under section 20 of the Children Act 1989. Work is on-going between LCCS and HASS but there is a potential additional GF cost that could be in excess of £500k. In order to mitigate these pressures we are looking to review the overall efficiency of the service, and a More for York Blueprint is therefore being developed with the aim of generating savings of £600k.	1557	
CG02	<u>Children's Social Care - Integrated Children's System Support Post Grant</u> This is a key system that requires supporting on an on-going basis. DCSF grant ceased in 2009/10 and additional funding is required to maintain this important post.	40	
CG03	<u>Youth Offending Team - YOT Budget Stabilisation</u> This bid is to secure provision of statutory youth justice services, compliance with National Standards, requirements of HM Inspectorate of Probation, Youth Justice Board/CAA Capacity & Capability review, and conditions of YJB grant. Current resources are inadequate to fund these core demands, and the shortfall has been met through (a) expenditure of reserves, now depleted and (b) short-term funding now expired (most significantly LPSA2) and (c) efficiencies. Although technically a growth bid, this is in fact a bid to stabilise the YOT ability to deliver statutory services and involves no expansion. The sum requested is net of a further £90k of efficiency savings expected to be made by the service in 2010/11.	90	
CG04	<u>Children's Trust Unit - Training & Development Grant</u> The cost of the training and development team has been part funded by grant which ended in 2008/09. The service has been funded from a carry forward of grant in 2009/10 but this will no longer be available from 2010/11.	30	

CG05	<u>Extended Schools - Grant Shortfall</u> A shortfall in external grant resources to support the Extended Services team in 2010/11. Discussions are in place with schools to explore the potential to retain a greater proportion of the grant centrally from 2011/12 which could reduce this pressure in future years.	180	
CG06	<u>Young People's Service - Grant Reductions</u> Youth provision previously funded by grant but now regarded as key elements of the youth service.	39	
CG07	<u>Young People's Service - Youth Service Premises Costs</u> The service continues to be responsible for a number of buildings for which it no longer holds the budget. The original intention had been to facilitate local community management of these buildings that has not proved possible.	15	
CG08	<u>Access Services - Home to School Transport</u> Members will be aware of the significant pressures being experienced within this budget in 2009/10. This growth item provides the additional resources required to deal with the higher cost of providing transport and escorts for SEN pupils, rising fuel costs, impact of the increase in the LAC population, overspend in discretionary transport due in part to successful appeals, and an increase in mainstream transport costs due to over optimistic savings assumptions.	231	
CG09	<u>Access Services - Primary School Admissions</u> A new statutory requirement for the local authority to administer primary admissions. This funding would support the additional staffing required.	25	
CG10	<u>Human Resources - Independent Safeguarding Authority</u> A new statutory requirement for all staff who have contact with children to be registered with the Independent Safeguarding Authority (ISA) by October 2013, at a cost of £64 per registration. All new appointments need to be registered immediately with existing staff on a phased basis over 5 years.	42	
CG11	<u>Human Resources - School Workforce Census</u> A new DCSF requirement from 2010/11 for which no staffing resource is available within the existing HR team. In the first year of the new survey the equivalent of a full time post will be required for 9 months to set up new systems, with a 0.5 fte post required on an ongoing basis.	19	
LG01	<u>Libraries & Heritage - Archives Manager</u> The post was created in 2009/10 but funding was only provided on a one-off basis. This item is matched against the savings generated through the library service restructure (LS05).	32	
LG02	<u>Libraries & Heritage - Library Service Self Issue Machines</u> The additional cost of annual prudential borrowing repayments to finance the purchase of self issue machines. This item is matched against the savings generated through the library service restructure (LS05).	35	
LG03	<u>Libraries & Heritage - Library Service Grant Income</u> Reduction in grant income received by the service. This item is matched against the savings generated through the library service restructure (LS05).	32	
LG04	<u>Sport & Active Leisure - Barbican Centre Interim Funding</u> The additional funding required to maintain the centre in its current mothballed state and complete the current tendering exercise.	120	

LG05	<u>Sport & Active Leisure - External Grant Funding Reductions</u> The loss of grant funding from LPSA2 for the Physical Activity Co-ordinators and Sport England for the Physical Disability Coach, plus the part year loss of Sport England Grant for the Community Sports Coach and Aquatics Coach. In 2011/12 the full effect of the Community Sports Coach and Aquatics Coaches grant losses will be felt. The growth pressure has been reduced by an assumption that new external funding of £20k can be secured.	63	
CORPN02b One-off	<u>One-off Growth Agreed During Previous Year's Budgets</u> Contribution to 2010 Mystery Plays - year five of five.		20

Total 3,945 20

Neighbourhood Services

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
Report	<u>Pay Award</u> Based on a pay increase for Local Government staff of 1.0% (from 1 April 2010).	207	
NSERG01	<u>Cost of Increments</u> Cost of increments across the Directorate for 2010/11.	301	
NSERG02	<u>Cost of P&G Appeals</u> The cost of successful pay and grading appeals across the directorate totals £155k.	407	
NSERG06	<u>Rent Increase at Peel Street Car Park</u> The rental increase on Peel Street Car Park has increased by more than inflation for 2010/11 as calculated by the terms of the contract.	13	
NSERG07	<u>Electricity Income at Picadilly</u> Additional meters have only recently been charged for at Piccadilly car park. The current budget does not give sufficient to cover the full cost of electricity.	9	
NSERG08	<u>Shortfall to Fund Noise Patrol Service</u> This is linked to a move in shift patterns. Funding of the Noise Patrol service was identified as a pressure in 08/09. The additional costs were funded from carry forwards in 09/10 but this growth request is to fund the full service.	24	
NSERG09	<u>New Statutory 'On Farm' Inspection Requirement</u> There has been an additional statutory requirement for animal feed inspections in 09/10. This is being funded from underspends for the part year of 09/10 but there is insufficient budget to fund this for 10/11 onwards.	8	
NSERG10	<u>Licensing Fee Review Costs</u> New legislation for sex shop licences that means only the cost of the inspection can be recovered. As part of the fees and charges review these licenses have been revised which gives a shortfall of income.	12	

CORPG29	<u>Waste - Landfill Tax</u> Landfill Tax increases by £8 per tonne up to and including 2010/11. This projection is based on 56,000 tonnes per year which gives a £448k charge for 10/11 plus £144k unfunded for 09/10. A stretched target reduction of approximately 4160 tonnes at £48 per tonne Landfill Tax has been set for 10/11 to give a reduction of £200k. Therefore the final growth request is for £388k.	388	
CORPG30	<u>Waste - Waste Processing Contract</u> Contract step increase in landfill processing cost £2.00 per tonne from 2010/11 - Yorwaste Contract. Plus £700k per year for Waste PFI contract.	111	
CORPG31	<u>Waste - Roll-Out Kerbside Recycling</u> The Waste Strategy refresh report to Exec on 23 Sept 2008 approved the rollout of Kerbside recycling to all properties, where practicable, to conform with the statutory target to provide collection of 2 recyclates. 2010/11 is the final year of a 3 year programme.	130	
CORPG33	<u>Waste - Waste Minimisation</u> For the waste strategy team to push the message about reducing landfill and increasing recycling. This links to the delivery of the stretched target on landfill tax at CORPG29 and the kerbside rollout CORPG31.	50	
CORPN02c One-off	<u>One-off Growth Agreed During Previous Year's Budgets</u> Ward Committees - year three of four.		202

Total **1,660** **202**

Resources Directorate

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
Report	<u>Pay Award</u> Based on a pay increase for Local Government staff of 1.0% (from 1 April 2010).	88	
Report	<u>Price Increases</u> 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 is net of any inflationary allowance included in on-going grants supporting core services.	28	
RESOG01	<u>Cost of Increments</u> This is the anticipated cost of the staff increments for the Directorate.	150	
RESOG02	<u>Cost of P&G Appeals</u> This is the anticipated cost of the Pay and Grading appeals across the Directorate.	101	

RESOG06	<u>IT Development Plan Growth</u> The new process for IT development seeks to fund on-going requirements from existing revenue budgets, therefore the budget pressure reported here matches against the IT savings reported. The overall amount of £226k is made up from 2 areas. 1) Full year effect of the 2009/10 Development plan is £111k. 2) Due to previous delays in project delivery the Executive agreed to under fund the 2009/10 IT Dev't plan in year 1, this budget of £115k is now required for 2010/11.	226	
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Total 593 0

Corporate Budgets

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
CORPG34	<u>Treasury Management</u> Revenue Funding for Government Supported Borrowing.	884	
CORPG35	<u>Treasury Management - Interest Paid on Borrowing</u> As a result of reduced Capital Receipts.	143	
CORPG36	<u>Treasury Management - Increased MRP</u> As a result of borrowing resulting from reduced receipts.	476	
CORPG37	<u>Treasury Management - Interest Earned on Balances</u> Required revenue funding to cover the Government approved level of borrowing.	860	
CORPG42	<u>YPO Dividend Shortfall</u>	97	
CORPG47a	<u>Economic Downturn</u> To cover the underlying income shortfall and the increase of VAT back to 17.5% for car parking income.	220	
CORPG47b	<u>Economic Downturn</u> To cover the underlying income shortfall for planning income.	200	
CORPG41	<u>Increased Corporate Contingency</u>	255	
Neighbourhood Priorities	<u>Treasury Management</u> Funding needed to pay for revenue consequences of the £1m increase in the capital programme.	100	
CORPN01 One-off	<u>Treasury Management - Venture Fund Contribution to Interest Earned On Balances</u>		500
CORPN03 One-off	<u>NKA Fees for SPD Work</u> NKA reviewed the claimants claiming single person's discount on council tax, and as a result of their work the number of properties in receipt of this discount has reduced. The cost of this work has to be charged to the general fund, and is matched by an increase in the council tax base (leading to a smaller charge to each individual property).		35

Total 3,235 535

DSG

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
Report	<u>Schools Minimum Funding Requirement</u> The DCSF have confirmed that the MFG will continue to deliver a minimum per pupil increase for all schools until at least 31 March 2011. The MFG for all schools set at 2.1% for 2010/11. The estimated amount required to deliver the MFG for all York schools is £2,928k in 2010/11.	2928	
Report	<u>Pay Increases</u> Based on a pay increase for Local Government staff of 1.0% (from 1 April 2010) and Teaching staff of 2.3% (from 1 September 2010), the net costs of staff increments after allowing for new starters at the lower point of the grade, the estimated cost of successful pay & grading appeals, and the additional cost of allowances following the implementation of the pay and grading review.	193	
Report	<u>Inflation</u> 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 is net of any inflationary allowance included in on-going grants supporting core services.	114	
CG12	<u>Special Educational Needs Service - External Placements</u> Based on the current position projected forward, which includes the planned ending of some placements, plus an amount for new unknown placements during 2010/11.	250	
CG13	<u>Behaviour Support Service - Demand Pressures</u> In setting the 3 year schools budget strategy, the Schools Forum have already agreed to provide additional for the service. This additional £100k reflects the current level of demand and expenditure in 2009/10 and projected forward. Further work being undertaken on a review of the Behaviour Support Service management and staffing structure may reduce this requirement in the future but is included as a separate savings proposal (CS54) at Annex 3.	100	

Total	3,585	0
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Detailed Savings Proposals - Summary

<u>Savings Summary</u>	2010/11	
	Recurring	One-off
	£'000	£'000
Directorate		
Chief Executives	-468	0
City Strategy	-1,591	-220
Housing and Adult Social Services	-592	-338
Leisure, Culture and Children's Services	-1,703	-75
Neighbourhood Services	-1,030	0
Resources	-610	0
Corporate	-3,725	0
General Fund Impact	-9,719	-633
Non-General Fund		
Dedicated Schools Grant	-488	-200

