

MEETING	CABINET
DATE	14 FEBRUARY 2012
PRESENT	COUNCILLORS ALEXANDER (CHAIR), CRISP, FRASER, GUNNELL, MERRETT, SIMPSON-LAING (VICE-CHAIR) AND WILLIAMS
APOLOGIES	COUNCILLOR LOOKER
IN ATTENDANCE	COUNCILLORS BOYCE, FUNNELL, JEFFRIES, POTTER, REID, STEWARD AND WARTERS

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

### **94. 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.

The following Members declared personal, non prejudicial interests in agenda items 5 (Capital Programme Budget 2012/13-2016/17) and 10 (Financial Strategy 2012-2017), insofar as these items related to their specific interests:

- Cllr Alexander – staffing matters as a member of the GMB union
- Cllr Simpson-Laing – staffing matters as a member of Unison, increases in market rents as she was about to start a business and voluntary sector grants which related to her work area
- Cllr Fraser – on industrial and welfare issues as a member of the retired sections of Unison and Unite (TGWU/ACTS sections), industrial/web
- Cllr Williams – staffing matters as a member of Unison and Unite
- Cllr Crisp – staffing matters as a retired member of Unison
- Cllr Gunnell – matters relating to the Welfare Benefits Unit as a member of the Management Board

- Cllr Merrett – as a founder member of York Wheels and a current Trustee and in respect of lighting contracts as he was employed by another section of Amey

Councillor Fraser also declared a personal and prejudicial interest in relation to Agenda item 10 (Financial Strategy 2012-2017) in respect of any discussion that may take place in respect of York Wheels as his partner was an employee and he confirmed that he would leave the room and take no part in any discussion and voting thereon.

## **95. MINUTES**

RESOLVED: That the minutes of the last Cabinet meeting held on 10 January 2012 be approved and signed by the Chair as a correct record.

## **96. PUBLIC PARTICIPATION/OTHER SPEAKERS**

It was reported that there had been one registration to speak at the meeting under the Council's Public Participation Scheme and three requests to speak, two from Members of Council and a union representative.

Councillor Warters spoke in respect of two issues within the remit of the Cabinet. As the Article 4 Direction would be considered at the next Cabinet meeting he requested that the meeting be held on the eastern side of the city as this was particularly relevant to that area.

Councillor Warters went on to refer to the recent signing of the Military Covenant and requested members to declare their support for military families on the housing list particularly in relation to the Derwenthorpe development.

Councillor Reid spoke in respect of the minutes of the previous Cabinet meeting and assurances given to the Lib/Dem Group that the results of consultation on controlling the concentration of Houses in Multiple Occupation (HMO's) would be brought back to member for a final decision.

Councillor Reid went on to speak on item 6 (2011-2012 Finance and Performance Monitor 3) regarding the missing detail and pressures on existing staff together with the affects on communities of reducing the Neighbourhood Management Unit.

In respect of item 7 (Treasury Management Monitor 3 and Prudential Indicators 2011/12) she expressed concerns at the lack of public engagement and the short period of time given to comment.

The Chief Executive of the York Council for Voluntary Service spoke on behalf of a number of bodies in relation to the proposed cuts in funding. She referred to the already tight budgets of voluntary bodies where there was little room for savings and efficiencies against an increasing demand for their services. She listed a number of bodies which would either be unable to carry on or who would suffer a significant impact on their work with the vulnerable and disadvantaged. These cuts together with reductions in core funding would have a disproportionate affect on voluntary service bodies.

Andrea Dudding of UNISON welcomed the 2 year budget and the additional funding for adults and elderly care and support for vulnerable children whilst having to contend with a £20m cut. A request was made that any reductions in staff should be dealt with sensitively and efforts taken to protect employment. Concerns were expressed about the risks to service delivery, support for vulnerable citizens and reductions in highway maintenance and the knock on effects. Concerns were also raised that market testing rather than examining in house options appeared to be the trend. Members were asked to continue with early consultation with staff, unions and the public.

**97. FORWARD PLAN**

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

**98. CAPITAL PROGRAMME 2011/12 - 2015/16 MONITOR 3**

*[See also under Part B Minutes]*

Consideration was given to a report which presented the likely outturn position of the Council's 2011/12 Capital Programme, based on the spend profile and information up to December 2011, and sought approval of changes to the programme.

The current approved programme, taking into account amendments reported in Monitors 1 and 2, amounted to £72.122m, financed from £30.493m of external funding and £41.629m of internal funding. Monitor 3 showed a net decrease of £15.091m made up of:

- Adjustments to schemes decreasing budgeted expenditure by £0.959m
- Net re-profiling of -£14.132m of schemes from future years to the current year.

