

LEEDS CITY COUNCIL

2011/12 BUDGET REPORT

Directorate: City Development

1 Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the directorate's budget for the 2011/12 financial year.

2 Service Context

- 2.1 The City Development Directorate has a lead responsibility in the Council for the economic, physical and cultural development of Leeds. Over the next 3 to 4 years the Directorate's focus will be maintaining Leeds' ongoing development as a regional, economic and cultural capital and facilitating its economic recovery. These budget proposals aim to protect the Council's contribution to the economic recovery of Leeds and to limit the impact on frontline services wherever possible by reducing back office expenditure and the remodelling of services including closer partnership working with the private and voluntary sector.
- 2.2 This budget has been prepared in line with the budget strategy set out in the initial budget proposals report to Executive Board on 15th December 2010. The strategy set out plans to achieve savings across the Council from employees, premises, procurement and from increasing income.
- 2.3 Staffing comprises by far the largest element of the Directorate's net managed budget at 48% and proposals to reduce staffing form a major part of the budget strategy. In April 2008 staffing numbers in the Directorate were 2,768. Between April 2008 and December 2010 there has been a net reduction in staff of 199, a reduction of 7%. It is estimated that a further 121 staff, will leave the Directorate by the end of March 2011 through the corporate Early Leaver Initiative. By the end of March 2011 it is anticipated that staff numbers will be reduced to 2,438 with a further planned reduction of staff in 2011/12 of 87 to 2,351. This represents a further reduction in staffing of 8% from the December 2010 position.
- 2.4 Another significant cost in the Directorate is the number of facilities and buildings that are currently operated. The budget proposals for 2011/12 continue with initiatives which are included in the revenue budget 2010/11, this includes a review of the 10 year Vision for Council leisure centres. This approach also reflects the outcome of both the Spending Challenge and Citizen Panels consultation where more than 72% of respondents rated as important or very important the action 'review, perhaps close, services which are underused or invite someone else, such as a community group to take them over'.
- 2.5 Running costs and the level of subsidies across all services have been reviewed and the 2011/12 budget includes a number of savings proposals. In addition the Directorate will work closely with the Central Procurement Unit to realise savings in supplies and services expenditure from procurement initiatives.
- 2.6 The Directorate has a large income base which it will continue to look to maintain and increase where possible. The economic recession has resulted in £7m worth of downward trends of income over the last two years, and the budget for 2011/12 does not anticipate significant increases in external income, such as from planning and building fees. It is anticipated that on average fees and charges will be increased by 3% although the budget

does provide for above inflation increases in charges in some service areas. Services such as Highways and Transportation, Parks and Countryside and Architectural Design Services face reducing work loads mainly as a result of reductions to the capital programme and capital grants. Staffing levels in 2011/12 will need to be reduced as a result and the budget proposals include provision for further staffing reviews, including concluding the review proposing to cease the in house Architectural Design Service.

3 Explanation of variations between adjusted 2010/11 and 2011/12 - £14,356k (18.4%)

3.1 The variation can be summarised as follows:

	£000s
Net Managed Budget 2010/11	77,312
Adjustments	
• Transfers to Formula Grant	- 15
• Transfers of functions	740
Adjusted Net Managed Budget 2010/11	78,037
Changes in Prices	
• Pay (NI increase)	181
• Price	378
• Income	- 1,215
Service Budget Changes	
• Changes in Service Levels	- 6,462
• Other Factors not affecting level of service	649
• Efficiency Savings	- 7,887
Net Managed Budget 2011/12	63,681

3.2 Adjustments

3.2.1 Transfers to Formula Grants includes a reduction of £15k for Planning Inspectorate appeal costs.

3.2.2 Transfers of functions includes an increase of £650k for items previously included in the central contingency budget. This was to provide a provision against potential shortfalls in planning and building fee income, rental income and sport income against the level assumed in the 2010/11 budget. This has now been allocated directly to service budgets and will enable a reduction to be made in the income budgets in the services mentioned above. As part of an exercise to review and reduce the amount of cross directorate recharging a number of services previously recharged will no longer be charged. These include a number of services in City Development and as a result a net additional £237k has been allocated to this directorate to allow for the loss in income. Other minor changes amount to a net reduction of £147k.

3.3 Changes in prices

3.3.1 No provision has been made for a pay award in 2011/12, although the budget includes provision of £181k for the 1% increase in employers' National Insurance rates.

3.3.2 No allowance has been made for general price inflation and services will need to absorb any inflationary pressures from existing budgets or from procurement savings, with one exception, £378k has been provided for specific contract price increases within Highways and Transportation.

3.3.3 A general increase in charges of 3% where appropriate has been included in the budget and results in an increase in income of £947k. In some services price increases above 3% are anticipated and these are expected to result in additional income of £268k including a 5% increase in charges in Cemeteries and Crematoria and increases to some charges in Sport and Active Recreation.