Detailed Savings Proposals

Chief Executive

Ref	Brief Description	2010/11	
		Recurring £'000	One-off £'000
CEXES01	<u>Vacancy Factor 3%</u> Introduction of a vacancy factor to most staffing areas across the Directorate of 3%.	-163	
CEXES02	<u>Increased Income From the Recruitment Pool</u> Due to the increased volume of temporary work now being processed through the Recruitment Pool, the operation is able to return a greater surplus than is currently budgeted for.	-68	
CEXES03	<u>Savings from Rebase of Chief Executive's Office Budget</u> A number of factors have resulted in a surplus on the salary budget for the Chief Executive's Office.	-16	
CEXES04	<u>Cessation of Shadow Executive</u> Effect of changes to the council's political structure in 2009/10.	-23	
CEXES05	<u>Fewer SRA's Following Abolition of EMAP's</u> Effect of changes to the council's political structure in 2009/10.	-17	
CEXES06	<u>Saving From Rebase to Central Marketing Salary Budget</u> Follows the completion of a restructure within the Central Marketing team.	-5	
CEXES08	<u>Delete Vacant Scrutiny Assistant Post</u> Proposal to delete the Scrutiny Assistant post that has been held vacant since its creation in 2006/07. This is likely to impact on service delivery and given the recent increase in the number of scrutiny committees, it was planned to recruit to this post to provide support to the existing 2 Scrutiny Officers.	-21	
CEXES10	<u>Delete Vacant Post PA to Director</u> It is proposed to delete this post and share support between other teams across the directorate.	-26	
CEXES13	<u>Completion of Graduate Management Trainee Programme</u> The Graduate Management Trainee Programme is due for completion in October 2009 and it is not proposed to continue the post funded from the Chief Executive's budget.	-12	
CEXES14	<u>Remove Ad-Hoc Hospitality Budgets</u> Deletion of a number of small hospitality budgets within the Directorate.	-11	
CEXES15	<u>CMT Administrative Support</u> Delete part time vacant post to provide Corporate Management Team with administrative support. This role is undertaken within current resources.	-10	
CEXES16	<u>Delete 1 fte Democracy Officer</u> Proposal to reduce the number of Democracy Support Officers from 5 to 4. Whilst there are fewer public meetings to support, this will impact on service delivery within the team. This will lead to a potential redundancy within the team.	-27	
CEXES17/18	<u>Review of Responsibility Allowances</u> Proposals to reduce by on the number of planning sub-committees and also to merge the Licensing and Regulation committee with the Licensing and Gambling committee.	-10	
CEXES19	<u>Review of Directorate Overhead Budgets</u> Proposed cut of 20% on staff travel, equipment and stationary budgets across the Directorate will provide a saving of £18k.	-18	

CEXES20	<u>Delete 0.5 fte vacant Civic Administrator</u> The proposal is to delete 0.5fte vacant post within civic services. This is unlikely to have an impact on service as alternative arrangements have been put in place.	-8	
CEXES21	<u>Reduce Marketing and Communications team by one fte</u> Proposal to review the functions undertaken within the team with the intention to reduce the establishment by one fte. This will have an impact on the Council's ability to market to and communicate with residents. This will lead to a potential redundancy within the team.	-33	

Total Savings **-468** **0**

City Strategy

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
CSCOR01	<u>Concessionary Fares Reimbursement Rate Reduction</u> Anticipated savings arising from a reduced reimbursement rate paid to operators from 1st Dec 2009.	-612	
CORPS03	<u>Concessionary Fares Additional Special Grant</u> Anticipated additional grant from Department for Transport for supporting concessionary fares in 2010/11. This element combined with CSCOR01 will fund the growth pressure.	-288	
CSTRS01	<u>Vacancy Factor 2.5%</u> Introduction of a vacancy factor to most staffing areas across the Directorate will result in a reduction in budget totalling £175k.	-190	
CSTRS02	<u>Review of RESPARK Charges</u> Review of charges for RESPARK charges resulting in an increased charge for high emission vehicles (£110). It is proposed to freeze charges for standard permits at £93 and widen the eligibility for low emission vehicles (£44) to include VED bands A-C.	-10	
CSTRS03	<u>Savings across Land Charges budget</u> Reduced costs in transmission fees and other supplies and services to fund additional staffing costs leaving service a non profit area.	-19	
CSTRS04	<u>Secretarial Services Restructure</u> A restructure of the management support service structure in Autumn 2009 resulted in the deletion of one post from the team.	-15	
CSTRS05	<u>Development Control Restructure</u> Restructure of the planning team resulting in the split of teams into Major and Other applications rather than the current geographic split. This will result in a number of posts being deleted as workload reduces. It is likely also to result in the reduction of one area planning sub-committee.	-130	
CSTRS06	<u>Contribution re Park & Ride City Centre Support</u> Review of Park & Ride support arrangements undertaken within council and bus operator resource.	-15	
CSTRS07	<u>Reduction in Transport Planning Initiatives</u> A 20% reduction in educational campaigns. The reduction would be for promotions seen as 'soft' measures.	-40	

Annex 4

CSTRS08	<u>Economic Assessments</u> The council has been awarded additional grant of £65k to fund Economic Assessments of the city. A lot of this work has already been carried out in-house therefore can be funded without the full grant.	-40	
CSTRS09	<u>Anticipated Additional Concessionary Fare Grant</u> The growth of £900k required for concessionary fares can be funded from a reduction in the reimbursement rate to operators and a first call on the additional grant assumed from the government. There remains a further £82k which can be offered as a saving.	-82	
CSTRS10	<u>Seek external funding to support Economic Development activity</u> Seek to maximise regional and other external funding to support economic development programme.	-40	
CSTRS11	<u>Car Parking Initiatives</u> Rolling out improved technology (ticket machines that accept debit / credit cards) and redesignating Esplanade car park as a short stay car park is expected to increase income yields. Proposal also to increase maximum permitted length of stay at short stay car parks.	-60	
CSTRS12	<u>Park & Ride additional income</u> Proposal to maximise value from the Park & Ride licence fee including potential 10p fare increase for return trip.	-50	
CSTRN06 One-off	<u>Housing & Planning Delivery Grant</u> Assumed additional grant from Department of Communities and Local Government from Year 3 of the Housing and Planning Delivery Grant (£365k compared to £145k budget). This saving will fund one-off growth proposals.		-220

Total **-1,591** **-220**

Housing and Adult Social Services

Ref	Brief Description	2010/11	
		Recurring £'000	One-off £'000
HASSS06	<u>Reduce Respite Care</u> A cut in the level of respite care offered will result in approximately 200 fewer weeks of care being available.	-20	
HASSS07 One-off	<u>Review Use of Area Based Grants</u> Review use to identify efficiencies.		-75
HASSS08 One-off	<u>Use of Supporting People Grant</u> Review use to identify efficiencies.		-118
HASSS09	<u>Outsource Training & NVQ Team</u> The department retains an in-house NVQ assessment team and organises external training for both the in-house services and other providers of social care services. This proposal would involve outsourcing the services provided by 5.5 ftes although there would be a need to retain a role to organise strategic training and development.	-75	
HASSS10	<u>Reduction In Social Care Assessment Staffing</u> This would involve the removal of a half time vacant social care assessment post.	-15	

	<u>Additional Income</u> The recent decision to amend the non residential charging policy included an estimate of additional costs for implementing the changes. Further work on the implementation of the revised policy has identified that the costs can be reduced by £25k.	-25	
HASSS11	<u>Reduction in Administration Costs</u> The deletion of a vacant post.	-8	
HASSS12	<u>Policy Posts</u> Identify alternative funding for the housing strategy and carers strategy posts, and remove the Social Services Policy post and the Equalities & Information post - these posts provide support to the development and improvement of services.	-90	
HASSS13	<u>Mediation Service</u> A reduction in service levels will mean that in future this service will only be available for council tenants as it will be solely funded from the Housing Revenue Account.	-20	
HASSS15 One-off	<u>Review Use of Social Care Reform Grant</u> Review use to identify efficiencies.		-145
HASSS16	<u>Increase Warden Call Charges</u> Increase charges by 1.5%.	-8	
HASSS17	<u>Increase Other Non Residential Charges</u> Increase charges by 1.5%.	-110	
HASSS18	<u>Review Pool Car Usage</u> Review to enable a reduction in the number of pool cars used.	-21	
HASSS19	<u>Management Efficiency</u> Undertake a thorough review of all budgets across the department to identify further savings.	-200	

Total **-592** **-338**

Learning, Culture and Children's Services

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
Report	<u>Full Year Effect of 2009/10 Savings</u> Adult Ed Centre relocation (£4k), Finance team efficiencies (£7k) and TDU Management responsibilities (£15k).	-26	
Report	<u>Fees and Charges Increase</u> Increase in fees and charges by 2.5% except where there are nationally set charges.	-83	
CS01/LS01	<u>Staff Vacancy Factor</u> Increase the vacancy factor on non-frontline staffing budgets by 1.0% (from the current 4.0% up to 5.0%).	-94	
CS02/LS02	<u>Reduction in Office Budgets</u> A cut in all directorate general office expenses, equipment, travel and subsistence budgets by 5%.	-33	
CS03	<u>Childrens' Social Care - Recruitment Advertising Budget Reductions</u> A 30% reduction in the budget.	-10	
CS04	<u>Childrens' Social Care - The Glen Staffing Efficiencies</u> Existing arrangements allow for a reduction in staffing budgets with no impact on existing staff.	-70	

CS05	<u>Childrens' Social Care - External Grant Reprioritisation</u> Reprioritisation of activity within a number of external grant streams towards core services.		-30
One-off			
CS07	<u>Education Welfare Service - Review of EWS & Behaviour Support Service Management Arrangements</u> The potential for savings being generated from the development of greater integration of these services - supported by the planned implementation of a new 'Front Door' for children's services.	-15	
CS08	<u>Local Safeguarding Children Board - Efficiency Savings</u> A review of budget headings shows that efficiency savings can be made to reflect small changes in activity levels and procedures which have not previously been reflected in budget setting.		-5
One-off			
CS09	<u>Adult & Community Education - Adult Education Staffing Restructure</u> The revised staffing structure agreed at the Children & Young People's Services Executive Member Decision Making Meeting on 12 January 2010 generates a significant saving.	-65	
CS10	<u>Arts & Culture - Music Service Revised Staffing Model</u> A new business model for the Peripatetic Music Service involving new patterns of service delivery to schools and to members of the public will also introduce new terms and conditions for all teachers in the service from September 2010.	-35	
CS11	<u>Arts & Culture - Arts Consultants: Cease Service to Schools</u> The saving would be generated from making the 3 consultants posts redundant and removing the curriculum support currently provided to schools. However, we would want to continue to make cultural opportunities and activities available to young people, and the saving is therefore net of funding to appoint staffing to undertake project work to increase the range of cultural opportunities available to young people.	-100	
CS12	<u>Children's Trust Unit - Reduce CYC Contribution to Children's Trust</u> The trust will manage this reduction by utilising the Think Family Grant to support an element of salary costs.	-6	
CS13	<u>Children's Trust Unit - TDU Staffing Saving</u> Vacant TDU manager post being covered at lower grade, and temporary reduction in hours of Support Service co-ordinator post, pending planned restructure.	-20	
CS14	<u>Early Years & Children's Centres - Cease Funding Health Service Posts from ICC Grant</u> This would remove council funding for 3.8 posts based at Children's Centres. Instead, as in other LA areas, we would look to health colleagues to provide support from within their mainstream services.	-120	
CS15	<u>Early Years & Children's Centres - Reduced Posts in Proposed ICC Structure for 2010/11</u> <u>Cease Funding Health Service Posts from ICC Grant</u> As part of the phased implementation of Integrated Children's Centres the original budget plans included increased investment of £400k in 2010/11. In light of the budget pressures being faced it is felt that this investment could now be reduced to £270k in 2010/11 without significantly compromising the overall aims of the centres.	-130	
CS16	<u>Young People's Service - Additional Hours Moratorium</u> Additional hours will not be allocated to cover holidays, sickness etc. This may mean some youth work sessions will not run.	-21	

CS17	<u>Young People's Service - Reduced Usage of Mobile Phones</u> Essential use only will be made the normal practice.	-4	
CS18	<u>Young People's Service - Delete Curriculum & Accreditation Co-ordinator</u> The current vacancy will be left unfilled.	-20	
CS19	<u>Young People's Service - Delete Quality Assurance & Voluntary Services Liaison Post</u> Delete a 0.5fte post. The current postholder is on secondment until 31/03/2011; issue to be re-addressed well before then.	-22	
CS20	<u>Young People's Service - Review Information, Advice & Guidance Posts</u> This could result in redundancy for one member of staff.	-25	
CS21	<u>Young People's Service - Review Administration Posts including MIS</u> This could result in 1.5 fte posts being made redundant.	-30	
CS22	<u>Young People's Service - Review Training Co-ordination</u> This could result in a 0.5 fte redundancy.	-19	
CS23	<u>Young People's Service - Cease CYC Subsidy for Momentum on 2 Wheels Project</u> If replacement external funding cannot be found this would result in the project having to cease. This could result in a redundancy.	-18	
CS24	<u>Young People's Service - Connexions External Budget Reduction</u> Reduce external commissioning and bought in service budget (currently £200k).	-15	
CS25	<u>Young People's Service - Review Locality Team Structure</u> Current vacancy for Team Leader post to be left unfilled.	-52	
CS26	<u>Young People's Service - Review of YOT & Young People's Service Management Arrangements</u> Deletion of 1 fte management post. This could result in a redundancy.	-31	
CS27	<u>Access Services - Access Officer Post Deletion</u> This would require a restructure of the existing staffing establishment, taking account of the changes proposed in the Behaviour Support Service review.	-18	
CS28	<u>Finance - Finance Service Operational Budgets</u> Includes cuts in training, staff travel, car allowances, printing, IT hardware, conference expenses and subscriptions. This will mean we will no longer be able to support a trainee accounting technician (the current trainee is coming to the end of his training programme). Schools will stop receiving funding and other financial information in hard copy. We will no longer be a member of organisations such as f40.	-11	
CS29	<u>Finance - Finance Service Staffing Reductions</u> A 0.5fte post was deleted in 2009/10 and the full year effect of this is higher than originally estimated. In addition the service currently retains a small budget to help support the significant peak in workload at the time of the annual school funding and closedown cycle. It is proposed to remove this budget and take advantage of the new flexible working arrangements that the service is currently trialling as part of the "Office of the Future" pilot.	-8	

