
Meeting of Executive Members for City Strategy and Advisory Panel

11 December 2006

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

ECONOMIC DEVELOPMENT REVENUE BUDGET ESTIMATES 2007/08

Summary

1. This report presents the 2007/08 budget proposals for Economic Development. It includes:
 - the budget for 2006/07 (Annex 1) to show the existing budgets
 - the budget adjusted and rolled forward from 2006/07
 - the allocation of pay and price increases for the portfolio
 - budget savings options for the portfolio area (Annex 2)
 - fees and charges proposals (Annex 3)

2. Budget Council will be held on 21 February 2007 and will make decisions on the overall budget for the Council. In order to facilitate the decision making process the Executive are meeting on 16 January to consider the preferences identified by the individual portfolio Executive Members and the results of the consultation. The Executive Leader is therefore asked to consider the budget proposals and identify their preferences, which will be considered by the Executive following consultation. EMAP (Executive Member & Advisory Panel) is invited to provide comments on the budget proposals in this report.

Background

3. The Council's Medium Term Financial Strategy was adopted by the Executive on 11 July 2006. This paper is the result of ongoing work against this agreed framework.

4. The provisional Local Government Finance settlement for 2007/08 was included in the settlement papers for 2006/07 received in January 2006, which alongside the 2006/07 settlement provided indicative figures for 2007/08. A consultative draft settlement for 2007/08 is expected by early December. However, it is not expected that there will anything other than minor changes from the figures currently used.

5. The figures in the 2006/07 settlement indicated that the increase in government funding in 2007/08 nationally would be 4.0% but for York the

figure is 3.2% or an additional £1.192m. However, there is no guarantee that this allocation will not change when the final grant settlement is announced in late January 2007, although any changes are expected to be minor.

Budget Proposals for Economic Development

6. A summary of the budget proposals is shown in Table 1 below. Further details on each individual element are presented in the subsequent paragraphs. The annexes also contain other potential growth and savings items which at this stage are not being recommended to Members.

Table 1 - Summary of Budget Proposals

	Para. Ref	£(000)
Base Budget 2007/08	7	2,170
Provision for pay increases	8	67
Provision for price increases	9	0
Other Budget Pressures: Staff Increments	10	5
Service Pressure proposals	12	0
Savings proposals (Annex 2)	14	-22
Proposed Budget 2007/08		2,220

Base Budget (£2,170k)

7. This represents the latest budget reported to Members, updated for the full year effect of decisions taken during 2006/07, e.g. supplementary estimates.

Pay Inflation (£+67k)

8. These calculations are based on a pay increase for APT&C (Administrative, Professional, Technical & Clerical) of 2.5%. The negotiations for the 2007/08 settlement have not yet concluded, although there is pressure from the Treasury that increases are kept under 2%.

Price Inflation (+£0k)

9. The budget proposes that, due to the underlying low rate of inflation, there is a general price freeze on most budgets. The amount allowed for price inflation is to fund known price increases, e.g. contract payments and fuel bills. This figure is a net figure. Fees and charges are generally increasing by 2.3%, but this is varied by directorates as part of growth/savings by national constraints/requirements. Where increases are proposed in excess of this the additional income is reflected in the savings totals offered. Details of proposed fees and charges are shown in Annex 3.

Other Budget Pressures (+£5k)

10. These represent pressures over which the service has no influence, e.g.

changes to funding and expenditure which are due to national policy initiatives or to, for example, the implications of the moving dates of Easter on service provisions.

11. Staff increments for the year are calculated as being £5k. This excludes increments for staff funded by external income / grants.

Service Pressures (£0k)

12. In the Finance Strategy report to the Executive on 11 July 2006 a sum of £7.291m was included as the estimated amount that would be needed to meet increasing demand for services and to allow for reprioritisation of service provision.
13. There are no service pressures proposals for the Economic Development department for 2007/08.