Variances reported against each portfolio area were set out in Table 2 at paragraph 6 of the report.

A summary of the key exceptions and implications on the programme were summarised in paragraphs 8 to 32, with a summary of the 5 year revised programme in Table 3, at paragraph 34. The affects of the Housing Revenue Account reform and the increase on the debt portfolio were reported at paragraph 33

- RESOLVED:
- i) That the 2011/12 revised budget of £57.031m as set out in paragraph 5 and Table 2, be noted.
  - ii) That the restated capital programme for 2011/12 – 2015/16 as set out in paragraph 34, Table 3 and detailed in Annex A, be noted.

REASON: To enable the effective management and monitoring of the Council's capital programme

## **99. 2011 - 2012 FINANCE AND PERFORMANCE MONITOR 3**

Members considered a report which presented details of the headline performance and finance issues for the third monitor period of 2011-12.

Some good performance results had been achieved over this period, including Children's Services being awarded the top 4-star excellent rating for the 4<sup>th</sup> year running. It was noted that York was amongst the top performers of the 64 UK cities with low Youth unemployment and number of unqualified people, City growth by population and with a low long term JSA claimant rate.

Where less positive or mixed performance had been identified, including the continued increase in demand for adult care services and tackling the shortfall in planning income, details of the work being undertaken to address/monitor these issues was detailed in the report.

With regard to finance, pressures of £921k were currently forecast representing an improvement of £2,539k from the second monitoring report. The forecast also reflected a proposal to use the £714k New Homes Bonus to support the revenue budget.

Details of progress in the Council Plan priorities were set out at paragraphs 7 to 36 of the report, with the financial outturn of each directorate in Table1, paragraphs 45 to 66.

- RESOLVED:
- i) That the performance issues identified in the report be noted.
  - ii) That the current projected pressures of £921k and the strategies being prepared to mitigate this position be noted.
  - iii) That authority be given for the use of the £714k 2011/12 New Homes Bonus to support the revenue budget and authority delegated to the Director of CBSS to consider the final allocation as part of the outturn process.

- REASON:
- i) So that corrective action can be taken by members and directorates.
  - ii) and iii) In order to ensure expenditure is kept within budget.

**100. TREASURY MANAGEMENT MONITOR 3 AND PRUDENTIAL INDICATORS 2011/12**

Consideration was given to a report which provided an update on the Treasury Management activities for the period 1 April 2011 to 31 December 2011.

The report reviewed the Annual Investment Strategy and investment and borrowing portfolio's and compliance with Prudential Indicators.

It was noted that:

- Investment rates had continued at historical low levels, with the average level of funds available for investment purposes in the first nine months of 2011/12 of £58.085m, with a 1.22% rate of return.
- The rate of return during this period had shown that favourable / competitive interest rates had been obtained for investments whilst ensuring the required liquidity and security of funds.
- The Administrative Accommodation project increased the need to borrow in 2011/12 and 2012/13 which would require close market monitoring to take advantage of favourable rates.
- The Council's long-term borrowing portfolio had started the year at £133.1m with new borrowing of £7m in August 2011 and £5m in November 2011 giving a current loan balance of £140.1m.
- Monitoring details of the Prudential Indicators were set out at Annex A of the report together with the revised limits for the Housing Revenue Account reform.

- RESOLVED:
- i) That the Treasury Management activities in 2011/12 be noted.
  - ii) That the movements in the Prudential Indicators at Annex A be received and noted.

REASON: To ensure the continued performance of the Council's Treasury Management function.

**101. CITY OF YORK COUNCIL'S RESPONSE TO THE INTERIM REPORT OF THE FAIRNESS COMMISSION**

Members considered a report which set out the Council's response to the Fairness Commission's Interim report published on 28 November 2011. The report had proposed 10 Fairness Principles that would be used to guide long term progress towards a fairer York and made 30 specific recommendations to

the Council. This independent body had been set up as part of a Cabinet commitment to tackle poverty and injustice in the city.

It was reported that wide ranging consultation had taken place with many of the recommendations arising directly from suggestions made during the consultation.

Details of the key recommendations influencing the prioritisation of resources in the budget and those that required additional resources and further appraisal were set out in the body of the report. Proposed responses setting out how each would contribute to the delivery of the Council Plan priorities, subsequent actions and any potential resource impacts were provided at Annex A.