CS30	<u>Finance - School Business Service Charges to Schools</u> There is a continuing increase in the level of buy in from schools to the School Business Support Service, particularly for dedicated School Business Manager support. The saving is net of the additional staffing capacity required to deliver the increased hours of support in schools. Due to the high regard in which the service is currently held by schools, and an expansion of the range of support available to schools, it should also be possible to increase unit charges to all schools by 4%.	-20	
CS31	<u>ICT Client Services - Learning Platform Grant Utilisation</u> Reduce the base budget provision for the directorate and schools learning platform service by charging elements of the new infrastructure requirements against the DCSF Harnessing Technology capital grant in 2010/11.		-40
One-off			
CS32	<u>Management Information Service - MIS Income Generation</u> Increased income from the sale of school level management and performance information to schools. In addition the new information requirements to support the integrated children's centres can be charged to the new ICC grant but will be delivered within existing staffing resources.	-21	
CS33	<u>Planning & Resources - Reductions in Project Management Capacity</u> The potential to delete 2fte posts supporting capital schemes is being explored. This reflects the steadily reducing schools capital programme now that the main secondary school schemes and children's centres are nearing completion.	-45	
CS34	<u>Strategic Management - Delete LCCS Development Fund</u> Remove the remaining balance on the development fund.	-6	
CS35	<u>Strategic Management - Beacon Status Bid Budget Cut</u> Remove the full budget. The budget supports Beacon and other award bids.	-2	
CS36	<u>Strategic Management - Delete Graduate Trainee Post</u> Delete the post once the current cohort of trainees have passed through the directorate.	-7	
CS37	<u>Strategic Management - Restructuring of Directorate PA Support</u> A reorganisation of support to the Management Team is proposed that will lead to the deletion of one post.	-20	
CS38	<u>Educational Development Service - Delete 0.6 fte Administrator Post</u> Reorganisation of administrative support with the reduction of a 0.6 fte post.	-3	
CS39	<u>Educational Development Service - Delete 0.5 fte Advisor Post</u> One advisor post was reduced to 0.5 fte from September 2009 as part of 2009/10 budget process. The intention is to reduce the advisory team by another 0.5 for 10-11 from Sept 10.	-20	
CS40	<u>Educational Development Service - Delete Curriculum Consultant Post</u> The proposal is to delete one consultant post, and reorganise the remaining team roles. The gross saving is £54k, less £10k to allow for some lead teacher support to be funded instead.	-44	
CS41	<u>Educational Development Service - Supplies and Services Budgets Further Reductions</u> Reduced use of taxis, and discontinue paying certain IT costs for staff.	-7	

CS42	<u>Educational Development Service - Discontinue Summer School for Able, Gifted & Talented Pupils</u> Cancel the summer school for AG&T pupils. Provision for these pupils in future will be from classroom learning, ASTs or lead teachers.	-13	
CS43	<u>Educational Development Service - Delete Residential Conference</u> Replace residential conference with 2 days of non-residential conferences saving on accommodation costs.	-3	
CS44	<u>Educational Development Service - Reduce Service Bought from NYBEP</u> School Improvement currently buys in a service from NYBEP. It is proposed to reduce the amount commissioned from £40k to £25k.	-15	
CS45	<u>Educational Development Service - Reduce Budget for SEN, ICT & PSHCE Support to Schools</u> Reduce the £132k budget for schools support and project funding under these three headings.	-35	
CS46	<u>Educational Development Service - Reduce Number of External School Improvement Partners</u> Replace an external SIP with a Principal Adviser fulfilling the role instead.	-10	
CS47	<u>Educational Development Service - Utilise Existing Consultant to Deliver "Every Child a Talker" from within Grant Funding</u> A grant of £112k is being provided in 2010/11 to deliver this project. The LA can retain an amount to fund central costs, and this proposal deploys an existing member of staff for part of this role.	-25	
CS48	<u>Educational Development Service - Reduce One to One External consultancy</u> A reduction from 3 days to 2 days, with the remainder being picked up by the Principal Advisers.	-13	
CS49	<u>School Governance Service - Governance Service Efficiency Savings</u> A number of small efficiencies including; deleting the temporary staffing budget (£3k), further reductions in the stationary budget (£2k) and an increased proportion of management costs being charged to the clerking service (£6k).	-10	
LS03	<u>Arts & Culture - Arts Service Level Agreements Reduction</u> The annual agreements with Pilot Theatre, York Guildhall Orchestra, Yorkshire Film Archive, and the Late Music Festival would not be renewed in 2010/11.	-7	
LS04	<u>Arts & Culture - Cease Funding the Community Arts Service</u> The Community Arts service will cease with 2 fte redundancies. Officer capacity will remain to support community arts groups with advice and to seek external funding for community projects.	-67	
LS05	<u>Libraries & Heritage - Library Service Staffing Restructure</u> The revised structure agreed at the Leisure & Culture Executive Member Decision Making Meeting on 12 January 2010 generates a significant saving. This is being reinvested within the service through the linked growth proposals LG01, LG02 & LG03.	-99	
LS06	<u>Libraries & Heritage - York Explore Income Target</u> The new facilities within the York Explore Library will open up increased opportunities for income generation. In the first instance any additional income will be used to reduce the current library service income deficit, with any interim shortfall against the target being funded by a reduction in the bookstock budget.	-80	

LS07	<u>Parks & Open Spaces - Micklegate Stray Income</u> Additional income from smaller commercial & property rents.	-26	
LS08	<u>Parks & Open Spaces - Reduce Event & Animation Budget</u> A saving in the budget available to support events and activities within the city's parks.	-2	
LS09	<u>Parks & Open Spaces - Cease Funding Bowling Facilities Outside of the Main Parks & Gardens</u> Remove maintenance support from self-managed bowling greens and croquet facilities at Scarcroft Green and the Retreat. This will lead to a saving in staff time in 2011.	-2	

Total -1,703 -75

Neighbourhood Services

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
NSERS01/2/3	<u>Highways Administration Efficiencies</u> The Highways Infrastructure team moved from City Strategy to Neighbourhood Services in January 2009. A review of the workload of the new consolidated team has identified duplication of roles and efficiencies from a restructure. This identifies savings in addition to those included in the MoreForYork programme. This would involve the deletion of three posts (including one administration post) but only one potential redundancy.	-92	
NSERS04	<u>Fleet Efficiency in the Civils Highways team</u> This involves the reduction of the Highways fleet by 1 vehicle by reviewing workload planning.	-16	
NSERS05/06	<u>Deletion of unallocated budgets and vacant staffing budgets in Building Maintenance</u> This is the removal of budgets within the Building Maintenance team where vacancies had been held.	-112	
NSERS07	<u>Takeover Operation of School Recycling From Yorwaste</u> The collection of schools recycling is currently provided by Yorwaste outside of the main Yorwaste contract. With the recent provision of appropriate vehicles this service can now be performed in house therefore producing a saving.	-6	
NSERS08	<u>Reduce Car Allowances Budget in the Environmental Enforcement Team</u> More Efficient use of the pool vehicles held in the Street Environment and Enforcement team will mean that the car allowances budget can be removed.	-3	
NSERS09/10	<u>Parking Services structure review</u> A review of the structure within Parking Services has identified efficiencies within the service from the removal of a vacant post and the review of use of overtime for absence cover.	-25	
NSERS11	<u>Increase in PCN Income</u> A review of roles in Parking Services to provide more front line hours therefore increases in PCNs expected.	-10	
NSERS13	<u>Review of Cleaning Services Structure</u> This review has identified the removal of a part time post (currently vacant).	-10	

NSERS14	<u>Reduction of ad-hoc cleaning hours</u> Review of sick and holiday cover to reduce additional hours in Building Cleaning. This will mean less cover for absences and potential reduction in standards.	-28	
NSERS15	<u>Recovery of Void Cleaning Via Increased Charges to HRA</u> The increased staffing costs from the pay increase and increments is to be passed onto the customer via an increased charge in the hourly rate.	-6	
NSERS16	<u>Recovery of School Cleaning Via Increased Charges to Schools</u> The increased staffing costs from the pay increase and increments is to be passed onto the customer via an increased charge in the hourly rate.	-62	
NSERS18	<u>Increase in Fees and Charges at the Crematorium</u> A review of the fees and charges made by the Crematorium which brings some charges in line with those made by other Crematoria would give an increase in income.	-29	
NSERS19	<u>Delete 0.5 FTE Environmental Protection Officer Post</u> This is the deletion of a post which is currently vacant.	-15	
NSERS20	<u>Flexible Retirement of Business Advice & Ed Officer</u> This is the deletion of 0.4 fe.	-11	
NSERS21	<u>Reduce 1 Senior Trading Standards Officer post to 0.8 FTE</u> This reduction is possible following a return from maternity leave.	-7	
NSERS22	<u>Introduce Shift Working for Noise Patrol</u> A review of the provision of the service in light of the changes since pay and grading has identified that the service could be staffed on a shift basis giving a saving on the staffing costs.	-7	
NSERS23	<u>Delete 0.5 FTE Admin Officer Post in EHTS</u> This is the deletion of a post which is currently vacant.	-10	
NSERS25	<u>Recharge to Housing for Noise Nuisance Call Outs</u>	-25	
NSERS27	<u>Licensing Vacancy Saving</u>	-8	
NSERS28	<u>Increase in Fees in Licensing</u> This is an increase in fees to pass on the staff costs of increments and pay award.	-6	
NSERS29/30/31	<u>Increase Fees and Charges at Registrars</u> Additional income from the increase in fees and charges for 2010/11.	-37	
NSERS32	<u>Administration Budget Savings</u> This is the removal of relocation, staff advertising, staff training and staff medical fees budgets within the overheads account.	-27	
NSERS33/34	<u>Reduce The Depot Energy Budgets</u> Review of energy budgets due to efficiencies of new depot. The charges for Water and Electricity are much reduced since the move from the old Depot on Foss Islands Road to the new EcoDepot at Hazel Court. These savings are now sustainable. This is a 66% reduction in water and a 28% reduction in electricity.	-40	
NSERS35	<u>Full Year Savings on Transport Leases</u> Purchase of all vehicles has been identified as a function which should be performed in house so the saving is related to not having to pay add on costs on the leases on vehicles previously purchased by DSG.	-43	

NSERS36	<u>Transport Structure Review</u> The review of the provision of fleet based on the service being provided in house.	-100	
NSERS37/17/24	<u>2% Reduction in Supplies and Services Budgets</u> A targeted reduction in the supplies and services budgets (mainly in office spend) has been identified at 2%.	-40	
NSERS38	<u>3% Vacancy Factor</u> This is the standardisation of a 3% vacancy factor across the directorate. Current indications are that a 3% vacancy is the average within the directorate.	-255	

-1,030
0**Resources Directorate**

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
RESOS01	<u>Vacancy Factor</u> For 2009/10 the Directorate introduced a vacancy (staff turnover) saving of £55k, this proposal increases the vacancy factor across all Resources to 3%. It should be noted that this figure represents an average across the directorate, there are some service areas e.g. Council Tax, Benefits, customer services, where there maybe significant financial / service impacts from holding vacancies.	-105	
RESOS02	<u>Post Reductions</u> These relate to two posts where the post holders have already left the employment of the Council and the posts will not be filled. (Finance Manager and Business Support Manager).	-107	
RESOS03	<u>Reduction in FMS Project Support</u> This saving reflects the reduction to the FMS project team. Work associated with the FMS system will be integrated into the corporate finance sections work.	-100	
RESOS04	<u>IT Savings</u> The new process for IT Development seeks to fund new project development from existing revenue budgets including those budgets no-longer required to fund historic IT prudential borrowing requirements. Therefore the IT savings reported here match against the IT growth item reported. The overall saving of £226k is made up from 3 areas. 1) Savings of £92k have been made where IT goods and services have been delivered at less than budget, or where the IT schemes have been cancelled. 2) Prior years IT prudential funding, the amount available for 2010/11 is £102k. 3) Further miscellaneous project savings of £32k have been identified.	-226	
RESOS05	<u>Reduction in Agency Staff Within Corporate Finance</u> Agency staff within Corporate finance will no longer be used. This follows reductions in the use of agency staff introduced in the current year within other service areas in Resources.	-20	
RESOS06	<u>Reduced Level of District Audit Fees</u> Based on the latest guidelines from the Audit commission it is estimated that there will be a reduction in the level of DA fees payable. If any service specific inspections are introduced for 2010/11 then there would be an additional charge for this work.	-20	

