

## **INITIAL BUDGET PROPOSALS 2015/16**

### **CITY DEVELOPMENT DIRECTORATE**

#### **Service Context**

The City Development Directorate is responsible for the Council's physical, economic and cultural services. The range of services and functions that it provides makes a significant contribution to the life, growth and vitality of the city.

Since 2010/11 the Directorate has managed significant reductions in spending and staffing including over £11m of savings in the 2011/12 budget and further savings in subsequent financial years. This has also been against the background of the difficult economic conditions which has impacted on the ability of the Directorate to meet some income targets. Staffing levels have reduced by over 25% over the last 5 years contributing staff savings of over £11m. In most services reduced staffing levels and an increase in workloads means that further staff savings will need to be clearly linked to service reductions and opportunities for efficiencies.

The level of the savings in 2015/16 identified by the Directorate amount to some £7.9m or 12% of the 2014/15 net managed budget. Delivering savings of this magnitude represents a significant challenge to the Directorate especially as this is on top of the savings already delivered since 2011/12. The Directorate has continued to review all service areas and has sought in these proposals to lessen the need for full service closures and to minimise the impact on frontline services and the citizens of Leeds. To this end the Directorate's budget strategy for 2015/16 is based on five overarching principles; enhancing our strategic use of assets, greater integration in service delivery, developing our business structure, growing the top-line of income to the Council and working collaboratively with and through partners. The budget proposals have been categorised under the following four areas; Council plan, efficiencies, income and service changes.

#### **Budget Proposals**

##### **Council Plan**

The Directorate has a key role in working with services across the Council to enhance the strategic use of assets and to deliver savings through reducing the number of buildings used by the Council and by better use of the remaining assets. A target saving of £2m for 2015/16 has been included in the budget proposals. This saving will be achieved across Directorates but for 2015/16 the majority of the saving will be in relation to Merrion House which will be closed for refurbishment and staff decanted to existing office buildings as part of the Changing the Workplace programme. A programme of asset review and rationalisation is underway which will deliver significant running cost savings across the Council's asset portfolio. Phase 1 of this work has already seen city centre office accommodation reduced from 17 to 8 buildings, with this figure due to fall further following the refurbishment and reoccupation of Merrion House in 2017. Phase 2 work on the review of locality office accommodation and operational property has been completed and identified further potential savings.

## Efficiencies

A key element of the saving proposals is to continue to identify and realise efficiency savings across the Directorate. These proposals total over £2.15m. The Directorate will continue to review staffing levels with a target saving of £1.1m although some of these savings are included under the service changes section. Most of the savings will be achieved by promoting more flexible staffing arrangements across the Directorate and through an Early Leaver Initiative business case which is currently being developed covering all service areas and will also include a reduction in JNC posts. This is expected to deliver net savings of over £0.7m. During 2014/15 restructures have also been progressed in a number of service areas including Asset Management and Regeneration, Economic Development, Libraries and Heritage Services. Proposed savings also include £75k from a realignment of work in the Sports Development Unit and associated efficiencies. Staffing numbers in the Directorate are expected to reduce by approximately 59 FTEs and will be achieved through the deletion of a number of posts. Some key posts, particularly where these are income generating or contributing to the delivery of key projects and areas of work will need to be recruited to or structures reconfigured.

The budget proposals include savings of £950k from a review of opportunities for joint working with the West Yorkshire Combined Authority and scope for greater efficiencies at City Region level.

The Directorate will also continue to develop its business structure to be more flexible and responsive to priorities. This includes actively supporting and promoting the Better Business Management work stream across the Directorate and contributing to the overall saving target for this work stream. This will include continuing working with Environment and Housing following their relocation to Leonardo/Thoresby in 2014 to share and reduce administration/ directorate support and other back office costs.

Information Management Technology is being brought together across the Directorate and it is envisaged that this will enable initial savings of £50k to be realised. In Highways and Transportation further savings of £300k have been included to be achieved by extending the roll out of dimming and switch off programme for street lighting. Proposals for an extension to the current scheme will be submitted to Executive Board. The proposals include a saving of £50k anticipated from the consolidation of the Commercial Property Portfolio in City Development. This will enable a review of the portfolio to be carried out with the aim of improving the generation of non-core income across the portfolio. Savings of £100k in Economic Development are anticipated from a review of expenditure, markets staffing arrangements and from the full year saving of the move of the Leeds Visitor Centre to the Art Gallery.

## Income

Growing the current income base of £83m is a key priority in the Directorate and the Initial Budget Proposals include a number of actions which will lead to increased income with a total of £1.8m included for new and increased income.