Savings Proposals (£-22k)

14. Members will be aware that the 2006/07 budget savings were significant and that all Directorates are operating within a tight financial environment. In seeking to achieve savings for the 2007/08 budget Directorates have examined budgets with a view to identifying savings that have a minimum impact on the services provided to the public, customers and the wider Council. Instead they have concentrated on initiatives that;
 - improve quality and efficiency
 - take advantage of ongoing service and/or Best Value reviews
 - generate income
 - address budgetary underspends
 - improve cash flow and interest earnings
 - generate savings from the technical and financial administration functions of the Council
15. Annex 3 shows the full list of savings proposals for the Economic Development portfolio.

Fees and Charges

16. The details of the proposed fees and charges for the services provided by this portfolio are set out in Annex 3. Where fees and charges increases are being set above the inflation requirement they have been included in Annex 2.

Consultation

17. This paper commences the Council's budget consultation, both in terms of formal discussions with the Business and Voluntary sectors, but also as a mechanism for the public to comment on the proposals made in the report.

Options

18. Members of EMAP are asked for their comments or alternative suggestions on the savings proposals and fees and charges proposal shown in Annexes 2 and 3.

Analysis

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

Corporate Priorities

20. The economic development budget is allocated to a limited number of areas of activity. There is a small core team of economic development staff to manage and develop the programme, to service a wide range of partnership organisations, and to respond to issues. Beyond that there are teams working on tourism; Science City York; Future Prospects guidance service; the York Training Centre; the city centre; support for inward investment; and managing the markets. Each of these areas has been subject to savings reductions in recent years. They have each reached a stage where no further savings are possible without significant reductions in service. Recent large-scale redundancies, and a generalised concern about the economic situation within the city, highlight the need for the City Council to pursue effective economic development policies and actions. The establishment of the Future York Group reflects these concerns, and imposes a significant workload upon the Economic Development Group. The savings proposals, therefore, are significantly lower than in previous years, in order to retain sufficient capacity and resources to intervene effectively in the York economy, and to respond to the conclusions of the Review across the range of economic development functions.

Implications

21. The implications are:
 - **Financial** - the financial implications are dealt with in the body of the report.
 - **Human Resources** - there are no HR implications to the proposed growth or savings items.
 - **Equalities** - there are no equality implications to this report
 - **Legal** - there are no legal implications to this report
 - **Crime and Disorder** - there are no specific crime and disorder implications to this report
 - **Information Technology** - there are no information technology implications to this report
 - **Property** - there are no property implications to this report
 - **Other** - there are no other implications to this report

Risk Management

22. Key reporting mechanisms to Members on budget matters will continue to be through two mid-year monitoring reports and the final Revenue Outturn report for the year. These reports will also address the progress made on investments and savings included in the budgets.
23. The budget setting process always entails a degree of risk as managers attempt to assess known and uncertain future events. This year has demonstrated the difficulty of achieving this. As with any budget the key to mitigating risk is prompt monitoring and appropriate management control. As such updated figures and revised corrective actions will be monitored via Directorate Management Teams, Corporate Management Team and the monitor reports during the year.

Recommendations

24. The Executive Member Advisory Panel is invited to provide comments on the budget proposals for consultation for 2007/08 contained in this report, which will be considered by the Executive on 16 January 2007.
25. The Executive Leader is asked to consider the budget proposals for consultation for Economic Development for 2007/08 contained in this report and listed below and provide comments to be submitted to the Executive on 16 January 2007.
 - 2007/08 Base budget as set out in paragraph 7
 - Savings proposals as set out in Annex 2
 - Fees and charges as set out in Annex 3.

Reason: As part of the consultation in setting the overall 2007/08 council budget

Contact Details

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Specialist Implications Officer(s) None.

Wards Affected:

All

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For further information please contact the author of the report.

Background Papers:

Budget working papers held within City Strategy finance

Annexes

Annex 1 - 2006/07 Budget

Annex 2 - Savings Proposals

Annex 3 - Fees and Charges

28 November 2006

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