Annex 4

RESOS07	<u>Reduction in the Subsidy Loss From Placing Fewer Cases in B&E</u> Through a variety of means the Housing team are reducing the number of homeless cases which need to be placed in B&B accommodation. This is then reducing the subsidy loss incurred by the authority. Some additional investment is required to support this work which has been netted off against the saving available. This saving has been put forward on the basis that the reduced number of cases being placed in B&B accommodation continues in the future. There is a level of risk associated with this saving, and regular monitoring of the number of cases is already in place.	-20	
RESOS08	<u>Miscellaneous Savings</u> These comprise of small item reductions primarily relating office equipment.	-12	

Total **-610** **0**

Corporate Budgets

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
CORPS01	<u>More for York Savings</u> Adjusted by council tax base change.	-3500	
CORPS04	<u>More for York Savings - additional stretch target</u> Adjusted by council tax base change.	-1000	597

Total **-3,725** **0**

DSG

Ref	Brief Description	2010/11	
		Recurring	One-off
		£'000	£'000
CS01	<u>Staff Vacancy Factor</u> Increase the vacancy factor on non-frontline staffing budgets by 1.0% (from the current 4.0% up to 5.0%).	-16	
CS02	<u>Reduction in Office Budgets</u> A cut in all directorate general office expenses, equipment, travel and subsistence budgets by 5%.	-7	
CS50	<u>Special Educational Needs Service - Cease Speech, Language & Communication Needs Project</u> This proposal entails a withdrawal of Local Authority funding for the Speech, Language and Communication Needs projects at three primary schools.	-19	
CS51	<u>Special Educational Needs Service - Limetrees CAMHS Teaching Income</u> Increased income from other LAs for CAMHS teaching at Limetrees. This proposal would move the service towards being more self-sufficient in that the income would pay for a greater proportion of the service provided.	-5	

CS52	<u>Early Years & Children's Centres - Nursery Education Funding Pathfinder Grant</u> It should be possible to continue to use an element of the grant being provided to extend the free entitlement for 3 and 4 year olds as a contribution to the increased demand the pathfinder has generated within the base budget.		-200
One-off			
CS53	<u>Strategic Management - Delete LCCS Development Fund</u> Remove the remaining balance on the development fund.	-3	
CS54	<u>Behaviour Support Service - Review of EWS & Behaviour Support Service Management Arrangements</u> The potential for savings being generated from the development of greater integration of these services - supported by the planned implementation of a new 'Front Door' for children's services.	-15	
CS55	<u>Behaviour Support Service - Cease Skills Centre Horticulture Course</u> This course is currently bought in at an annual cost of £55k. The course would not be renewed from Autumn 2010, so the full saving would not be generated until 2011/12.	-27	
CS56	<u>Behaviour Support Service - Delete 0.5 fte Teaching Assistant Post</u> Delete a vacant 0.5 fte post.	-13	
CS57	<u>Traveller & Ethnic Minority Service - Replace 2 Teachers with 2 Teaching Assistants</u> Delete two teacher posts and replace with 2 TA posts with a small increase in overall hours. Could result in one redundancy.	-29	
CS59	<u>School Funding - Schools Pay & Grading Contingency</u> The remaining balance within the contingency budget was intended to be allocated to schools following the outcome of the appeals process. It is now proposed that no further allocations are made. Schools will be asked to fund the cost of their own appeals by using the savings they will have made from the difference between the pay award assumed in the LMS Funding formula for 2009/10 & 2010/11 of 2.5%, and the actual or expected pay awards for these years of 1%.	-354	

Total -488 -200

Transformation (More for York) Savings Details

Customer Services	2010/11 Budget
Brief Description	£'000
Closure of 20 George Hudson St customer reception - move to City Finance Centre	21
Closure of Mill House customer reception	21
Closure of 10-12 George Hudson St staff reception	21
Reduction of cashiers & introduce All Pay	140
Transfer of LCCS transport calls	12
Transfer of Licensing work in YCC	0
Transfer of Complaints to the YCC	38
Transfer of Planning into YCC	0
Transfer of Leisure Services	23
YCC transfers undertake BPR	105
TOTAL	380

Neighbourhood Services	2010/11 Budget
Brief Description	£'000
Review Rounds & staff related savings	496
Audit Trade Waste	25
Reduce Vehicle Damage	30
reduce use of temporary Staff and Overtime	26
Highways Maintenance Contracts	106
Processes - Highways & Street Light Repairs	87
Insource Traffic Control	25
Street Lighting Controls	40
Business Support/Admin	74
Integrated inspections	25
Fleet Management review	240
TOTAL	1,174

Income Collection	2010/11 Budget
Brief Description	£'000
Performance management culture and generic working	85
Reduced Invoicing	45
Improved Collection of sundry debtors	100
Delete Vacant Post	20
Roll out e-benefits	27
Improved in collection of housing benefit overpays	39
TOTAL	316

Procurement	2010/11 Budget
Brief Description	£'000
Procurement Card Rebate	15
Postage and consumables based on e-transactions	8
Reduced Admin / Streamlined Requisitioning	47
On Contract Spend Review (2% reduction)	100
Off Contract Spend Review (4%) reduction	80
Forensic Audit	150
TOTAL	400

ICT	2010/11 Budget
Brief Description	£'000
Managed Print	
- Reduction in energy, paper & consumables	126
Review all Print Units	20
Desktop Review	
- Reduction in Fax and Lines	20
- Rationalise thin client estate	20
Consolidate support teams	134
Forensic Audit (network lines)	20
Mobile (establish network link to supplier)	20
Software Licence and Application rationalisation	175
TOTAL	535

Human Resources	2010/11 Budget
Brief Description	£'000
Staff Efficiencies	73
Change in sourcing arrangements for temporary & fixed term employees (to be validated in line with resourcing strategy)	300
TOTAL	373

Property	2010/11 Budget
Brief Description	£'000
Outsourcing Facilities Management	165
TOTAL	165

<u>Adult Social Care</u>	2010/11 Budget
Brief Description	£'000
Review In House homecare service	117
Electronic Homecare Monitoring	20
TOTAL	137

<u>Finance</u>	2010/11 Budget
Brief Description	£'000
Streamlined working practices	85
TOTAL	85

<u>Performance</u>	2010/11 Budget
Brief Description	£'000
Streamlined working practices	50
TOTAL	50

<u>City Strategy</u>	2010/11 Budget
Brief Description	£'000
Admin & EDRMS streamlining	37
Temporary Closure of Accommodation over Christmas	10
Planning & Building Control process efficiencies	44
TOTAL	91

<u>Organisational Review</u>	2010/11 Budget
Brief Description	£'000
New organisational structure	600
TOTAL	600

<u>Learning, Culture and Children's Services</u>	2010/11 Budget
Brief Description	£'000
Out of Area Placements	100
TOTAL	100

<u>Housing General Fund</u>	2010/11 Budget
Brief Description	£'000
M&E supervision/Tradesmen/Admin up to 4 @ £20k+£3k	73
TOTAL	73
TOTAL SAVINGS	4,479

CAPITAL INVESTMENT

Workstream Area/ Requirement	Year 0 2009/10 £'000	Year 1 2010/11 £'000	Description
Neighbourhood Services			
Purchase of Segregated Recycle Bins	300	190	Investment to buy additional recycling containers to allow customers to sort their own recycling. Investment to optimise the scheduling and routing of vehicles. Investment to allow control of temporary traffic light systems. Investment to support Health & Safety risk assessments and to manage the tagging of equipment.
Route Smart IT system	50		
Traffic Management System	66		
Health and Safety System	23		
Neighbourhood Services Total	439	190	
Human Resources			
CRM Development		20	Investment to allow HR cases to be managed / tracked in one system.
Human Resources Total	-	20	
CAPITAL INVESTMENT TOTAL	439	210	

REVENUE INVESTMENT

Workstream Area/ Requirement	Year 0 2009/10 £'000	Year 1 2010/11 £'000	Description
REVENUE SUPPORT FOR CAPITAL			
Annual Revenue Costs	10	148	
	10	148	
RECURRING			
Neighbourhood Services			
Route Smart IT system	4	20	Investment to optimise the scheduling and routing of vehicles.
Neighbourhood Services Total	4	20	
Procurement			
Procurement Officers		160	The expansion of Procurement team to deliver expanded programme of activity.
Procurement Total	-	160	
RECURRING TOTAL	4	184	
ONE-OFF REVENUE			
Neighbourhood Services			
EXOR Highways system development and integration	40		Development to allow viewing of assets across the city.
Neighbourhood Services Total	40	-	
Customer Services			
Refurb of Customer Service Centre	40		Refurbishment of 9 St Leonard's Place. Backfill staff whilst they undertake training in order to maintain service levels.
Consolidation of new services, training YCC staff		100	
Allpay set up costs	23		Set up costs in relation to introduction of allpay payment systems.
Customer Services Total	63	100	
Procurement			
Interim Procurement Officers	133		Interim upfront resource for 3 months to allow early savings to be realised. Changes to Authority Financials.
FMS amendment		20	
Procurement Total	133	20	
ONE-OFF TOTAL	236	120	

CYC PROGRAMME RESOURCES			
Customer Services	143		Programme Delivery Staff - LAGAN Business Change Manager to lead on self service + 2 Business Analysts.
Organisational Review	45		Programme Delivery Staff - Support for modelling new management structures and management levels across all Directorates.
Income Collection	39		Programme Delivery Staff - 1 Business Analyst.
			Programme Delivery Staff - 1 Technical Analyst - Data Centre + 1 Technical Analyst -Managed Network + 2 Business Analysts: 1
ICT	57		Software Audit + 1 ICT consultation.
HR Transformation	40		Programme Delivery Staff -System Implementation Project Manager.
LCCS	16		Programme Delivery Staff - 1 Business Analyst.
Neighbourhood Services Fleet Mgt	20		Programme Delivery Staff - Fleet Services Manager.
HASS	115		Programme Delivery Staff - 3 Business Analysts.
Neighbourhood Services/Hsg Repairs	39		Programme Delivery Staff - 1 Business Analyst.
			Programme Delivery Staff - 1 Property Specialist to conduct Facilities
Property	90		Management market testing.
Procurement	90		Programme Delivery Staff - 2 Business Analysts.
			Programme Delivery Staff - Risk Analyst and consultancy support for
			securing behavioural and cultural change to ensure delivery of the
Programme Management Office	95		programme improvements and savings.
CYC PROGRAMME RESOURCES TOTAL	-	789	
REVENUE INVESTMENT TOTAL	250	1,241	

Estimated Reserves Balances

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserve							
Balance at 1 April	(10,012)	(4,160)	(4,160)	(3,910)	(3,910)	(3,910)	(3,910)
Less: Committed To Annual Budget	3,697	-	250	-	-	-	250
Transfer to capital reserve fund	2,000	-	-	-	-	-	-
B/Fwd Underspend released	472	-	-	-	-	-	-
Supplementary Estimates	100	-	-	-	-	-	-
Revised General Fund Reserve	(3,743)	(4,160)	(3,910)	(3,910)	(3,910)	(3,910)	(3,660)
Add: Other Adjustments							
NDR Rebates	(50)	-	-	-	-	-	-
Transfers in:							
from trading activities reserve	(300)	-	-	-	-	-	-
from Insurance reserve	(400)	-	-	-	-	-	-
	(750)	-	-	-	-	-	-
Net Overspend on General Fund	2,333	-	-	-	-	-	-
Anticipated Reserve at 31 March	(2,160)	(4,160)	(3,910)	(3,910)	(3,910)	(3,910)	(3,660)
Recommended reversal of transfer to capital reserve fund	(2,000)						
Estimated Reserve at 31 March	(4,160)	(4,160)	(3,910)	(3,910)	(3,910)	(3,910)	(3,660)
Venture Fund							
Balance at 1 April	(2,276)	(2,187)	(850)	(775)	(229)	(494)	(494)
Add: Repayments	(696)	(47)	(406)	(755)	(374)	-	-
Less: Advances	785	1,384	481	1,301	109	-	-
Estimated Balance at 31 March	(2,187)	(850)	(775)	(229)	(494)	(494)	(494)
Total Revenue Reserves at 31 March	(6,347)	(5,010)	(4,685)	(4,139)	(4,404)	(4,404)	(4,154)
Estimated Minimum Threshold	5,686	5,893	6,070	6,252	6,439	6,633	6,832
(Headroom)/Shortfall in Reserves	(661)	883	1,385	2,113	2,035	2,229	2,678

The Council also holds Earmarked Reserves which could be called on in an emergency. If they were used the reserves would need to be reimbursed in the future, or the costs relating to the purpose for which they were set up would need to be met from general budgets. These include developers' contributions, which support the capital programme, the council's insurance reserve and schools' balances.