**RESOLVED:** That Cabinet approves the under mentioned responses to the recommendations of the interim report of the Fairness Commission :

- i) That CYC embeds the approach and values expressed in the Fairness Principles in the way we make decisions and deliver our services and reflect them in a refreshed approach to Equalities and Diversity.
- ii) That CYC works to deliver the recommendations as described in the responses in Annex A within existing resources or the additional resources proposed in the Financial and Capital Strategies.
- iii) That work is undertaken to assess the full implications and possible alternative approaches to a York 'Tourist Tax' in consultation with VisitYork and other key partners in the business community to develop proposals for the 2013/14 budget review.
- iv) That work is undertaken to assess the financial implications of implementing extensions to the travel concessions currently offered to young and disabled people and to bring forward proposals for consideration in the 2013/14 budget review.

- v) That work is undertaken to assess the financial and HR implications of implementing a Living Wage and to bring forward proposals for consideration in the 2013/14 budget review.
- vi) That work is undertaken to review the options and alternatives with the Youth Council and assess whether there are significant benefits to taking this recommendation forward.
- vii) That a further report is brought to Cabinet responding to the Fairness Commission's full report after it is published in June 2012.

REASON: To respond to the Fairness Commission's Interim Report recommendations and in an effort to begin to tackle poverty and inequality in York.

## **102. HOUSING REVENUE ACCOUNT BUSINESS PLAN**

Members considered a report which provided an overview of the new Housing Revenue Account (HRA) self financing system and the impact of this reform on the Housing Business Plan.

The new system would involve the reallocation of housing debt based on whether the valuation of each council's housing business was higher than their existing debt. It had been estimated by the Government that the value of the authorities housing business was £145m, some £122m higher than the existing level of housing debt.

Information on progress with rent restructuring and the phased change in rents by 2012 was detailed in paragraphs 6 and 7 of the report. It was reported that taking into account the rent calculations on individual properties and the impact of moving all rents towards the target rent specified by the Government that this would result in an actual average increase of 7.4%.

Further information in respect of the proposed debt strategy and treasury management arrangement were provided together with the outline summary business plan at Annex 1 of the report.

Following further discussion it was



- RESOLVED:
- i) That approval be given to the average rent increase for 2012/13 as set out in paragraphs 6 to 10 of the report.
  - ii) That the HRA revenue plan recommended to Council within the Financial Strategy report on this agenda as set out in Annex 1 be noted.
  - iii) That the HRA capital investment plan as set out in Annex 1, that will be recommended to Council within the Capital Budget report elsewhere on this agenda be noted.

- REASON:
- i) To ensure the ongoing financial stability of the HRA and allow work on improving the quality of the council's affordable housing to continue.
  - ii) To ensure the ongoing financial stability of the HRA
  - iii) To ensure the ongoing financial stability of the HRA and allow work on improving the quality of the council's affordable housing to continue.

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

### **103. CAPITAL PROGRAMME 2011/12 - 2015/16 MONITOR 3**

*[See also under Part A Minutes]*

Consideration was given to a report which presented the likely outturn position of the Council's 2011/12 Capital Programme, based on the spend profile and information up to December 2011, and sought approval of changes to the programme.

The current approved programme, taking into account amendments reported in Monitors 1 and 2, amounted to £72.122m, financed from £30.493m of external funding and £41.629m of internal funding. Monitor 3 showed a net decrease of £15.091m made up of:

- Adjustments to schemes decreasing budgeted expenditure by £0.959m
- Net re-profiling of -£14.132m of schemes from future years to the current year.

Variances reported against each portfolio area were set out in Table 2 at paragraph 6 of the report.

A summary of the key exceptions and implications on the programme were summarised in paragraphs 8 to 32, with a summary of the 5 year revised programme in Table 3, at paragraph 34. The affects of the Housing Revenue Account reform and the increase on the debt portfolio were reported at paragraph 33.

Having noted the revised programme and restated capital programme for 2011/12 – 2015/16 (see Part A Minutes), it was

**RECOMMENDED:** That Council approve

- the increase in prudential borrowing relating to the Self issue library machines to the value of £57k taking the total amount to £247k in 2011/12 to be funded from departmental revenue budgets.
- the increase in prudential borrowing relating to the Travellers Sites Electricity Units to the value of £46k taking the total amount to £230k in 2011/12 to be funded from departmental revenue budgets.
- the net adjustments of a decrease of £15.091m in 2011/12. The increase as a result of re-profiling and adjustments of £16.395m in 2012/13. The increase as result of re-profiling and adjustments of £135k in 2013/14 and the decrease of £221k in 2014/15, as set out in the report and contained in Annex A.

