

Report for Resolution

Report to Executive
16 December 2009

Report of Director of Transformation

Subject Medium term financial position statement, capital funding position statement and revised City Council Aims and Priorities 2010-2012

Item

6

Purpose

To:

- Set out an updated General Fund revenue budget position statement
- Set out an updated capital funding position statement, and
- Agree adjusted aims and priorities for the City Council during the 2010-2012 period, and to recommend them to full Council for consideration.

Recommendations

Executive is asked to:

- note the updated General Fund revenue budget position statement (Annex A to the report),
- note the updated capital funding position statement (Annex B to the report),
- agree to retain the existing 5 strategic aims for the City Council, and
- agree the revised priorities for the 2010-2012 period (Annex D to the report) and agree that these should be debated at full Council in January 2010 prior to incorporation into a revised Corporate Plan 2010-2012, for publication in March 2010.

Financial Consequences

There are no financial consequences arising directly from this report.

However, due to the recession and continuing economic uncertainty, the City Council is facing the need to make significant cost reductions and savings for 2010/11, and subsequent years. It is therefore vitally important that the Council continuously monitors its revenue and capital spending, and ensures that budgets are fully aligned with its aims and priorities, so that its limited resources are spent on the highest areas of priority and need.

For this reason it is proposed to develop and agree the Council's priorities for the next few years in parallel with agreeing the medium term financial strategy and the capital strategy.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners”.

Executive Member: Councillor Morphew - Leader of the Council
Councillor Waters, Corporate Resources and Governance

Ward: All

Contact Officers

Paul Spencer, Director of Transformation
Barry Marshall, Head of Finance

01603 212238
01603 212556

Background Documents

None

Report

Background

- 1 In June 2008 Council agreed the publication of the City Council's Corporate Plan, including its aims and priorities, for the 2008-2010 period. In April 2009 Council agreed a medium term financial strategy (MTFS) and capital strategy which set out the overall financial strategy over the next few years. Together these documents set out the City Council's core plans for the medium term.
- 2 Executive will be aware that since the publication of these plans there have been significant developments in the economy, which have adversely affected society and local government in general. Norwich City Council has been particularly badly affected.
- 3 As a result of the recession, the Council is now facing a need to identify major General Fund revenue savings and cost reductions, which will mean medium term changes to the services the Council delivers, and the way that it delivers them. The recession has also led to a reduction in receipts from property and land sales, which has caused severe constraints on the City Council's capital programme activity.
- 4 In the context of a worsening and uncertain financial climate it is important that the City Council focuses its resources on the highest priorities, and the highest areas of need in the city. It is therefore appropriate that we should review both the revenue and capital budget positions, and our priorities, to ensure that our plans reflect the current economic climate, and are deliverable within the context of reducing resources.
- 5 This report therefore sets out
 - an updated revenue budget position statement
 - an updated capital funding position statement and
 - revised priorities for the 2010-2012 period, which we believe will provide a robust platform for the council for the medium term. However, given the continuing volatility in the economy, we will continue to review this regularly.

Overall General Fund financial context

- 6 Executive will be aware that the financial picture continues to be extremely challenging. Over the last 12 months the City Council's revenue and capital funding has been adversely affected by both significant losses of income, and the impact of the concessionary bus fares scheme.

General Fund Revenue budget

- 7 In April 2009 full Council agreed a medium term financial strategy to reflect the tightening financial picture. However, in the light of the continuing economic uncertainty we have continued to monitor the situation closely.

- 8 An updated revenue budget position statement is now attached as Annex A. This suggests that the City Council now needs to identify revenue savings in the region of £8.4m over the next 4 years, in order to provide a balanced budget, and ensure reserves are kept at a prudent level. Within the overall £8.4m target, it will be necessary to identify approximately £6.3m of savings for 2010/11.
- 9 There are still a wide range of significant other financial risks which may adversely affect the City Council's medium term financial strategy, including:
 - Uncertainty about the level of Revenue Support Grant settlement beyond 2010/11
 - Possible central government constraints on the level of Council tax that we can set for 2010/11 (risk up to £350,000)
 - The outcome of the First Bus appeal on concessionary bus fares (risk up to £800,000)
 - Triennial pension review (risk between £200,000 and £300,000)
 - This list is not exhaustive and there are a number of other smaller risks but nevertheless significant that could have a negative impact on Council's finances
- 10 All of these factors mean that the current financial situation remains complex and uncertain. In this light, the Executive has been adopting a prudent and cautious approach. The council will therefore continue to monitor the situation closely, and may need to make further recommendations to members in due course.