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Detailed Contingency Items - Summary**Contingency Items Summary**

	2010/11	
	Recurring	One-off
	£'000	£'000
Directorate - Recurring Items		
Chief Executives	300	0
City Strategy	330	0
Housing and Adult Social Services	0	0
Learning, Culture and Children's Services	360	0
Neighbourhood Services	83	0
Resources	0	0
Corporate Services	0	0
Total	1,073	0

Detailed Contingency Items

Chief Executive

Brief Description	2010/11	
	Recurring	One-off
	£'000	£'000
<u>Economic Downturn - Commerical Portfolio</u> Pressures as a result of additional voids, but in particular at Harewood Whin, the Ambulance Station and Parkside.	250	
<u>Economic Downturn - Surplus Property</u> Given the current financial climate there is little opportunity for quick sales and this represents costs of maintaining, keeping safe and holding costs (NDR etc).	50	
Total	300	0

City Strategy

Brief Description	2010/11	
	Recurring	One-off
	£'000	£'000
<u>Economic Downturn - Building Control</u> Workloads reduced by 20% over three year period, resulting in an income shortfall.	100	
<u>Economic Downturn - Section 38 Income</u> Number of highway adoptions has declined significantly.	80	
<u>Economic Downturn - Yorwaste Dividend</u> A 20% decrease in trade waste being processed by Yorwaste will have an impact on the Council's dividend budget.	130	
<u>Economic Downturn - Newgate Market Income</u> A downturn in income due to changing consumer purchasing habits. Increased charges has a negative impact on traders.	20	
Total	330	0

Learning, Culture & Children's Services

Brief Description	2010/11	
	Recurring	One-off
	£'000	£'000
<u>Economic Downturn - Lifelong Learning & Culture</u> Continuing shortfalls in budgeted income across Lifelong Learning and Culture servcies (libraries, Music, Adult Education and sports), the impact of which has been compounded by the current economic downturn.	235	
<u>Building Schools for the Future (BSF)</u> The estimated costs of developing BSF proposals to replace or refurbish secondary schools in the city. The costs, totalling c£750k, are one-off and spread over 3 to 5 years. The profile will depend on when York is admitted to the BSF programme.	125	
Total	360	0

Neighbourhood Services

Brief Description	2010/11	
	Recurring	One-off
	£'000	£'000
<u>Security Costs at Towthorpe HWRC</u> There is no base budget for security staff costs and the site's isolated location makes it vulnerable. The high cost of scrap metal has exacerbated this. If further security is required these measures will be funded from contingency, with a maximum cost of £83k.	83	
Total	83	0

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Housing Revenue Account (HRA)

- 1 Local Authorities are required, by legislation, to keep a HRA. The Local Government and Housing Act 1989 stated that items of income and expenditure only relating to Council housing must be contained within the account. Thus the terms “ring fenced” or “landlord account” are now referred to, as transfers between the HRA and General Fund are normally prevented.
- 2 The Act also outlined the arrangements whereby subsidy is allocated on a “notional” HRA. This account is based on the government’s assessment of what local authorities should charge in rents and spend on management and maintenance, rather than what they actually do charge and spend.
- 3 Authorities have a duty to ensure that the HRA balances, to keep the budget under review and to take all reasonable steps to avoid a deficit.

HRA Negative Subsidy & rent increase

- 4 The two major sources of funding HRA expenditure have been Government Subsidy and rent income. Following the removal of the payment of rent rebates through the HRA there is now a net surplus on the notional HRA as the rent income now exceeds the subsidy payable by the Government for HRA expenditure on management, maintenance, etc. This results in a “negative” subsidy payable by the authority to the Government of £6,152k for 2010/11. This compares to £6,575k for 2009/10.

	2009/10 Estimate £'000	2010/11 Estimate £'000
HRA subsidy payable (including MRA)	18,887	19,134
Less Notional Rent Income from council tenants	(25,462)	(25,286)
Equals Negative Subsidy payable	(6,575)	(6,152)

- 4 Housing rents are based on a formula for rent setting created by central government. Under the original formula similar properties should be charged similar rents by 2012 regardless of who owns the property. This is known as rent convergence. This formula rent takes account of various factors including the number of bedrooms a property has, property valuation, average earnings and the date at which all rents are expected to converge. The guideline rent increase for 2010/11 is 3.1% with convergence due to be achieved in 2012/13. The actual average rent increase for this council, taking all these factors into account, is expected to be 1.83%.

HRA Borrowing and Debt Repayment

- 5 From 1 April 2004 authorities can determine for themselves what capital investment is required and have the freedom to borrow (within prudential principles) to deliver housing services. Some supported borrowing continues and the interest charges for the elements used to fund HRA capital expenditure is paid from the HRA and refunded through subsidy. Prudential borrowing which takes place over and above the (supported) capital financing requirement is “unsupported” in that the authority must find the means of paying back interest and principal from within its own resources.
- 6 In October 2009 the Executive Member agreed to submit a bid to the Homes and Communities Agency for grant to build in the region of 18 new family council houses. We have just received confirmation that this bid has been successful, therefore the HRA will undertake prudential borrowing during 2010/11, which will be funded from the rental income stream received from the new properties.
- 7 Previously authorities were required to make a revenue provision to repay 2% of net HRA debt and this was funded through HRA subsidy. Authorities are no longer compelled to make this provision and any voluntary contribution will not be paid by subsidy. Guidance suggests it is advisable to make a voluntary contribution and as a result since 2004/05 a provision of 2% has been made on outstanding HRA debt. This will continue in 2010/11.
- 8 The result of all the adjustments outlined within this report is an in-year surplus of £662k. Together with the budgeted brought forward working balance of £8,254k and after making a contribution to the capital programme, this leaves a working balance of £8,918k on the account.
- 9 This surplus is broadly in line with that forecast in the HRA business plan. The HRA surplus needs to remain on the account to be reviewed once the HRA business plan is updated to reflect both the budget detailed in this report and the 2009/10 outturn position. Members are reminded that the HRA surplus is needed to fund expenditure in future years.
- 10 A review of the operation of both the HRA and the current subsidy system is currently being undertaken by the department of Communities and Local Government (CLG). This review is looking at all aspects of housing finance, however it is not expected that there will be any impact on the HRA in 2010/11.

HOUSING REVENUE ACCOUNT

Annex 8a

BUDGET 2009/10 £'000	Expenditure:	BUDGET 2010/11 £'000
	Repairs & Maintenance	
4,941	Jobs General	4,993
1,010	Projects	956
289	Estate Improvements	257
108	Decoration Allowance	109
47	Rechargeable Repairs	47
<u>6,395</u>		<u>6,362</u>
	General Management	
87	Neighbourhood Pride Unit Recharge	88
51	Tenant Support and Information	51
44	City Strategy Recharge	45
125	Property Services Recharge	126
51	Neighbourhood Services Recharge	52
1,287	HASS Recharge	1,299
76	Head of Housing Services	88
2,517	Housing Operations	2,540
549	Asset Management	560
30	HRA Training	30
<u>4,817</u>		<u>4,879</u>
	Special Services	
818	Sheltered Housing	805
93	Energy Costs	94
1,164	Temporary Accommodation	718
180	Discus Bungalows	180
375	Grounds Maintenance	379
231	Caretaking Costs	233
19	Cleaning Costs	19
40	Lifts	41
5	Communal Aerials	5
6	Contribution to Energy Efficiency	6
<u>2,931</u>		<u>2,480</u>
	Rents etc.	
5	Rent & Rates	6
218	Insurance	220
1	RTB Legal Fees	1
<u>224</u>		<u>227</u>
	Provision for Bad and Doubtful Debts	
101	Council Housing	104
<u>101</u>		<u>104</u>
	Housing Subsidy	
6,576	HRA Subsidy (negative)	6,152
<u>6,576</u>		<u>6,152</u>
	Capital Charges	
8,701	Depreciation	8,701
5	Debt Management	6
<u>8,706</u>		<u>8,707</u>
<u><u>29,750</u></u>	TOTAL EXPENDITURE	<u><u>28,911</u></u>

HOUSING REVENUE ACCOUNT

Annex 8a

BUDGET
2009/10BUDGET
2010/11**Income:**

Rents

-26,002
-541
-26,543

Council Housing
Temporary Accommodation

-25,771
-311
-26,082

Non Dwellings Rents

-290
-251
-35
-576

Council Garages
Council Shops
General Rents

-293
-251
-35
-579

Charges for Services and Facilities

-11
-84
-85
-524
-2
-60
-87
-853

Fees & Charges - Council Housing
- Legal Fees
- RSL management fee
- Sheltered Housing
- Temporary Accommodation

Cookers
Leaseholder Admin Charge

-9
-84
-85
-524
-2
-55
-87
-846

Contribution Towards Expenditure

-11
-42
-11
-64

- Sheltered Housing
- Rechargeable Repairs
- Temporary Accommodation

-12
-42
0
-54

Supporting People Income

-740
-44
-31
-39
-854

- Temporary Accommodation
- Tenancy Enforcement
- Mediation Face-to-Face
- Tenancy Support Worker

-467
0
-38
0
-505

Transfer from General Fund

-3
-3

Amenities Shared by the Whole Community

-3
-3

-28,893

TOTAL INCOME

-28,069

857

NET COST OF SERVICE

842

1,173
-5
-300
401
708
-3,574
-740

Loan Interest
Mortgage Interest
Revenue Cash
Voluntary Debt Repayment
Capital Expenditure financed from Revenue
Contribution to/(from) MRR

887
-2
-200
430
838
-3,459
-664

(SURPLUS) / DEFICIT IN YEAR

-7,514
-740
-8,254

(SURPLUS) / DEFICIT BROUGHT FORWARD
(SURPLUS) / DEFICIT IN YEAR
(SURPLUS) / DEFICIT CARRIED FORWARD

-8,254
-664
-8,918

HOUSING RENTS 2010/11

1. In 2000 the Government announced that from April 2002 all councils and housing associations had to set their rents on a new, fair and consistent basis. This involved a phased change in rents over 10 years beginning in April 2002 based on a formula for rent setting created by Central Government. This is known as rent restructuring and will mean that rents charged will move towards a Government set target rent. By 2012 similar properties should be charged similar rents regardless of who owns the property. This is known as rent convergence.
2. Current Government rents' policy assumes that through the process of rent restructuring there will be eventual convergence between the rents in the local authority and registered social landlord (RSL) sectors. At this point actual and guideline rents for a single authority should all have the same value.
3. The actual rent is the rent charged to the tenant. The guideline rent is a notional rent and a feature of the HRA subsidy system. This is the level of rent the HRA subsidy system assumes an authority is receiving for the purpose of calculating its HRA subsidy entitlement.
4. This Government formula rent takes account of various factors including the number of bedrooms a property has, property valuation, average earnings and the date at which all rents are expected to converge.
5. The CLG have proposed in the draft subsidy determination a guideline rent increase of 3.1%. Taking into account the rent calculations on individual properties and the impact of moving all rents towards the guideline rent results in an actual average rent increase for York of 1.83%.
6. The recommended option is to increase rents in line with Government guidance, resulting in an average increase of 1.83%. This is in line with the recommendation from CLG and matches the assumed level of income in the HRA subsidy calculations.
7. The rent increase will apply to all council properties including hostels and travellers sites. It is necessary to serve notices on tenants to vary their current rent and a minimum of four weeks notice is required.

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Budget Consultation Feedback

- 1 The council's budget has been widely consulted on. The forms of consultation included the following
 - 1) the postal and web based survey of citizen's priorities for budget growth and savings
 - 2) budget forums held separately for citizens and the business community, where an in-depth analysis of the situation and options were discussed
 - 4) Scrutiny Management Committee
 - 5) Executive Member Decision Sessions where budget proposals, options and details including Service Plans were presented
- 2 The main form of consultation was the postal and online survey of citizen's views. The information in this report is based on a total of 12,694 responses, an exceptional level at 14.6% return. This is an excellent response rate for this type of survey, and up almost 64% on the 2009 consultation .
- 3 Members are in no way bound by the consultation as it is not a referendum, but is a process to gather opinion and aid informed decision making. Members are reminded that none of the consultation options are included in the budget proposals in this report and that the aim is for members to propose the ones they wish to approve, whilst ensuring that the overall budget still balances.
- 4 Some key messages are that respondents would prefer to see increases in fees and charges above average to help the Council balance its budget in this difficult economic climate, and there is support to increase financial help for social care in the community; helping residents to separate their recycling prior to collection; and to pay bills electronically, over the phone or at local shops, rather than at council receptions.
- 5 In particular an analysis of the returns shows that respondents:
 - favour long term energy efficiency measures, including closing some reception points and chasing people who haven't paid their bills
 - there is minimal support for increasing the subsidy on school meals
 - would welcome more investment in road and footpath maintenance, creating and maintaining jobs in the area and working with other organisations to reduce crime
 - think the council should not invest money on the fireworks display
 - think the council could make savings on arts and cultural events and reducing inequalities
- 6 Statistically the results show that:
 - Over half (56%) of respondents would prefer increases in fees and charges above average to help the council balance its budget in this difficult

Annex 10

economic climate. This was the preferred option of three choices – providing fewer services was the second favoured option at 30% and an increase in Council Tax levels was the least favoured at 14%.