**REASON:** To enable the effective management and monitoring of the Council's capital programme

#### **104. CAPITAL PROGRAMME BUDGET 2012/13 - 2016/17**

Members considered a report which presented the current position of the 2011/12 – 2015/16 capital programme, highlighting the existing funding position and associated pressures and presented the bids received as part of the current

year's Capital Resource Allocation Model (CRAM) process for 2012/13 – 2016/17.

The current approved programme for 2011/12 – 2015/16 amounted to £192.254m (£314.637m including HRA self financing), financed by £104.417m of external funding and Council controlled resources of £87.837m (£210.220), detailed at Table 1, paragraph 3 of the report. In terms of the funding position, significant reliance continued to be placed on the achievement of a small number of high value asset disposals which had been affected by the economic downturn.

Of bids received under the CRAM process, 6 were fully funded from external resources, 6 were rolling programme bids and the remaining 12 sought additional discretionary resources over and above those already approved in the Capital Programme. Requests that would increase the programme by £24.391m had been made comprised of £11.225m of general fund schemes and £13.166m of HRA schemes. Full details of the key schemes recommended for approval and their impacts were set out at paragraph 5 and Annex B of the report. Rolling programme schemes that required funding on an ongoing basis were set out in Table 2 at paragraph 10 amounting to £2,105m. Details of the new bids which required Prudential Borrowing funding were summarised in Table 3, paragraph 13 and detailed at Annex B, existing schemes identified for removal from the programme summarised at Table 4, schemes that were fully externally and HRA funded summarised at Table 5 together with the net funding position of the Prudential Borrowing Schemes at Table 6.

As part of the budget process it was proposed to create an Economic Infrastructure Fund (EIF) totalling £28.5m over a 5 year period. Funding would be sourced from the New Homes Bonus (NHB) and Prudential Borrowing.

A summary of the additions and amendments made showed an overall increase in the programme of £50.241m, detailed in Table 9 with the proposed budget for each directorate for the next 5 years summarised in Table 10 and detailed in Annex A.

Cabinet Members responded to issues within their own portfolio areas.

RECOMMENDED: That Council:

- i) Agree to the revised capital programme of £187.364m, that reflects a net overall increase of £53.641m (as set out in paragraph 32 table 9 and in Annex A 'growth' column). Key elements of this include:
  - a) Extension of prudential borrowing funded Rolling Programme schemes totalling £2.105m as set out in paragraph 10, table 2 and summarised in paragraph 32 table 9;
  - b) New schemes totalling £10.405m including increase in prudential borrowing of £2.595m as set out in paragraph 13, table 3 and summarised in paragraph 30 table 10;
  - c) Reduction of existing prudential borrowing funded schemes totalling £4.500m as set out in paragraph 15, table 4 and summarised in paragraph 32, table 9;
  - d) New externally funded and HRA funded schemes totalling £16.381m including HRA balances of £4.447m and including £500k of New Homes Bonus funding for Replacement of Street Lighting as set out in paragraph 18, table 5 and summarised in paragraph 32 table 9.
  - e) Extension of the existing IT development programme totalling £750k in 2016/17 funded

by prudential borrowing paid for from within existing revenue budgets as set out in paragraph 31, table 8 and summarised in paragraph 32 table 9.

- ii) Approve the re-profiling of £150k from future years to 2012/13 in relation to replacement of unsound lighting columns scheme as shown in Annex A.
- iii) Approve the full restated programme as summarised in Annex A totalling £187.364m cover financial years 2012/13 to 2015/16 as set out in paragraph 34, table 10.
- iv) Approve the establishment of the Economic Infrastructure Fund (EIF) and the proposed priority themes of expenditure:
  - Get York Moving including
    - Access York Park and Ride - £2.5m
    - Better Bus Fund - £2.0m (Annex C)
  - Digital York
  - Reinvigorate York
  - Economic Inclusion York
  - Sustainable Economy York
- v) Approve Council funding to the EIF from £20m of prudential borrowing over the next 5 years, all of the New Homes Bonus funds (currently estimated at £8.5m) from 2012/13 onwards, except for £0.5m in 2012/13 which is allocated for Street Lighting replacement.
- vi) Agree that the Director of CBSS be authorised to take decisions on

the financing of any expenditure, and profiling of any borrowing, in accordance with the overall financial framework agreed by Council.

- vii) Agree that decisions on the actual schemes, and monitoring of such schemes will be considered through regular financial monitoring reports to Cabinet.

