

Meeting of Executive Members for City Strategy and Advisory Panel

11 December 2006

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

CITY STRATEGY REVENUE BUDGET ESTIMATES 2007/08

Summary

1. This report presents the 2007/08 budget proposals for City Strategy. It includes:
 - the budget for 2006/07 (Annex 1) to show the existing budgets
 - the budget adjusted and rolled forward from 2006/07
 - the allocation of pay and price increases for the portfolio
 - budget service pressure proposals and savings options for the portfolio area (Annexes 2 and 3)
 - fees and charges proposals (see separate report for detail)
2. Budget Council will be held on 21 February 2007 and will make decisions on the overall budget for the Council. In order to facilitate the decision making process the Executive are meeting on 16 January to consider the preferences identified by the individual portfolio Executive Members and the results of the consultation. The Executive Members for City Strategy are therefore asked to consider the budget proposals and identify their preferences which will be considered by the Executive following consultation. EMAP is invited to provide comments on the budget proposals in this report.

Background

3. The Council's Medium Term Financial Strategy was adopted by the Executive on 11 July 2006. This paper is the result of ongoing work against this agreed framework.
4. The provisional Local Government Finance settlement for 2007/08 was included in the settlement papers for 2006/07 received in January 2006, which alongside the 2006/07 settlement provided indicative figures for 2007/08. A consultative draft settlement for 2007/08 is expected by early December. However, it is not expected that there will anything other than minor changes from the figures currently used.
5. The figures in the 2006/07 settlement indicated that the increase in government funding in 2007/08 nationally would be 4.0% but for York the

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

Budget Proposals for City Strategy

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

Table 1 - Summary of Budget Proposals

	Para. Ref	£(000)
Base Budget 2007/08	7	12,410
Provision for pay increases	8	222
Provision for price increases	9	366
Other Budget Pressures: Staff Increments	10	136
New expenditure/income due to grant and service transfers	12	0
Full year effect of 2006/07 growth and supplementary estimate items	14	246
Service Pressure proposals (Annex 2)	18	489
Savings proposals (Annex 3)	20	-994
Proposed Budget 2007/08		12,875

Base Budget (£12,410k)

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

Pay Inflation (+£222k)

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

Price Inflation (+£366k)

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

Other Budget Pressures (+£136k)

10. These represent pressures over which the service has no influence, e.g. changes to funding and expenditure which are due to national policy initiatives or to, for example, the implications of the moving dates of Easter on service provisions.
11. Staff increments for the year are calculated as being £136k. This excludes increments for staff funded by external income / grants.

New Expenditure/Income due to Grant and Service Transfers (£0k)

12. In the provisional settlement there were several transfers between FSS and direct grant that have budgetary impact on the net cost of this portfolio.
13. There are no such assumed transfers for this portfolio.

Full Year Effect of 2006/07 Growth and Supplementary Estimate Items

14. Several growth items were approved in 2006/07 where there is a full year cost in 2007/08. In addition there are also full year costs of supplementary estimates granted where the expenditure only arose part way through the years.
15. In addition approval was given in 2006/07 for some one-off growth items where the cost was split partially in 2006/07 and partially in 2007/08. The 2006/07 element was funded by the use of Council's reserves.
16. The costs shown in table 2 below represent the additional funds needed in 2007/08.

Table 2 - Full Year Costs of 2006/07 Part Year Approvals

	£(000)
Additional Costs of 2006/07 Growth Items	
Highways Prudential borrowing – annual costs of borrowing £500k as investment into highways resurfacing	46
Cost in 2007/08 of 2006/07 One-Off Growth Items	
Waste Strategy (yr 3 of 5). This provides funding for the procurement for long term Residual Waste Treatment	200
Total Full Year Costs	246

General Contingency

17. Members should note that there are potential expenditure pressures that may materialise in 2007/08 but which are not yet certain or not quantifiable at this stage. The issues are listed in Table 3 below and it is assumed that if they materialise then funding will be requested from the General Contingency.