Capital funding position

- 11 The recession has also had a significant impact on the Councils Capital Strategy, Plan and Programme. Resourcing the Capital Programme has relied on the Council disposing of assets and investing the capital receipt into capital schemes approved for the Capital Plan. The recession has meant that it is not only difficult to dispose of assets, but also some of the prices that have been offered would not represent best value for the council. As a consequence the level of capital funding available to the council has been curtailed. In this context alternative ways of funding the capital programme have been pursued, and we have now entered into a partnering arrangement with the HCA. This arrangement with the HCA has a significant impact on how the council can fund regeneration programmes in the future.
- 12 Also, the Councils developing Asset Management Strategy shows that key decisions need to be made regarding which assets the council should continue to hold, and what investment should be made in this portfolio to deliver medium and long term benefits to the council.
- 13 The links between the Capital Programme, the Asset Management Strategy, and revenue budgets has become key, and this means it is an opportune time to undertake a full review of the Capital Strategy, Plan and Programme.

- 14 Taking these issues into account, to develop a revised Capital Strategy it is suggested that the following high level strategic priorities are adopted.
- 15 The council will prioritise what capital investment is needed throughout the city and will seek to fund a programme through a variety of means. In seeking to fund these priorities the following issues will be considered, in the following order:
- 1) Any impact on the Councils revenue budgets should be minimised.
 - 2) Consideration should be given as to what investment is needed in our asset portfolio to secure benefits for the future.
 - 3) Any other possible calls on funding need to be considered e.g. capitalisation of redundancy costs.
 - 4) Investment into Capital Schemes, with the whole-life costing of these schemes being fully assessed.
- 16 The next steps will be:
- To prioritise areas of investment required, with particular reference to the Asset Management Strategy and Plan, the councils Regeneration Strategy, any priorities already agreed and future plans that will deliver the Councils priorities and objectives.
 - Set these out into a Capital Plan.
 - As and when funding becomes available the implications of this are assessed against 1-4 above, and the Executive be advised accordingly.
 - When an asset is disposed of the Executive is advised as to how the capital receipt should be invested, working through 1-4 above, in order.
 - Items are drawn down from the Capital Plan into the Capital Programme in priority order as and when funding is available.
 - The project management procedures in place are used to approve projects through the Executive and Capital Programme Board.
 - Review the current governance arrangements to make sure all of the linkages and dependencies are clear.

Asset Management

- 17 The Council is a major owner of property and this includes one of the largest managed housing stocks in the country, operational buildings (e.g. city hall); stewardship buildings (e.g. City walls); community assets (e.g. parks and gardens, allotments, cemeteries, community centres, toilets etc); development land holdings (e.g. Bowthorpe); and commercial/ investment

properties that make a financial return (e.g. shops, offices, industrial properties, garages, car parks etc).

- 18 These assets form an essential resource for both service delivery and the financial base of the Council. In January 2009 the Executive considered a report on non council housing assets and noted that the portfolio was facing a number of challenges such as an increasing repairs backlog and the requirement to dispose of revenue generating assets to fund the capital programme. It was reported that performance (in terms of the maintenance and improvement in the quality of the portfolio) was bottom quartile and that there was particular concern about the accessibility of public buildings. Furthermore revenue growth was seen to be under threat due to the lack of investment. Subsequent to this report the level of resource available for investment in the maintenance of non housing assets has been reduced
- 19 The proposed revised approach to the capital strategy and funding priorities recognises these challenges and over time additional capital investment will help to address some of these issues. However in tandem with the possibility of additional capital resources being available for investment it is essential to review the overall vision for the property portfolio and to establish a framework for the delivery of this vision including future management arrangements. Attached as Annex B is a proposal on how this task can be undertaken.

Overall policy context

- 20 The need for the City Council to significantly reduce its spending as a result of the recession provides both an opportunity and a challenge. The opportunity is to target the focus of our spending onto priorities that meet the needs of local people, and to bring council services closer to local people. The challenge is to protect front-line services by improving efficiency and reducing spend on overheads.
- 21 On 16 September 2009 Executive agreed a range of efficiency and savings proposals in order to meet an estimated £8m+ gap in the council's revenue budget strategy. As part of that report, the Leader of the council made a statement setting out an overall vision for the future of the council, and where the Executive saw its priority areas for the next few years.
- 22 A copy of the Leader's statement is set out as Annex C to this report. Together with our earlier work on unitary status, this statement will provide the framework for how the council can use this opportunity to develop a new council and new approach for the future. The proposed key drivers for the future will be:
- bringing the services the council provides closer to residents
 - giving people a greater say over what happens in their areas
 - changing the way the council works to make it more cost effective
 - keeping the streets clean
 - making people feel safe in their houses and on their streets
 - helping people during the recession
 - targeting our resources on those most in need.

23 As well as refocusing what the council does, the Executive's approach has been to review, in depth, how the council operates in order to increase efficiency and identify savings options. This approach will mean that there is the capacity to achieve further reductions in the future, so that the council can better protect vital front-line services.