- Eight out of ten (80%) respondents support the council spending a greater share of the social services budget on social care and support in the community to help people live in their own homes for longer.
- Overall, 63% of respondents support separating recycling at home before collection. Considerably more (83%) are in favour of using three boxes as opposed to using existing boxes and bags (71%).
- 54% of respondents are in favour of increasing the fees the council charges for services like pest control and trade waste disposal, however, a sizeable minority (26%) oppose this proposal.
- 81% of respondents pay for council services by Direct Debit, via the website or over the phone and are happy to continue to do so. A further 5% would consider switching to these methods to pay bills.
- 70% of respondents support replacing council-run paying-in points with links through local shops and post offices to pay council bills.
- 63% of respondents support reducing the number of city centre reception points to save money.
- 83% of respondents think the council should invest in energy efficiencies to reduce energy usage and save money in the long term.
- 93% of respondents support the council's approach to chasing unpaid council bills.
- 64% of respondents are in favour of reducing the number of council staff in order to release money for front line services.
- Only 17% of respondents think the price of school meals should be reduced by providing additional subsidy from the Council Tax and reducing spending on other services. The majority (67%) oppose this idea.
- Around half of respondents would like the council to invest more on road and footpath maintenance, creating and maintaining jobs in the area and working with other organisations to reduce crime.
- Over two thirds of respondents think the council is spending the right amount on libraries (76%), parks and open spaces (71%) and schools (66%). There is also support for the current spending levels on keeping the streets clean (65%) and child care facilities (63%).
- Having a fireworks display on Bonfire Night was the least favoured option for spending (76%). Although a minority, sizeable proportions of respondents think spending could be reduced on arts and cultural events (38%) and reducing inequalities (33%).
- 39% of respondents are aged between 18 and 54 years and 59% are aged over 55 years.

7 A summary of the written and verbal representations made to each EDMS is held in the Members' Library.

City of York Council

Draft Committee Minutes

Meeting	Social Inclusion Working Group
Date	28 January 2010
Present	Councillors Ayre (Chair), Aspden, Brooks, Crisp (Vice-Chair) and Gunnell
	Non-voting Co-opted Members: Nicola Bedford - Higher York Sue Lister - York Older People's Assembly Sarah Fennell - LGBT Forum Daryoush Mazloun - York Racial Equality Network Corry Hewitt - York Interfaith Paul Wordsworth - Churches Together in York Carolyn Suckling – York Access Group
Apologies	Rita Sanderson - York Racial Equality Network David Brown – York Access Group Steve Rouse – Equalities Team Leader – Youth Service

26. 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. None were declared.

27. Minutes and Matters Arising

RESOLVED: That the minutes of the meeting of 2 December 2009 be presented at the next meeting.

In accordance with the Group's request that their recommendations were tracked to ensure that they were being actioned, an update was given on matters arising from the previous minutes:

(i) Display Boards

Discussion took place regarding the possibility of using the display boards during International Women's Week. Possible venues put forward included Energise or the foyer at York St John University.¹

(ii) Hate Incidents

The Group's recommendations that the Hate Incident Reporting Strategy be reviewed as a matter of urgency and that the council work with partner organisations to ensure that a Community Cohesion Strategy was put in place as soon as possible, had been considered by the Executive at their meeting on 19 January 2010. The Director of Neighbourhood Services informed SIWG that she had been asked by the Chief Executive to put together an action plan to move these issues forward. The action plan would be presented to SIWG for consideration.²

Action Required

1. Evie Chandler to discuss with Sue Lister before the next meeting EC
2. Include as an item on SIWG Workplan EC

28. Public Participation

It was reported that there had been no registrations to speak under the Council's Public Participation Scheme.

29. Workshop: Council Revenue Budget 2010-11 - Equality Issues

Officers gave a presentation on the Council Revenue Budget. They explained how the council received its revenue and the main areas of expenditure. Details were also given of additional expenditure that would be needed over the next three years and of the ways in which the council consulted with the community regarding the budget.

Officers outlined how the budget EIA process worked and noted that it was developing. They explained that they had

examined the revenue savings proposals taken forward to Executive Member Decision Sessions and had identified those that they thought were likely to have a negative impact on people from the equality strands. They then invited members of SIWG to look at these proposals and consider their impact on people and groups from the equality strands.

Officers summarised each of the service areas concerned, focusing on what they currently do, who their clients are and what could happen if these services were changed as a result of suggested efficiencies. After each summary the Group was asked:

1. What are the effects on the equality strands if this action is taken?
2. What do you see as possible solutions to deal with any negative effects?

The group then worked in small groups, recording their comments on post-it notes. Comments from the post-it notes are summarised below.

Reducing the Mediation Service for private tenants

What are the effects on the equality strands, if this action is taken?

- Will place increased demands on neighbourhood policing and environmental services.
- Could lead to increased criminal damage, due to unresolved neighbour disputes.
- Could have implications for students, as they occupy mainly privately rented properties.
- LGBT people who are subject to harassment, would lose support from this service
- What happens if the issue is with a council tenant and a private tenant – can the service still help?
- Impacts on community cohesion

What do you see as possible solutions to deal with any negative effects?

- Raise awareness of the issue – particularly [amongst] trans and gay men

- Regarding disputes involving students in private accommodation, explore partnership with York St John
- Put the service out to the voluntary sector
- Explore Housing Association links
- Could the police and environment officers help?
- Can voluntary organisations help e.g. a service level agreement with YREN?

Reducing the availability of respite care

What are the effects on the equality strands, if this action is taken?

- Will put more pressure on the voluntary sector, which is also being squeezed, possibly leaving vulnerable people unsupported (see next point)
- Less respite care (especially as it is means tested), may impact on vulnerable people by having a negative impact on the mental health of their carers - as they in turn will have access to less time away from their charges.
- It will impact on all carers as they will have less time away from their charges. The ability of the carer to care will diminish and therefore vulnerable people that need the care, are likely to suffer.
- Means testing – this will affect civil partnerships/marriage
- Will force people who cannot afford it, into the private sector.
- Will lead to deterioration in people's quality of life
- For people with multiple disabilities, support from the council is a key resource.

What do you see as possible solutions to deal with any negative effects?

- Use of individual budgets
- Use of voluntary sectors
- Make cuts elsewhere instead
- Use specific charities for respite care e.g. MENCAP
- Explore other funding sources e.g. funds available from the government for children and young people.
- Council needs to speak to individuals affected and guide them to find solutions - by signposting to respite services offered by the private sector for example.

Reduction in Adult Social Care Assessment posts

What are the effects on the equality strands, if this action is taken?

- It could cost more in the long run if people are not assessed quickly enough.
- Longer waiting lists, may mean services/funding is delayed for vulnerable people.
- It will affect LGBT people who are disproportionately likely to have mental health issues (see Stonewall website for statistics) that need speedy support.

What do you see as possible solutions to deal with any negative effects?

- Can other staff/volunteers be trained to support/assist to speed the process?
- Prioritise people who are referred as having urgent mental health needs or ones that GPs or schools ask to be prioritised.
- Have triage assessment of needs when referred and then prioritise based on that – like they do in A&E or CAB.
- Some level of self- assessment?
- Community assessment?

Increase in Warden Call charges

What are the effects on the equality strands, if we take this action?

- This is unlikely to be an increase that makes people stop using the service
- Seems reasonable – only a slight increase
- 5p is negligible

What do you see as possible solutions to deal with any negative effects? None were put forward

Increase in Residential Care charges

What are the effects on the equality strands, if this action is taken?

- £4 a week rise may not work for people already struggling with a limited personal budget

What do you see as possible solutions to deal with any negative effects? None offered

Whilst discussing Residential care, community representatives noted that there is a risk of homophobia and transphobia in current residential care arrangements, as care is organised based on assumed straightness. For example, a trans person may wish to live on a male wing if they identify as male but may have female bodied health issues e.g. cervical cancer. It is important to ensure that LGBT issues are part of regular training, both in terms of health and also diversity.

Reducing support for Community Arts

What are the effects on the equality strands, if this action is taken?

- Will have a disproportionate effect on young people and people from BME groups
- There would be less arts and cultural provision for young people – the community arts service currently offer a huge number of projects
- Would impact on community cohesion and hence impact on prejudice and crime
- It will adversely affect people with mental health and disability issues, who access community arts for therapeutic issues
-

What do you see as possible solutions to deal with any negative effects?

- More volunteering opportunities for students (students are seeking volunteering opportunities to enhance their CVs etc)
- Look at other sources of funding – schools or voluntary groups?

Views were put forward by community representatives that the proposals would have the greatest impact on the sick, the disabled and the poor and that these were the people who may be least able to make representation about the proposals.

Community representatives suggested that, if implemented, the proposals would be a lessening of investment in care and compassion in the city.

It was noted that the information that had been presented to the group had focussed only on proposed savings and therefore members of the group may not be aware of areas of investment, for example in children's social care.

The group was informed that the consultation with SIWG formed part of the wider consultation that the council had carried out, which included a budget questionnaire sent to residents and meetings with businesses and the public. Findings from all consultation would inform the budget EIA.

Concerns were expressed regarding the way in which the consultation with SIWG had taken place. The following recommendations were identified for future consultation with SIWG on the council budget:

- Consultation should take place at an earlier stage in the budget setting process. The short timescale from specific proposals entering the public domain to the time at which decisions were taken made meaningful consultation very difficult.
- More detailed information on the proposals was required – in writing as well as verbally. The proposals should be circulated before the meeting to enable full consideration of the issues.
- An overall picture of the budget was needed (including areas of proposed investment as well as cuts to expenditure).
- A representative from each of the services affected should be present at the meeting to provide more information and answer questions.
- Different options should be put to the group to enable them to comment on which of the proposals would have the most severe impact and to enable them to suggest priorities for expenditure.
- Consideration should be given to holding two meetings – one in the daytime and one in the evening. This would enable greater representation from SIWG members.
- Consideration should be given as to whether it would be more appropriate for Members not to be present when the consultation took place, in view of the restrictions placed

upon them when issues in respect of the budget were discussed.

- RESOLVED:
- (i) That the feedback from the workshop be circulated to members of SIWG for further and final comment, before it is passed to the Executive.
 - (ii) That the findings from the workshop be forwarded to the Executive when they meet on 16 February 2010 to consider the budget.
 - (iii) That the recommendations made regarding improvements to the consultation process be taken on board when future consultations on the budget take place.
- REASONS:
- (i) To consider issues arising from the Equality Impact Assessment of the Council draft revenue budget for 2010-11, and to assist officers in completing the relevant Equality Impact Assessment.
 - (ii) To ensure effective and informed consultation on the budget.

RISK ASSESSMENT AND SENSITIVITY ANALYSIS

Risk	Likelihood	Seriousness	How we will manage the risk
Fluctuations in inflation, government grants and changes in legislation	Medium	High	<ul style="list-style-type: none"> • reviewed through the financial strategy and monitored throughout the year • any changes in legislation fully considered • ensure that the minimum level of reserves is maintained to mitigate against risks
Budgets are overspent	Medium	High	<ul style="list-style-type: none"> • robust budget setting process • regular monitoring with corrective action • develop a culture of awareness • ensure budget holders have ownership of their budgets • ensure budget holders get adequate training in financial management • effective project planning and management • ensure sufficient contingency sums in the budget
Savings are not achieved	High	High	<ul style="list-style-type: none"> • regular budget monitoring to identify issues at an early stage • where savings are not achieved alternative savings must be identified • incorporation of a contingency sum within the budget • establishment of reserves to mitigate against non-achievement of savings • transformation programme is to be managed by the Chief Executive and the CMT
Reserves are inadequate	High	High	<ul style="list-style-type: none"> • minimum levels of reserves are set and reviewed each year with consideration given to budget risks • a quarterly report is to be prepared on the current reserve position

RISK ASSESSMENT AND SENSITIVITY ANALYSIS

Risk	Likelihood	Seriousness	How we will manage the risk
Changes in usage and demand affect revenue streams	High	High	<ul style="list-style-type: none"> • regularly monitor income • review trends • ensure income budgets are realistic • ensure an adequate contingency sum is included
Budget does not reflect corporate priorities	Low	High	<ul style="list-style-type: none"> • ensure corporate involvement in the budget process • bids that are associated with the delivery of the corporate strategy milestones given a higher weighting • early consideration of budget pressures and changes in legislation • approved scoring criteria for prioritising capital bids
The capital programme is not affordable	Low	High	<ul style="list-style-type: none"> • all schemes are monitored through the 5 year capital programme • capital contingency reserve provides a balance to mitigate against overspends on capital schemes • budget growth provided to increase revenue support to capital • schemes are monitored and reported on a regular basis
Poor planning with decisions being made without proper consideration/consultation	Low	High	<ul style="list-style-type: none"> • develop a long term financial strategy • set out a clear budget timetable • regular updates to members • effective consultation process
Budget does not consider the full impact of sustainability	Medium	Medium	<ul style="list-style-type: none"> • the council has developed a sustainability policy which contains principals and measures that are to be implemented over the coming years
The Budget does not assess equalities impact on its population and community groups	Medium	Medium	<ul style="list-style-type: none"> • consult with SIWG

Financial Strategy 2010-2016

	Paragraph Numbers
A Purpose and scope of the strategy	1 - 2
B Links with other strategies	3
C Local and national priorities	4 - 8
D Current national issues	9 - 28
E The financial strategy's objectives	29 - 39
F Development of the financial strategy	40 - 46
G Consultation	45 - 46
H Financial context	47 - 48

(note: the capital plan will be incorporated into the final financial strategy - this report is considered as a separate agenda item)

A. PURPOSE AND SCOPE OF THE STRATEGY

- 1 The Financial Strategy sets out the framework of the council's budget by detailing how available resources will be allocated between services, reflecting council priorities, and providing the framework for the preparation of annual budgets. In particular it:
- sets out the council's medium term financial aims;
 - sets out the measures to be taken to ensure they will be achieved;
 - sets out the council's approach to delivering improved services and value for money over the next few years;
 - describes the council's arrangements for developing the medium term financial plan, including:
 - the identification and prioritisation of spending needs
 - the key financial influences on our medium term financial planning and the assumptions made in developing the plan
 - the challenges and risks associated with the plan and how we will deal with them.
 - sets out the council's policy on reserves and balances.
- 2 The financial strategy covers all revenue and capital spending plans (the capital report is covered as a separate agenda item).