3.4 Changes in Service Levels

3.4.1 With a view to supporting economic recovery in Leeds in the most efficient way a review of destination marketing activity and links with the private sector will be carried out and completed in 2011/12. The Local Enterprise Growth Incentive (LEGI) scheme is a Government funded programme through Area Based Grant and the majority of the programme will end in 2010/11 with the grant also ending in 2010/11. The 2010/11 budget included £3,806k in Economic Development for the programme, mainly for payments to external organisations for the delivery of approved projects. Provision of £300k has been included in the 2011/12 budget for a Legacy Programme which will provide continued funding for a small number of projects but overall there will be a reduction of £3,506k in the Economic Development budget to reflect the much reduced programme in 2011/12.

3.4.2 The 2011/12 budget for Sport and Active Recreation includes savings of £1m to be realised from a review of the implementation of the 10 year vision for Council leisure centres. Proposals include the closure of East Leeds Sports Centre on the 31st March 2011 but to make it available for community asset transfer in line with the proposals outlined in the 2010/11 budget report. In addition, following a review of the level of subsidy across sport centre and swimming facilities and the availability of alternative facilities the following proposals are also included in the 2011/12 budget; to progress a proposal for community asset transfer for Garforth Sport Centre as from summer 2011 with a reduction in opening hours to 31 hours a week from 1st April 2011. Facilities at Middleton Sport Centre will be enhanced by planned capital investment to playing pitch provision and changing room refurbishment and as part of the proposal to develop Middleton Sport Centre as a dry side centre the swimming pool will close from September 2011. A reduction in the opening hours at Bramley Baths to 29 hours per week will also be implemented from this date.

3.4.3 The 2011/12 Highways and Transportation budget has a target saving of £1.5m. This will be achieved by a thorough review of all revenue and capital spend across the service, with the aim of minimising the effect on highway maintenance as far as possible by re-prioritising resources from other non essential highway improvements. Also within the Highways and Transportation budget a saving of £456k has been included from the contribution the Council currently makes to Metro towards the cost of the 'Free' city centre bus. 2010/11 is the final year of a 5 year agreement that the Council has with Metro to make a contribution to the running of the bus. Following a review of the service it is proposed that from 2011/12 the Council will no longer contribute to this service. An additional £146k has been included in the Flood Risk Management budget for new Lead Local Authority Duties allocated to the Council for producing and maintaining flood risk plans. This is fully funded by a new specific grant.

3.4.4 The Council provides a significant amount of support to a wide variety of Arts and other organisations across the city. Following consultation, whilst it is proposed to reduce these grants the Council will continue to help as many small organisations as possible in the current economic climate and therefore the reductions are phased in line with the size of the

organisations. There will be a 15% reduction to grants £150k and over, a 12% reduction to grants £50k and over and a 7% reduction for grants £5k to £49k. There will be no reduction to the fund for annual small grants. To go some way to compensate for this reduction a new grant fund will be introduced. This will be open to all cultural organisations interested in delivering activity to the people of Leeds as part of major citywide activity including the Cultural Olympiad. A longer term funding strategy will also be developed in conjunction with the organisations. This also reflects the outcome of both the Spending Challenge and Citizen Panels consultation where more than 70% of respondents rated as important or very important the action 'reviewing, and perhaps reducing, money for external organisations'.

3.4.5 The Library service is currently consulting local people on its proposals to improve library provision and increase value for money across the city. The report of the outcome of the consultation will include recommendations for innovative service provision which takes into account assumptions in the 2010/11 budget and an additional saving of £250k as part of the 2011/12 budget strategy. Specific proposals will be outlined in a future report to Executive Board following the completion of the consultation process.

3.5 Other Factors not affecting the level of service

3.5.1 An additional £1,094k has been provided in the Highways and Transportation budget for the increase in the contract payments for the Street Lighting PFI contract in line with agreed contract payments. As part of the 2011/12 Government grant settlement there has been a change in the way the contributions to the West Yorkshire Road Safety Partnership are accounted for. In 2010/11 Leeds acted as the Accountable Body for the Partnership and received funding for the contributions to the Partnerships of all the West Yorkshire Partnerships. In the 2011/12 settlement the individual West Yorkshire Districts received the allocation direct. In addition the West Yorkshire Road Safety Partnership has reviewed its funding in 2011/12 and as a result there will be a saving to Leeds of £760k. Overall the reduction to the Highways and Transportation budget as a result of these changes will be £2,800k.

3.5.2 Other changes include an increase of £900k to reflect the abolition during 2010/11 of the Housing and Planning Delivery Grant. This grant has been replaced by the New Homes Bonus Grant and in 2011/12 is accounted for in the Central Accounts budget. An increase of £619k has also been included following the abolition of the Free Swimming grant.

3.5.3 There is a reduction of £2,040k in Highways and Transportation for contributions to the West Yorkshire Road Safety Partnership. In 2010/11 the budget for the contributions for all the West Yorkshire Districts to this Partnership were received and accounted for by Leeds. In the 2011/12 settlement the allocation for these contributions has been provided direct to each District.

3.5.4 An £800k reduction to the Libraries budget reflects the proposed capitalisation of spend on library books previously charged to revenue and a reduction of £226k has been made for projected saving in Legal costs.