Table 3 - Contingency Issues for 2007/08

	£(000)
Contingency Issues for 2007/08	
Concessionary fares – result of appeal to secretary of state	200
Shortfall in income from planning applications	150
Land charges - income pressures due to deregulation	50
Total	400

Service Pressures (£+489k)

18. In the Finance Strategy report to the Executive on 11 July 2006 a sum of £7.291m was included as the estimated amount that would be needed to meet increasing demand for services and to allow for reprioritisation of service provision.
19. A range of options for service pressure proposals has been considered and in view of the overall available resources it is proposed that only those proposals shown in Annex 2 are included in the consultation list as the preferred options for City Strategy. The proposals put forward are the result of a rigorous assessment process, which included looking at the risk to customers and staff, legislative requirement, proven customer demand and the Council's corporate objectives.

Savings Proposals (£-994k)

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

Fees and Charges

22. The details of the proposed fees and charges for the services provided by this portfolio are set out in another report elsewhere on the agenda. Where fees and charges increases are being set above the inflation requirement

they have been included in Annex 3.

Consultation

23. This paper commences the Council's budget consultation, both in terms of formal discussions with the Business and Voluntary sectors, but also as a mechanism for the public to comment on the proposals made in the report. Management Team have consulted with the Unions over the savings proposals as part of the Joint Consultative Committee process.

Options

24. Members of EMAP are asked for their comments or alternative suggestions on the investment and savings proposals shown in Annexes 2 and 3.

Analysis

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

Corporate Priorities

26. The budget represents the opportunity to reprioritise resources towards corporate priority areas. Key examples of this happening within this portfolio area are:
- The growth proposals for the Local Development Framework, York Central / British Sugar Area Action Plan and the York Races Traffic management all contribute to the corporate aim to “Strengthen and diversify York’s economy and improve employment opportunities for residents”. They do this by providing the necessary support to economic life of the city through employment and tourism
 - These same growth pressures together with the Road Safety initiatives also support the priority to “increase the use of public and other environmentally friendly modes of transport”. Part of the work involved in each of these proposals will be to look at the support that the traffic and transport network for the city can contribute in some way to meeting this priority. This priority will be met through a series of actions that encourage the use of public transport as well as those that may cause an impediment.

Implications

27. The implications are:
- **Financial** - the financial implications are dealt with in the body of the report.
 - **Human Resources** – the savings proposed equate to the loss of 11.9 full time equivalent posts.
 - a) Loss of two fte posts in Transport Planning
 - b) Loss of two fte posts within Highways Infrastructure
 - c) Loss of four fte posts within Network Management
 - d) Loss of one fte within Engineering Consultancy

- e) Loss of 0.4fte within Development Control
- f) Loss of 0.5fte within Design and Conservation
- g) Loss of one fte within Draughting
- h) Loss of one fte within management support service

The growth proposals result in an additional 4.0fte's

- a) Increase of three fte posts within City Development to undertake the Local Development Framework and York Central / British Sugar Area Action Plan
- b) Increase of 1 fte within Building Control

The CYC "Management of Change" Policy which outlines the Council's procedure for dealing with redundancy and redeployment will be applied where reductions in staffing numbers are proposed. The procedure takes into account the impact of redundancy and observance of fair selection criteria. Staff in teams where posts are proposed to be deleted have been made aware of proposals and the subsequent HR process.

- **Equalities** - there are no equality implications to this report
- **Legal** - there are no legal implications to this report
- **Crime and Disorder** - there are no specific crime and disorder implications to this report
- **Information Technology** - there are no information technology implications to this report
- **Property** - there are no property implications to this report
- **Other** - there are no other implications to this report

Risk Management

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

Recommendations

- 30. That the Advisory Panel advise the Executive Members to provide comments on the budget proposals for consultation for 2007/08 contained in this report, which will be considered by the Executive on 16 January 2007.
- 31. That the Advisory Panel advise the Executive Members to consider the budget proposals for consultation for City Strategy portfolio for 2007/08 contained in this report and listed below and provide comments to be submitted to the Executive on 16 January 2007.

- 2007/08 Base budget as set out in paragraph 7.
- Service Pressure proposals as set out in Annex 2.
- Savings proposals as set out in Annex 3.

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

Contact Details

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Report Approved Date 28 Nov 2006

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Wards Affected:

All

For further information please contact the author of the report.

Background Papers:

Budget working papers held in City Strategy finance.

Annexes

Annex 1 - 2006/07 Indicative Budget
Annex 2 - Service Pressure Proposals
Annex 3 - Savings Proposals

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28 November 2006