B. LINKS WITH OTHER STRATEGIES

- 3 The council's financial strategy and plan is linked with and supports service priorities and the council's other strategies and plans. These include:

- **The Sustainable Community Strategy (SCS)**

There are 7 themes within the Sustainable Community Strategy (SCS), which was developed through a wide ranging, city wide consultation exercise and evidence analysis. It is a partnership document, owned by the Local Strategic Partnership which describes the vision for York over the next 20 years. The Council support s the delivery of the SCS via the Local Area Agreement (LAA - the 3 year action plan), and most importantly, the aligning of the council's Corporate Strategy to the themes of the SCS (therefore making a financial commitment to the delivery.)

- **The Council's Corporate Strategy**

The Corporate Strategy has been fully aligned to the SCS and the LAA. The development of the milestones and the budget process run simultaneously, to ensure realistic targets are set to meet the council's commitments.

Service planning carries the golden thread of delivery to work plans, ensuring that the financial commitments made are delivered successfully. Progress and corrective action , if needed, are discussed at CMT on a monthly basis and by the Executive quarterly, completing the picture of full integration of the financial and corporate planning functions.

- **The Asset Management Plan**

The Capital Resource Allocation Model (CRAM) process invites bids from Directorates asking them to put forward their main capital priorities as identified through their asset management plans which are aligned to the Council's Corporate Strategy. The financial strategy manages the impact of decisions taken on the Capital Programme resulting from the Asset Management Plan.

- **The IT Strategy and work programme**

There are 5 themes within the IT strategy, of these the following themes reflect issues dealt with as part of this financial strategy, particularly through the council's Transformation Programme:

1. Use technology to improve the efficiency and effectiveness of Council Services and the internal working of the Council
2. Use technology to make services easy to access, high quality and efficient, effectively managed, and responsive to the particular needs of individuals and/or Customer groups.

- **The Procurement Strategy**

The current procurement strategy is being revised as part of the More for York workstream and its focus will be in support of the Councils drive for efficiency over the next three years. Targets for savings from procurement activity have been identified and the strategy will set out how CYC intend to increase the effectiveness of expenditure control regimes, increase the commercial focus of the Council's procurement activity and improve the future planning and visibility of its procurement activity.

- **The Treasury Management Strategy**

Treasury Management is the management of the Authority's cash flows its banking, money market and capital transactions, the effective control of risks associated with those activities and the pursuit of optimum performance associated with those risks.

In order to comply with the various statutory frameworks within which the Treasury function has to operate, the Treasury Strategy and associated Prudential Indicators have to be approved by Council prior to 1st April of each financial year.

Treasury Management strategy and activity is influenced by the capital investment and revenue spending decisions made by the Council.

- **The HR Strategy and other related HR policies**

C. LOCAL AND NATIONAL PRIORITIES

Our priority themes

- 4 The corporate strategy is in the second year of its three year life, with milestones currently being updated to ensure the successful delivery of the three year commitments. This in turn will make a significant contribution to many of the priority local area agreements targets, and the aims of the sustainable community strategy, to which the corporate strategy has been fully aligned.
- 5 The development of the milestones and the budget process run simultaneously to ensure realistic targets are set to meet the council's commitments. Bids that are associated with the delivery of the corporate strategy milestones are given a higher weighting of importance than that of unrelated bids.
- 6 The corporate strategy milestones undergo a large amount of scrutiny before being finalised. This includes consideration by the corporate management team (CMT), the corporate leadership group and the Executive. This ensures that the strategy is fully embedded within the culture of City of York Council, and value for money is considered at many levels before final agreement at budget council. Thus the projects the corporate strategy committed to the public to deliver are funded where at all possible.
- 7 Service planning carries the golden thread of delivery to work plans ensuring that the financial commitments made are delivered successfully. Progress and corrective action, if needed, are discussed at CMT on a monthly basis and by the Executive quarterly, completing the picture of full integration of the financial and corporate planning functions.
- 8 The council's medium term financial planning is driven by these priorities. By integrating the development of the budget and financial plan with these priorities we seek to ensure that resources have been allocated to deliver the corporate priorities in a robust and sustainable manner. The financial strategy

also seeks to make links with national priorities. In considering any proposals for investment the links to national priorities are considered. By planning over a number of years the financial strategy aims to ensure that local and national priorities are delivered in the long term and service improvement and realignment is planned in an effective manner.

D. CURRENT NATIONAL ISSUES

External Influences

- 9 Council tax provides for about 17% of the council's gross revenue spending, with the majority of the council's resources coming from central government as either direct or indirect grants. Consequently, our financial strategy is to some extent shaped by factors outside our immediate control.
- 10 However, there are many facets to an effective financial strategy and the council must ensure it proactively manages its resources with a view to ensuring robust financial planning that delivers council priorities.

Comprehensive Area Assessment

- 11 The white paper 'Strong and Prosperous Communities' set out wide ranging proposals for support and improvement of local services. A key part of these proposals is a new performance assessment framework, the comprehensive area assessment (CAA), which came into operation from 1 April 2009.
- 12 CAA focuses on the delivery of outcomes that are the responsibility of the council and our partner organisations including police, health, fire and rescue services and other local authorities. The process is based on two assessments: an area assessment and an organisational assessment.
- 13 Community outcomes, efficiency, partnership working and value for money are key measures in these assessments with a new set of national indicators measuring the performance of the council and its partners against government priorities.
- 14 The results of the first year's assessments were published in December 2009. The city received a Green Flag for its integrated services for disabled children and no Red Flags in the Area Assessment. The council was found to be 'Performing Adequately' overall in its organisational assessment.

Three year settlements for Formula Grant and Revenue Financing

- 15 In July 2005 the government announced the introduction of a multi-year settlement process in order to give more stability and certainty to local authorities. The first full three-year settlement was announced in December 2007 and covered the 2008/09, 2009/10 and 2010/11 financial years.
- 16 The introduction of 3-year settlements is intended to improve the ability to forecast the overall financial position for the council. However there will remain

significant uncertainties in long term planning as the level of grant is only part of a complicated set of assumptions used.

Public Spending Plans and National Priorities

- 17 It should be recognised that the growth in public spending in recent years (primarily towards health and education) is unlikely to continue at the same rate. However, public services are under increased pressure from their customers for improved service provision. In addition, national targets for improved service delivery are becoming common, including electronic service delivery, planning, concessionary fares and recycling.
- 18 This financial strategy seeks to ensure national priorities are considered alongside local priorities.

Efficiencies

- 19 In October 2007 the Department of Communities and Local Government (DCLG) published a report 'Delivering Value for Money in Local Government'. The report highlights that public services have been set a target of achieving at least 3% net cash releasing value for money (VFM) gains per annum, between 2008 and 2011. Collectively councils are expected to achieve £4.9 billion cash releasing efficiency by 2010/11.
- 20 These efficiencies have to be achieved through a greater focus on VFM and through a culture of innovation. Responsibility for identifying opportunities for efficiency gains is left to individual councils and it will be up to them to put in place the processes that they need to plan VFM projects, track delivery, measure achievement and assure service quality. All councils' progress on efficiency will be monitored and challenged through a number of methods including the CAA and a new performance framework consisting of 198 performance indicators which includes a new national VFM indicator.
- 21 The council recognises the need to ensure VFM and this is reflected in the corporate strategy. To ensure the council can respond proactively to the major financial challenges it faces it launched the More for York programme during 2009. Savings from the programme are included in the 2010/11 budget and will be a key feature of future budgets beyond 2010/11.

Sustainability

- 22 Sustainability is a key measure of CAA. It is about long term social and economic benefits, ensuring a strong healthy and just society as well as environmental concerns. In order to ensure that the council's services and actions promote sustainability the council has developed a sustainability policy which contains principles and measures that are to be implemented over the coming years.

Local Area Agreements

- 23 Local area agreements (LAA) are about improving local services through a 3-year agreement between the main public sector agencies working in an area and the government.
- 24 Local public service agreements (LPSA) were developed by government as a means of raising performance and providing better public services in key areas. LPSA agreements focus on the performance of a selection of services and set specific improvement targets for them to hit. The participating services are provided with up-front investment to aid achievement of this enhanced performance. For meeting the targets set or for making significant progress towards them a reward grant is payable by government.
- 25 York's second LPSA ran from April 2005 to December 2008 and had a potential performance reward grant (PRG) of £3,935,028. There were 12 areas for improvement under this second agreement, which on completion attracted a reward of £2,008,451, approximately 51% of the total available. We submitted a claim for this to DCLG in 2008/09 and received a first instalment of £874,451. A second claim will be submitted this year for the remainder. After repayment of the venture fund (£1.09m) which helped pump prime the LPSA2 improvement projects and other calls on the reward grant, a fund of approximately £660,000 was established and allocated to support projects which contributed to the achievement of LAA targets.

Significant Partnerships

- 26 In order to deliver more efficient services the council continues to work with a range of partner organisations throughout the area. In some cases it has entered into a formal agreement with partners for the delivery of services and projects, examples include:
- Safer York Partnership
 - Joint commissioning with the health authority
 - Joint agency panel for out of authority placements
 - Learning disabilities integrated services
 - Yorkshire Purchasing Organisation
 - Waste PFI with North Yorkshire County Council

Area Based Grants (ABG)

- 27 The government has significantly increased local authorities' flexibility over the use of their main stream resources in recent years by moving at least £5 billion into non-ring fenced general grants over the comprehensive spending review (CSR) period. £4 billion of this amount has been moved into ABG. ABG are allocated on a 3 year basis to tie in with 3 year finance settlements. The grants are non ring fenced and the grant determinations do not include any conditions for use. Local authorities are therefore free to use the grants as they see fit to support the delivery of local, regional and national priorities in their areas. During 2010/11 the council will receive ABG of £15.4m.

External Funding

- 28 The Audit Commission sees the achievement of external funding as a key part in the demonstration of VFM. External funding opportunities include European funding, lottery funding, and Yorkshire Forward funding . The council must carefully appraise the role that external grant resources can play in meeting its objectives. Decisions about bidding for external grants must be taken in the context of the priorities in the corporate plan.

E. THE FINANCIAL STRATEGY'S OBJECTIVES

- 29 The financial strategy is designed to maintain financial stability and, as far as possible, avoid the need for large unplanned increases in council tax and unaffordable borrowing, whilst ensuring we have sufficient resources to achieve the corporate aims and priorities. To this end, it is proposed that the medium term financial strategy should ensure the following specific objectives:

30 **Objective 1 - Budgets are prudent and sustainable in the long term**

This seeks to ensure that budgets recognise real cost pressures, and that no over reliance is placed upon any one-off savings, and/or use of one-off reserves. This will be achieved by ensuring:

- adequate provision is made for inflation pressures, current economic conditions, pay awards, and new legislation
- the revenue budget is not supported by one-off savings, or any significant use of reserves
- effective budget monitoring to ensure early identification of issues and action planning

31 **Objective 2 - Financial plans recognise corporate priorities and objectives**

This seeks to ensure that financial plans link with corporate planning and priorities, and that there is provision within the financial strategy for growth/development funding on an ongoing basis. This will be achieved by ensuring:

- additional investment and savings proposals make explicit reference to corporate priorities
- local and national targets are considered
- long term vision and objectives are considered within the report
- provision within financial planning figures for growth and contingency amounts based upon perceived risk,
- a review capital prioritisation process/option appraisal

32 **Objective 3 - Significant risks are identified, and factors to mitigate against those risks are identified**

Risk management is crucial in long term planning and it is essential that the financial strategy clearly identifies the associated risks and that this is

supported by an embedded risk management culture within the organisation. This will be achieved by:

- risk management being embedded in corporate and service planning
- financial risks being specifically considered on an ongoing basis, and specifically reflected within the financial strategy
- targeting high risk areas when setting budgets and monitoring these areas closely throughout the year

33 Objective 4 - The capital programme is planned over a 5 year period, with the revenue implications of planned capital investment incorporated into the financial strategy

This seeks to ensure that advance provision is made within the financial strategy for the estimated revenue implications over the long term. This will be achieved by ensuring:

- the development of a 5 Year capital programme
- the clear identification of potential unsupported borrowing
- contingency funding is included within the capital programme
- a corporate approach to external funding opportunities to maximise resources to the council.