The Directorate will support greater integration across the Council in the delivery of key projects and work streams including the Breakthrough projects. The Directorate together with Environment and Housing will take a lead on housing growth through the establishment of the Housing Growth team. This team will pull together existing and new resources in a unified team and will consist of dedicated officers who will be located together to ensure the appropriate communication and synergies. A sum of £6m

has been included in the budget strategy for additional NHB income in 2015/16 and for the growth in the Council Tax base. Although this income is accounted for strategically the project team has a key role in ensuring that appropriate actions are taken to help secure this income. The budget proposals include £150k funding towards the cost of the newly established team.

The Directorate will also continue to seek to create the conditions for good economic growth in the city and to secure additional revenue income for the Council. This will include enabling further improvement to the retail offer in the city which has already seen the opening of the new Trinity retail centre; the Victoria Gate scheme including John Lewis and the redevelopment of Kirkgate Market. It is anticipated that the main contract works for the redevelopment of Kirkgate Market will commence in 2015 with John Lewis opening in 2016. Whilst the Market will continue operating the programmed works will inevitably mean a reduction in the trading area and in the number of stalls. As a result there will be a reduction in income from Kirkgate Market, the net impact on the budget is estimated at £850k in 2015/16.

The Directorate will also work with the Local Enterprise Partnership to maximise the impact of the city's growth potential including the establishment of the biggest Enterprise Zone in Europe in the Aire Valley. Services in the Directorate will continue to work closely together to deliver on other key development opportunities such as the East Leeds Extension, Leeds City Centre South, the South Bank and Holbeck Urban Village, the Leeds-Bradford Corridor and Leeds Bradford Airport. Support will also be provided to key sectors of the Leeds economy such as manufacturing, financial and professional services, health and innovation, creative and digital industries, visitor economy and housing, construction and infrastructure. These development opportunities will also help support the Council's revenue budget by increasing the income from business rates.

Supporting a modern day infrastructure in the city is also a key priority for the Directorate. This will include proposals to develop the New Generation Transport system, upgrade to the Leeds city rail station, working with Leeds Bradford Airport to increase global accessibility, a new flood relief scheme for the city, the City Cycle Ambition scheme and improving the technological infrastructure through the Superfast broadband scheme.

There has been some improvement in economic conditions and this has been evident in that the Directorate has seen an upturn in workloads across services and most external income targets are forecast to be met in 2014/15. In Planning and Sustainable Development the increase in planning and building fee income experienced in 2013/14 has continued in 2014/15. There is no proposed increase in planning fees for 2015/16 which are set by the government and it is not proposed to increase the overall income target for planning fees. However, the Service is looking to increase income from other sources and the budget proposals include additional income of £225k. An increase in income from Building Control of £75k is expected largely from increasing work from within the Council. An additional £50k is also anticipated from increasing charges for pre-application work in Planning Services. With the introduction of the Community Infrastructure Levy (CIL) in April 2015 a small proportion of the income will be available to fund the costs of administering and collecting it. The budget proposals include income of £100k from CIL to contribute to these costs.

Other income proposals include seeking to increase income from advertising through the opportunity for two new advertising towers subject to planning consent. Price increases and other income proposals across the Directorate are estimated to result in

an additional £650k of income with fees and charges being increased by around 3% although in some service areas such as Sport, prices will be largely held at 2014/15 levels.

As part of increasing the income from the Commercial Property Portfolio the acquisition of the lease of a multi-story car park has recently been approved by Executive Board and the budget proposals include an additional acquisition of the lease of another investment property. These acquisitions are anticipated to yield net additional income after borrowing costs of £280k. It is also proposed to extend short and medium stay car parking on the Leeds International Pool site which is estimated to produce £150k in additional income. Following a recent court case, the Council has pursued an exemption from VAT for entrance charges for Cultural activities with HMRC; this would result in an increase in income of approximately £200k.

Another important principle for the budget strategy is to continue working collaboratively with and through partners, commissioning more, securing external funding and income from the private sector. This will include continuing to work with the business sector in developing the Business Improvement District (BID). The establishment of the BID is subject to a ballot of businesses within the designated area and if successful would include the ability to levy additional business rates on occupiers to create funds earmarked for improvements to an area.

### Service Changes

Whilst the closure of services has largely been avoided with the focus on the budget proposals on efficiencies and income generation, achieving the scale of savings required has inevitably meant that some reductions to services have been included in the proposals. Savings of just under £2m have been included.

As part of the 2015/16 proposals a saving of £500k has been included for a reduction to the overall Arts grant budget. Arts organisations have recently submitted funding bids covering the three year period 2015/16 to 2017/18. A further 5% reduction of £110k is planned for 2016/17.

