

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.

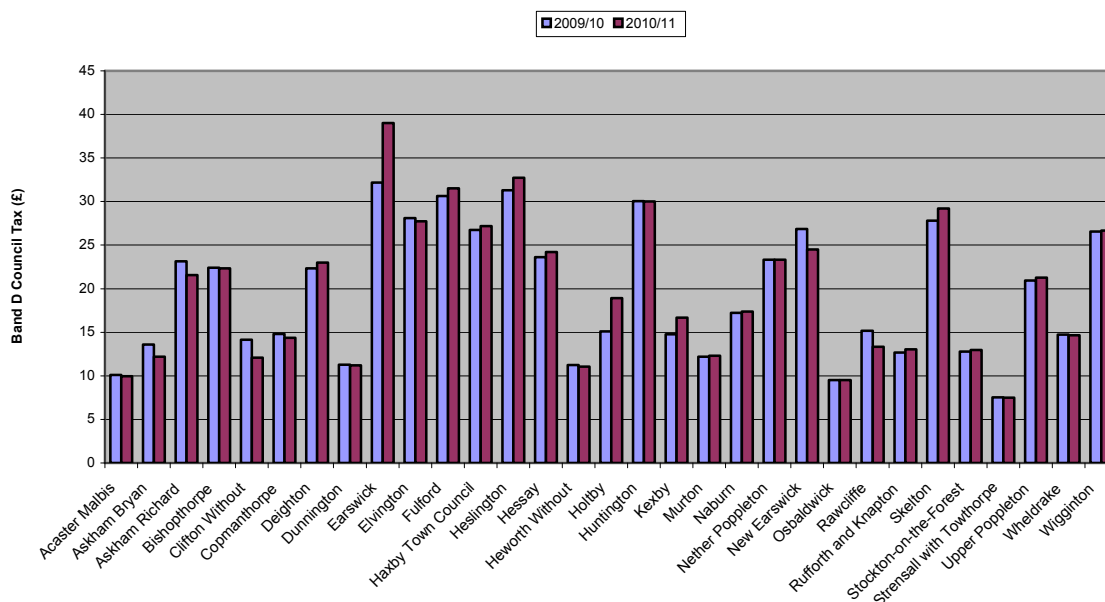


Chart 1 - Parish Band D Charges

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