34 Objective 5 - Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account

It is important that the financial strategy is realistic and that there is a corporate awareness of the constraints on council funding. This will be achieved by ensuring:

- specific reference within each financial strategy of constraints and current issues
- regular reporting to Executive on local government finance issues
- awareness of the financial position within the organisation through an effective communication strategy

35 Objective 6 - Council tax increases will be kept below the government's expected upper level of increase, and the broad anticipated increase for future years will be set out within the financial plans, recognising that these increases may be subject to change

The government may in the future require authorities to set out planned council tax increases for the next three years. It is important in developing the financial plan that an assumed council tax increase is included, ensuring that financial plans do not place over-reliance upon excessive council tax increases. This will be achieved by ensuring that financial plans take account of this level of council tax increase, government expectations on council tax increases, and, in particular, that target efficiency gains reflect the likely levels of council tax. However, it has to be recognised that additional burdens and demands can be

placed upon local authorities, and that it may not always be feasible to achieve an increase in council tax in line with the inflation rate.

36 Objective 7 - Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the council

It is important to strike a balance between maintaining adequate reserves and contingencies and delivering priorities and achievement of VFM. This will be achieved by ensuring an annual review of reserves, linked to corporate priorities and treasury management implications.

37 Objective 8 - VFM and achievement of improved efficiency and service delivery underpin the financial strategy

VFM should be at the heart of everything the council does, and the pursuit of improved efficiency and performance needs to be established as an ongoing underlying principle. This is being achieved through:

- a corporate efficiency programme, linked to transformation through the More for York programme
- a corporate approach to external funding
- embedded finance and performance reporting to Members
- benchmarking the costs and performance of our services

38 Objective 9 - The financial strategy supports the achievement of excellence in financial management and use of resources

A financial plan in isolation will achieve little. It needs to be supported by:

- effective financial governance arrangements
- effective corporate governance embedding the principles contained within the CIPFA/SOLACE good governance framework, and the implementation and assurance of these principles through the council's improvement plan/business model
- financial management that supports performance
- effective monitoring arrangements
- effective financial reporting

This will be achieved by:

- implementation of the action plan in relation to the use of resources assessment. A highly visible improvement plan focused on core procedures and processes that an effective council needs to have in place
- developing the financial culture within the council
- financial reporting and documentation based upon stakeholder needs
- new financial systems (general ledger upgrade)
- training and development - both financial and non-financial
- integration of financial and non financial performance measures

39 These objectives are further explored throughout the report.

F. DEVELOPMENT OF THE FINANCIAL STRATEGY

40 As noted above, the development of the budget and medium term financial plan is driven by the council's priorities. The financial strategy aims to help Members to determine priorities and forecasts the changes in demand for services, and the likely financial implications of changes in legislation. The strategy also demonstrates the future cost of policies or proposals, and seeks to balance the demand for spending with the resources likely to be available. The strategy provides a financial framework within which departments and individual managers can plan their services.

41 The financial strategy comprises a 5-year revenue plan and a 5-year capital plan. The plans will be reviewed annually and rolled forward by a year.

42 The process, from the start of the review of the financial plans through to the approval and allocation of budgets, will span the whole year and will engage regularly with senior Members and senior managers throughout the council. Ownership and understanding of the financial strategy is crucial in ensuring effective long term planning within the council.

43 One of the key features of the budget process is the linkage between the corporate financial requirements and the operational needs and demands of the council. This is done through the service plans that identify funding requirements for the revenue and capital budget, performance outcome expectations and risk assessments.

44 The financial strategy will be communicated to staff and other key stakeholders.

G. CONSULTATION

45 The council's budget has been widely consulted on. The forms of consultation included the following:

- the postal and web based survey of citizen's priorities for budget growth and savings
- budget forums held separately for citizens and the business community where an in-depth analysis of the situation and options were discussed
- Scrutiny Management Committee
- Executive Member Decision Sessions (EMDS) where budget proposals, options and details, including service plans, were presented

46 The main form of consultation was the postal and online survey of citizens' views. These surveys had a total of 12,694 responses up from 7,748 responses last year. This is around a 14.6% return, which is an exceptional response rate for this type of survey and up almost 64% up on the 2009 consultation.

H. FINANCIAL CONTEXT

47 Ever since York became a Unitary Council in 1996 its funding and spend position has been comparatively low compared to other the unitary authorities which were created at the same time. York has a comparatively low level of council tax, spend per head and receives one of the lowest grant per head settlements as the following three charts show.

48 In 2009/10 York had the second lowest Band D equivalent council tax of all 55 unitary councils, it had the lowest spend per head and received the 9th lowest government grant per head. Therefore York can be considered to be one of the lowest funded authorities in the country which is why decisions about the budget and the consequential impact on the council's priorities and services are difficult and important.

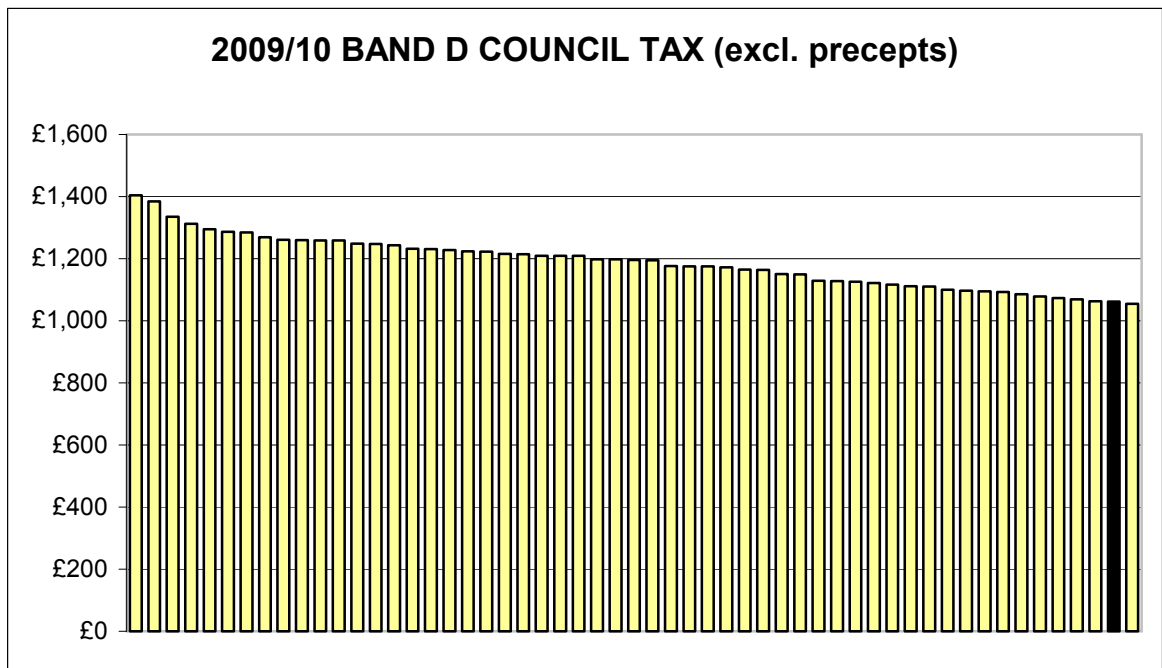


Chart 1 - 2009/10 Band D Council Tax - All Unitaries

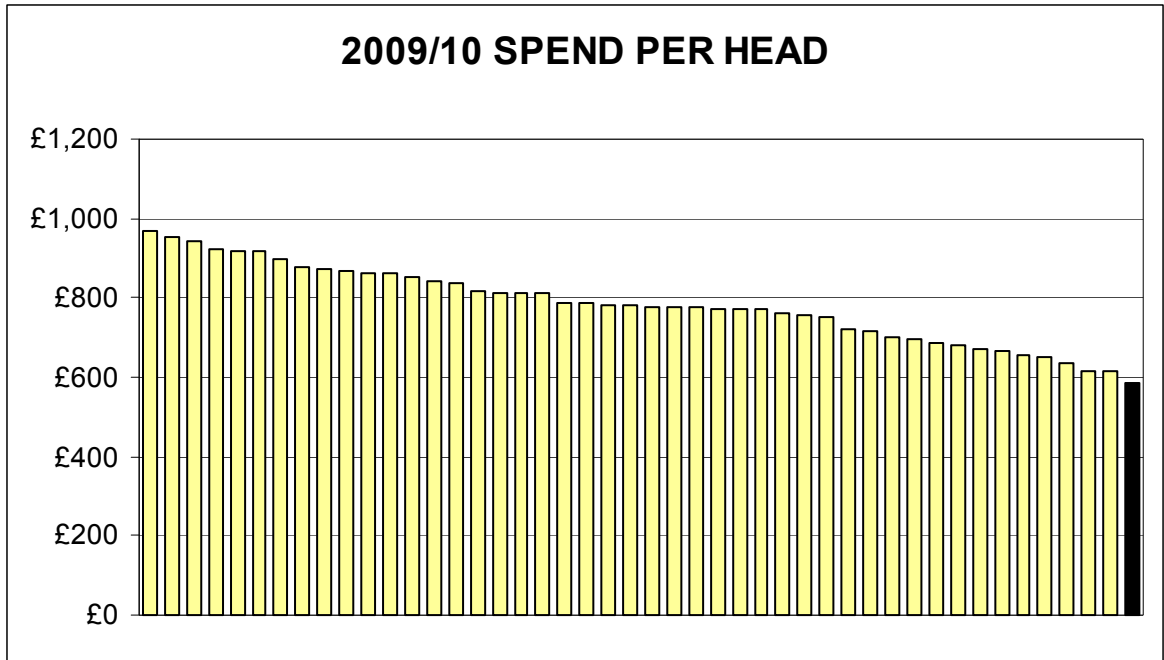


Chart 2 - 2009/10 Spend per Head - All Unitaries

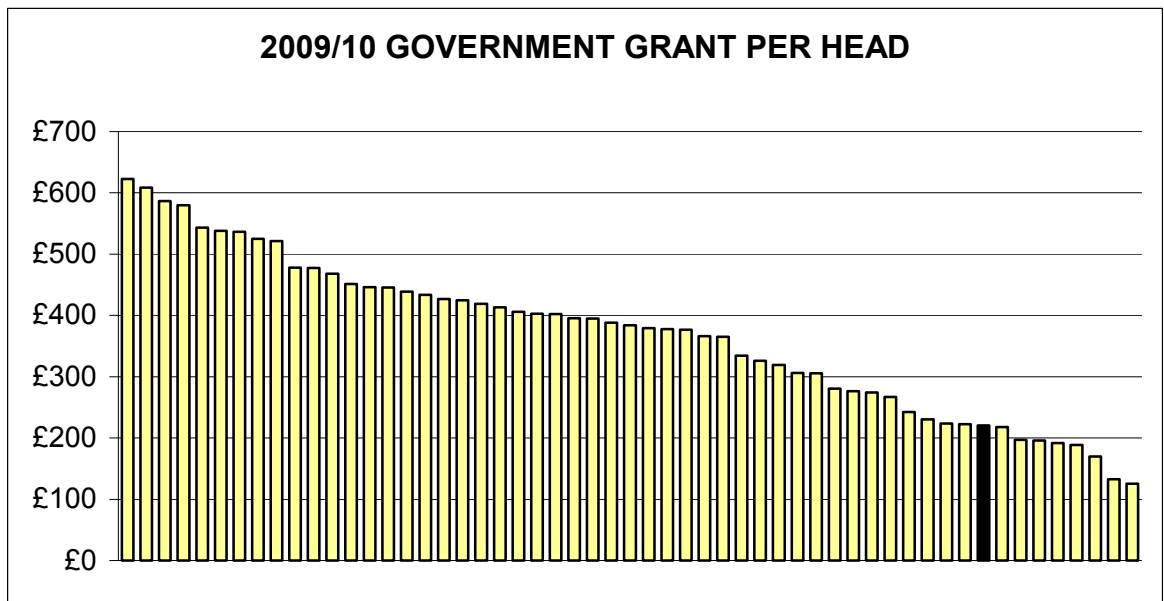


Chart 3 - 2009/10 Grant per Head - All Unitaries