24 The need for savings has provided the council with an opportunity to take a fresh look at its organisational shape and style. In future the city council will need to live within reduced resources, but continue to be responsive and adaptable to change:

- Smaller (staffing and finances)
- More flexible and adaptable to change
- More responsive to customer needs
- More efficient and streamlined
- "One Council" focussed
- Higher performing
- Working to agreed standards and delivering
- A learning organisation, continuously improving.

25 Executive has also agreed an outline vision and guiding principles for a new city council, which is fit for the new future of local government, and able to deliver for the city of Norwich. These are largely derived from the early work on developing a new unitary council for the city. This work will now be used both to guide the choice and development of efficiency options, and also the future focus and shape of the council.

Revised aims and draft priorities

26. The Council's current Corporate Plan includes the following 5 strategic aims:

- A strong and prosperous city
- Safe and healthy neighbourhoods
- Opportunities for all
- Aiming for excellence
- Unitary status

27 We have carefully reviewed these overarching aims. In the current recession it is tempting to lower the council's ambitions, and to simply focus on day to day issues. However, it is vital that the City Council takes a leadership role for the city overall, and has a positive outlook, and plans ahead for recovery and the post-recession period. There are already some positive signs of this, so the council is determined to lead the way.

28 It is therefore proposed to retain these 5 aims as the City Council's overarching ambitions for the city of Norwich during the 2010-2012 period. Executive is asked to agree this.

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- 29 However, whilst the council's overall aims will remain unchanged, the council will need to ensure that it actually does on the ground will help local people cope with the recession, will support the growth and development of the city, and will accelerate the pace of the recovery. We have therefore reviewed the range of priorities that the council will focus on during the 2010-2012 period, and now propose to publish a revised set of priorities which will set out the key service areas that the City Council will focus on.
- 30 A copy of the current strategic aims (which are proposed for retention), and the proposed revised priorities and promises is attached as Annex D. It is important that these are considered by all members of the City Council and Executive is therefore asked to agree these for discussion at full Council in January 2010.
- 31 Once the aims and priorities are agreed they will be incorporated into a new Corporate Plan 2010-2012, which will be published in March 2010 at the same time that the City Council budget is agreed. The Council's Medium Term Financial Strategy will also be reviewed at this time to ensure that it reflects the prevailing economic situation. This cycle will be repeated in future years, so that the council is always agreeing its priorities, and what resources it will allocate to deliver them, at the same time.
- DRAFT

UPDATED REVENUE POSITION STATEMENT 2009 – 2013

1. Medium Term Financial Projections

	2009/10	2010/11	2011/12	2012/13	2013/14
Funding					
Council Tax 2% increase	8,837.5	9,104.2	9,379.0	9,662.2	9,954.0
RSG/NNDR	15,741.0	15,913.9	15,913.9	15,913.9	15,913.9
Collection Fund Surplus	187.0	0.0	0.0	0.0	0.0
Total Funding	24,765.5	25,018.1	25,292.9	25,576.1	25,867.9

Revenue Expenditure					
Net Revenue cost	29,016.1	28,516.1	25,018.1	25,292.9	25,576.1
Inflationary increase		1,050.1	909.1	919.2	929.7
Contribution from reserves	-3,750.6	0.0			
Contribution to reserves	0.0	500.0	0.0	0.0	0.0
Loss in investment income		126.0	252.0	-56.0	0.0
Savings slippage or overspend	-500.0	500.0	0.0	0.0	0.0
Concessionary Fares		-1,410.0			
Financial risks + contingency		2,000.0	0.0	0.0	0.0
Total	24,765.5	31,282.2	26,179.3	26,156.1	26,505.8
Savings required		6,264.1	886.4	580.0	637.9
Total Revenue Expenditure	24,765.5	25,018.1	25,292.9	25,576.1	25,867.9

Total Savings required over period of MTFS

8,368.3

Reserves

3,582.4

4,082.4

4,082.4

4,082.4

4,082.4

UPDATED CAPITAL FUNDING POSITION STATEMENT

To follow

DRAFT

**STATEMENT BY LEADER OF THE COUNCIL TO EXECUTIVE (16
SEPTEMBER 2009)**

As the city knows, we have long harboured ambitions to bring services the council provides closer to residents so they can have a greater say over what happens in their areas. We expected this to become a key part of the creation of a new unitary council. As things have turned out, the affect on the council finances of the recession mean it makes sense to bring forward our plans to radically change the way the council works.

Greater savings could be achieved through creating a new council, but faced with a gap of £8m it makes sense to change the way the council works to make it more cost effective and save money now. It will also give us the shape to develop in what seems to be an uncertain world for council finances for some time to come and still with the hope of a unitary council becoming a reality in 2011. Because we started in a good financial position last year and with the consent of the people of the city we have used our reserves to make the time to plan changes properly, we are better placed than most councils to make changes and we are most certainly ahead of most in our plans.