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

#### **105. FINANCIAL STRATEGY 2012 - 2017**

Members considered a report which presented the Financial Strategy for 2012 -2017, including the detailed Revenue Budget proposals for 2012/13 and 2013/14, and asked them to recommend the proposals to Council.

The report presented a balanced budget over a 2 year period with savings proposals of £19.7m and a proposed council tax increase of 2.9% in 2012/13.

The key issues included:

- Revenue savings of £19.7m over the two years
- Growth of £1.5m in adult social care and £0.5m in Looked After Children for 2012/13
- Creation of both a Delivery and Innovation Fund and an Economic Infrastructure Fund
- Ensuring all libraries and children's centres remained open and further reductions in senior management costs
- Reduced formula grant funding of £5.04m and
- A net revenue budget of £122.235m

A summary of the budget position for 2012/13 and 2013/14 was set out in Annex 1 reporting the total expenditure, expenditure pressures, expenditure reductions and funding.

It was reported that there were significant savings contained within the budget which reflected the scale of the challenge facing the council with the proposed overview of savings for each directorate summarised in Annexes 5a and 5b and detailed in Annex 2. Detailed proposals for fees and charges were set out at Annex 3, the Housing Revenue Account at Annex 4 and the Dedicated Schools Grant and Schools budget at Annex 5.

There had been extensive and increased budget consultation as part of the budget process and a summary of the various consultation streams was set out at Annex 6.

Consideration was also given to the motion submitted to Council in December requesting the council freeze council tax at the current level for the next two financial years. Details of the financial impact and potential results were set out at paragraph 7 of the report.

The effect of approving 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 was intended that the total council tax increase including the parish, Police and Fire Authority precepts, would be agreed at the full council meeting on 23 February 2012.

Following further discussions it was

- RESOLVED:
- i) That, having considered:
    - a. Expenditure pressures facing the council as set out in the report.
    - b. Impacts of savings proposals set out in Annex 2.
    - c. Medium term financial factors facing the council as outlined in the report.
    - d. Projected levels of reserves as set out in the report.
    - e. Statutory advice from the Director of CBSS.

It be

RECOMMENDED: That Council:

- i) Approve the budget proposals outlined in the report of the Director of Customer and Business Support Services and set out in detail within the financial strategy, in particular:
  - a. The net revenue expenditure requirement of £122.235m.
  - b. The revenue growth proposals as outlined in the body of the report.
  - c. The revenue savings proposals as outlined in Annex 2.
  - d. The Housing Revenue Account budget set out in Annex 4.
  - e. The dedicated schools grant proposals outlined in Annex 5.
- ii) Agree that the governance/financial administration of the Delivery and Innovation Fund be in accordance with the Council's Venture Fund, specifically that the Director of CBSS (in consultation with the Leader) has the authority to make approvals of up to £100,000 and that any sums greater than this require the approval of Cabinet, and that further approval is given to reflect this decision in the Council's Financial regulations.
- iii) Note that 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%.

REASONS: i) and iii) To ensure a legally balanced budget is set.



- ii) To ensure appropriate governance arrangements are in place for the Delivery and Innovation Fund.

**106. TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS 2012/13 TO 2016/17**

Members considered a report which asked them to recommend to Council the Integrated Treasury Management Strategy Statement and proposed Prudential Indicators for 2012/13 to 2016/17.

The treasury management strategy for 2012/13 covered both capital and treasury issues which were listed in paragraph 6 of the report. Output of the capital programme was reflected in the capital prudential indicators (PI) which were detailed in Annex A and explained throughout the report.

A key issue facing the Council in 2012/13 was the impact of planned HRA self financing reform which ended the impact of the housing subsidy system. Details of the effects on the prudential indicators was outlined at paragraphs 9 and 10.

The report outlined the Council's current treasury portfolio position and its borrowing and investment strategies. Details of the Interest Rate Forecast for 2011/2015, a schedule of Specified and Non-Specified Investment categories, approved countries for investment and the Treasury Management Scheme of Delegation and Role of the Section 151 Officer were attached at Annexes B, C, D and E respectively.

**RECOMMENDED:** That Council approve:

- i) The proposed Treasury Management Strategy for 2012/13 including the annual investment strategy and the minimum revenue provision policy statement;
- ii) The Prudential Indicators for 2012/13 to 2016/17 in the main body of the report (Annex A);
- iii) The Specified and Non-specified investments schedule (Annex C)

iv) The Scheme of Delegation and the Role  
of the Section 151 Officer (Annex E)

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

Cllr J Alexander, Chair  
[The meeting started at 5.30 pm and finished at 7.25 pm].