Across Culture and Sport a target saving of £380k is proposed to be partly achieved by additional integration between the Culture and Sport services including staffing and expenditure savings, a reduction to the library IT budget £50k, Leeds Lights £40k and the acquisitions budget for museums £40k. A reduction in the events budget of £150k is also included although it is also proposed to establish an innovation fund which would be used to co-produce new events in the city with a range of partners. Proposals also include a reduction to the Breeze budget of £150k through a reduction in Breeze on Tour events from three to one with associated savings. A saving of £115k has been included for Yeadon Tarn and Pudsey Civic Centre. Community Asset Transfer proposals will be invited in the first instance. If this is unsuccessful then savings will be looked to be realised through service reductions. Other savings include £120k from reduced operating hours in Sport Centres. A £50k saving will be realised from the planned reduction to the gymnastics grant. The Directorate will also support the hosting of global events such as the British Art Show and Rugby Union World Cup in 2015. The service will develop a cultural strategy in the context of the challenges and opportunities facing the cultural sector and in this context progress discussions on a possible bid for European Capital of Culture in 2023. The Directorate will develop a Tour de France legacy programme following the hugely successful staging of the Tour de France in July 2014.

The proposals also include savings of £100k from the Projects and Programme support budget in Employment and Skills through a change in the delivery model for targeted employability to a more commissioned based service.

A reduction of £360k to the Highway Maintenance budget is included in the proposals. This represents a reduction of 6% on the 2014/15 budget. In order to manage this reduction some changes to the way that the remaining budget will be managed are proposed including taking a more strategic approach to the way the budget is spent.

### **Key Risks**

The budget proposals assume further reductions in staffing. Some of the reduction is dependent on the implementation of other proposals around service reductions. There will also need to be a period of consultation around the individual service proposals and there is a risk that plans are changed or will take longer to implement.

The budget proposals also include the generation of additional income through a number of measures and there is a risk that the budgeted assumptions are not met.

## City Development Directorate

Pressures/Savings	2015/16 £m	FTEs	Is this relevant to Equality & Diversity Y/N
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	0.72		
Price	0.91		
Income	-0.25		
<b>Full Year Effects of previous decisions</b>			
Funding the housing growth team	0.15	3	
<b>Demand/Demography</b>			
<b>Other</b>			
Impact of the development of Kirkgate Market - mainly income	0.85		
costs of HS2 and South Bank team and related expenditure	0.30		
<b>Total Pressures</b>	<b>2.68</b>	<b>3</b>	
<b>Savings Proposals:</b>			
<b>Becoming an efficient and enterprising Council:</b>			
Business Improvement Programme	-0.10	-3	N
Assets	-2.00		N
<b>Efficiencies</b>			
Consolidation of the Commercial Property Portfolio	-0.05		N
Economic Development efficiency savings	-0.10	-1	N
Increase dimming/switch off programme for street lighting	-0.30		Y
Net staff saving target through ELIs and other savings	-0.63	-43	Y
Realignment of work in Sports Development Unit and related efficiencies	-0.08	-1	Y
Review of opportunities for joint working with the West Yorkshire Combined Authority, and scope for greater efficiencies at City Region level.	-0.95		N
Savings from co-ordinated IMT approach across the Directorate	-0.05		N
<b>Income</b>			
Additional advertising income - 2 new advertising towers subject to planning	-0.27		N
Commercial Property Portfolio - new acquisitions	-0.28		N
Temporary carpark - LIP site	-0.15		N
Increased income in Planning and Building Control	-0.23		N
VAT exemption on entrance charges	-0.20		N
Increased income from price increases and other initiatives	-0.65		Y
<b>Service Changes</b>			
Reduction in Employment and Skills projects and programmes	-0.10		Y
Arts grants reduction - new funding agreements 2015/16 to 2017/18	-0.50		Y
Invite Community Asset Transfer proposals for Pudsey Civic Centre and Yeadon	-0.12	-5	Y
Tarn or make savings through service reductions			
Reduce events budget and establish an innovation fund	-0.15		Y
Planned reduction in gymnastics grant	-0.05		Y
Reduction in Breeze on Tour events from three to one with associated savings	-0.15	-1	Y
Savings from additional culture and Sport integration and other expenditure savings including Leeds lights £40k, IT budget £50k, acquisitions budget £40k	-0.38	-2	Y
Reduction in operating hours in Sport Centres	-0.12	-6	Y
Reduction to Highway maintenance budget	-0.36		Y
<b>Total Savings</b>	<b>-7.95</b>	<b>-62</b>	
<b>Overall net Saving</b>	<b>-5.27</b>	<b>-59</b>	