A new council structure based around locality or neighbourhoods will bring influence and services closer to those who need them. Of itself it doesn't save much money, but what it does is enable the rest of the council – the bits you often don't get to see, to be restructured and reduced. Together with renegotiation of our contracts and seeking money from other sources, this closes the gap in our funding. However there is still likely to be a shortfall as the £8m is just too big a figure to deal with.

If we are successful in persuading the government to change the formula for the immensely popular bus pass funding this could make up to £2m a year difference to the council and would reduce the problem to much more manageable proportions... Not only don't we dare rely on this, we don't know what the inevitable squeeze on public spending to come will mean to council funding so it is prudent to make savings and then find we have more money than we thought rather than assume good news and be left with even worse problems for the future.

We have been working against a set of clear principles I want to share with the city

1. There will be no extension of privatisation of services although we will be looking at opportunities to work with other public sector bodies to share services and potentially work in partnership on projects with public and private sector partners
2. Whilst there are likely to be significant job losses in the council we will do everything we can to minimise people being made redundant. The cost in financial and loss of expertise terms is too high. Natural wastage, redeployment and other ways of reducing staff costs makes more sense.
3. We will avoid front line service reductions in the services you value most – we will prioritise keeping the streets clean, making people feel safe in their

homes and on their streets and helping people during the recession. Where there is no option other than to reduce services the reductions will be done in ways that seek to protect those areas most in need of support. We will talk to residents about the differing needs of different areas of the city.

4. Whilst there will be formal consultation where necessary, we intend to develop a dialogue with residents about how their council will operate in the future. So while we may set dates by which we want to hear views on specific topics there is no restriction on when and how people can have their say. The development of locality and neighbourhood services will enhance people's ability to influence what goes on in their area and their city. As that evolves we want to encourage residents to talk with the council in ways that suit them best.

Inevitably making these changes against such a financial backdrop is not what we would choose, and equally we would prefer to see them made in a way and at a time when things were on the up. However that just is not where the world is and we have a choice of responding to the problem in a creative and forward looking way or, as is perhaps traditional, making swingeing cuts and hoping and waiting for better times.

Making the change is both radical as a response and will have radical consequences. Before the recession Norwich was on the cusp of realising the opportunities we had earned as a city to bring investment, prosperity and quality of life to our growing population. We now have the chance to lead the recovery and be at the forefront of a prosperous, sustainable and proud city. The city council is facing up to our responsibilities to you and asking you to play your part in making the changes and help us make decisions on priorities by letting us have your views and accepting that sometimes things just can't be as we might ideally want.

The next year will be challenging in both good and less good ways. With your help and support the city and the city council can emerge stronger, more confident and better able to deliver for the people and the city.

Steve Morpew
16 September 2009

PROPOSED STRATEGIC AIMS AND PRIORITIES FOR THE 2010-2012 PERIOD

Our 5 strategic aims

These are our medium term goals for the city overall. They are deliberately ambitious and aspirational – we believe it is vital to have high ambitions for the future of the city, and to provide clear and strong leadership.

But we also know we cannot do everything in isolation, and we will work closely with our partners such as the Police, Health, local business and the third sector.

Our 12 policy and service priorities

These are the key policy and service areas that we will focus on during the 2010-2012 period. Whilst we would like to be able to do more, we recognise that resources are tightening, and so we are being very clear about which policy and service areas we will focus on and give priority to.

We believe that these are the areas that are most important to local people, and which will ensure a positive future for the city. These priorities represent the key areas of focus for each of the five strategic aims. Choices have to be made about what can and cannot be achieved within tightened financial resources.

5 City Council Aims	12 proposed priority themes for 2010-2012 “This aim means we will focus on delivering.....”	Lead Portfolio Holder(s)	CMT Lead
STRONG AND PROSPEROUS CITY	1. A dynamic local economy	Cllr Morphew & Cllr Morrey	J Massey & A Bonser & N Rotsos
	2. A strong cultural offer		
	3. Sustainable growth for the city		
SAFE AND HEALTHY NEIGHBOURHOODS	1. Access to green spaces and leisure	Cllr Blakeway & Cllr Bremner	J Massey & D Wilkinson & N Rotsos
	2. Active and engaged communities and neighbourhoods		
	3. A safe and clean city		
OPPORTUNITY FOR ALL	1. Support to people during the recession	Cllr Arthur & Cllr Sands	ALL
	2. Pride in our city		
AIMING FOR EXCELLENCE	1. Effective management of our resources	Cllr Waters, Cllr Brociek-Coulton & Cllr Arthur	B Buttinger & P Spencer & J Massey
	2. Continuous improvement of our services		
	3. A stronger focus on our customers		
UNITARY STATUS	1. The best deal for the city	Cllr Morphew & Cllr Waters	P Spencer