3.5.5 Following a revaluation of the National Non Domestic Rating charges for a number of operational properties across the Leisure portfolio additional provision of £568k has been included.

3.5.6 The Parks and Countryside budget includes a saving of £100k from reductions in ancillary farming activities.

3.5.7 The review of the proposal to cease the in house Architectural Design Service will be concluded during 2011/12. This follows a significant reduction in work over the last few years and in the available work programmed in future years. The budget provides a net £450k for the anticipated shortfall in income for this service after allowing for the continuing exercise to reduce its costs.

3.6 Efficiency savings

3.6.1 For this directorate the following savings have been identified for 2011/12.

3.6.2 As highlighted in paragraph 2.3 the largest area of expenditure in the Directorate is staffing and a significant part of the Directorate's budget strategy is to continue to review and reduce staffing levels across all services but with a particular emphasis on protecting frontline services. Staffing levels will also need to be reduced to reflect lower workloads in some services such as Highways and Transportation where revenue and capital grant funding has been reduced. A target saving of £3.4m for the Directorate has been included in the 2011/12 budget. The majority of the saving will be achieved from staff leaving the organisation through the corporate Early Leaver Initiative with 121 staff expected to leave by 31st March 2011. The saving is net of the additional pension costs incurred by staff leaving through voluntary early retirement. Additional savings will be made from continuing to reduce the number of agency staff employed by in the Directorate although in some services there are cases where agency staff are the most effective business solution in the short term. Additional staff savings will be achieved through the strategy to review the number of building and facilities that the Directorate currently provides including the rationalisation of Council leisure centres. Several major staffing reviews have also taken place in the previous two years, mainly as a direct response to the economic recession and consequent loss of income and the 2011/12 budget proposals include provision for further staffing reviews, including Sport and Active Recreation, Highways and Transportation, a review of the Senior Management structure and concluding the review proposing to cease the in house Architectural Design Service.

3.6.3 The Directorate has significant running cost budgets across most services and a saving of £1.9m has been included in the 2011/12 budget for savings anticipated to be achieved from supplies and services budgets. Savings are expected to be achieved through a number of procurement initiatives.

3.6.4 As stated in paragraph 2.4, the Directorate operates a significant number of buildings. By closely working with the Energy and Fuel Savers units in the Council, it is anticipated that savings in energy through reducing consumption can be realised. A target of £483k has been included in the 2011/12 budget. A saving of £330k is included in the street lighting electricity budget and options for further savings are being developed and will be presented during 2011/12.

3.6.5 Whilst overall the continuing difficult economic conditions means that there is limited scope to generate additional external income there are a number of proposals included in the budget to raise extra income. Additional income of £500k has been included in the Events budget. Charges will be introduced for Opera in the Park and Classical Fantasia with full price tickets charged at £15 plus booking fees reduced by a range of Leeds Card discounts. There will be no charges for Party in the Park or the central Leeds Christmas Lights Switch on as the acts for both events are provided by our media partners. Additional income of £500k has also been included in the Asset Management budget to be generated from new advertising sites.

4 Net Revenue Charge

- 4.1 The following table provides a summary of the net revenue charge for the service which brings together the net managed budget and those budgets managed outside the service.

	£000s
Net Managed Budget	63,681
Managed Outside Service	51,512
Net Cost of Service	115,193
Transfers to/from earmarked reserves	- 2,345
Net Revenue Charge	112,848

5 Risk Assessment

- 5.1 In determining the 2011/12 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.
- 5.2 The key risks in the 2011/12 budget for this Directorate are as follows;
- 5.2.1 The budget includes proposals to reduce staffing levels across the Directorate. Whilst a large proportion of the reduction will be achieved through approved early leavers other reductions are dependent on the implementation of the various budget proposals outlined in this report. Staffing levels and the release of vacancies will continue to be closely monitored by City Development Directorate.
- 5.2.2 The Directorate has a significant income base to achieve which is heavily dependent on the prevailing economic conditions. The economic outlook for 2011/12 is uncertain and a worsening of conditions could have a major impact on the income earned by the Directorate. Income budgets are monitored regularly and appropriate action taken should reductions in income occur but short term actions are not always sufficient to offset income shortfalls. In addition, there is a risk that income initiatives such as charging for events and advertising income do not generate sufficient to meet the budget assumptions.
- 5.2.3 There is a risk that procurement initiatives will not realise the level of assumed savings on supplies and services expenditure. The Directorate will work closely with the Central Procurement Unit to deliver the savings but if these are not fully realised then services will need to manage spend within the reduced budgets.
- 5.2.4 The proposed saving on spend in Highways and Transportation will be managed to minimise the impact on highway maintenance but there is still a risk that reduced spend will result in higher insurance claims in the future.
- 5.2.5 Energy budgets have been reduced across operational facilities to allow for planned initiatives to reduce energy consumption. However, a delay in implementing such initiatives and increasing charges for energy could make it difficult to achieve the assumed savings.