

LEEDS CITY COUNCIL 2007/08 BUDGET REPORT

Department: Development

1 Introduction

- 1.1 This briefing note has been produced in order to inform members of the Executive Board as to the main variations and factors influencing the department's budget for the Original Estimate (OE) 2007/08.
- 1.2 The figures for actual spend in 2005/06 and the latest estimate (LE) for 2006/07 have been included in the following table. Variations between the OE 2006/07 and the LE 2006/07 reflect approved variations in accordance with the Budget and Policy framework.
- 1.3 The Original Estimate, as in previous years, has been prepared at outturn prices and as such there is no central provision for pay and prices.

2 Summary of the Revenue Budget

Actual 2005/06		Original Estimate (OE) 06/07	Latest Estimate (LE) 06/07	Variation OE to LE 06/07		Original Estimate (OE) 07/08	Variation OE 06/07 to OE 07/08	
				£000	%		£000	%
£000		£000	£000	£000	%	£000	£000	%
48,464	Gross Expenditure	53,160	51,235	1,925cr	4cr	52,578	582cr	1cr
23,652cr	Income	23,075cr	23,343cr	268cr	1cr	24,543cr	1,468cr	6cr
24,812	Net Expenditure	30,085	27,892	2,193cr	7cr	28,035	2,050cr	7cr
10,443cr	Charges to other departments	10,653cr	10,777cr	124cr	1cr	12,232cr	1,579cr	15cr
14,369	Net Cost of Service	19,432	17,115	2,317cr	12cr	15,803	3,629cr	19cr

The reduction in gross expenditure from the OE to LE 2006/07 can largely be explained by a reduction in capital charges of £2.2m. This reduction relates to the introduction of new accounting requirements in 2006 as outlined in paragraph 3.4.

3 Explanation of variations between the Original Estimate 2006/07 and the Original Estimate 2007/08 (£3,629k cr)

3.1 The variation between the OE 2006/07 and the OE 2007/08 can be summarised as follows:

	£000
Net Cost of Service – Original Estimate 2006/07	19,432
Changes in prices	372
Other factors not affecting the level of service	-712
Variations in charges for capital	-3,501
Changes in service levels	332
Efficiency savings (cashable)	-120
Net Cost of Service – Original Estimate 2007/08	15,803

3.2 Changes in prices

Provision of £653k equivalent to 2.5% has been made towards pay awards for 2007/08. An additional £193k has been included for the cost of the increase in the employers' superannuation contributions. An allowance of £157k has been made for general price increases, mainly for expenditure on utilities.

Across the Department, income has been increased by £631k in anticipation of fees and charges. Generally it has been assumed that fees and charges will be increased by 3%.

3.3 Other factors not affecting the level of service

The budget for central charges has been reduced by £447k. The Asset Management Corporate Plan Priority budget has been reduced by £200k reflecting the transfer of £130k of this budget to other Departments and a reclassification of the remaining £70k budget within Development Department. Other budget reductions include a saving of £34k on the budget for telecom contracts.

Additional budget provision of £88k has been included to allow for the loss of rental income resulting from the disposal of assets from the Commercial Property Portfolio, the disposals budget has been increased by £70k and an additional £91k has been provided for an increase in insurance recharges. The full 2007/08 Planning Delivery Grant (PDG) allocations have not yet been announced but the budget has been reduced by £50k to £300k to reflect the reduction in the national allocation. Reductions in external income, mainly due to the ending of external funding arrangements, amount to £200k. This has been partly offset by new income sources identified as part of the Departments budget action plan.

A reduction of £50k has been identified through the transfer of highways structures expenditure more properly attributed to capital expenditure. A saving of £145k in Design Services has also been made from the budget included in the OE 2006/07 for highways structures asset valuations as this was a one off exercise. A saving of £95k in Planning and Economic Services is expected as a result of the completion of the Unitary Development Plan. Other net changes amount to a net reduction of 110k.

3.4 Variations in charges for capital

Under new accounting requirements introduced in the 2006 SORP, the Departmental revenue charge for the use of assets will continue to include a charge for depreciation but will now no longer include a capital financing charge. The overall impact of this accounting adjustment is to decrease the net cost of service by £3,501k. There is no overall impact on Council Tax levels of this change as the corresponding credit entry in the Asset Management Revenue Account has also been removed.

3.5 Changes in service levels

Following a fundamental review of the Planning Service, additional resources of £425k have been included to improve the service and increase capacity and overall performance in line with Government targets. This will build on the additional resources provided in previous years and will cover additional staffing, training and the introduction of the Caps Solutions Planning and Building system. Work will also be undertaken to enhance the use of the Planning Portal and introduce document imaging.

The Council has a statutory responsibility to carry out a programme of mapping and inspection of contaminated land in its area. An additional £80k has been included to enable the commencement of a programme of sample testing the soil of land previously identified as being at risk of contamination. The urban Traffic Control maintenance and equipment budget has been increased by £150k in response to the increase in the deployment of equipment such as traffic signals and the cost of maintaining them. A budget of £40k has been included in Economic Services as provision for the anticipated costs of progressing potential changes to the way the Small Industrial Unit portfolio is managed.

The budget also includes an additional £185k for a contribution to be made to Metro towards the funding of the popular Leeds free city centre bus. This will ensure that this service is continued to be provided by Metro in 2007/08.

The Department has been successful in securing some £15.6m in Government funding for its Local Enterprise Growth Incentive Scheme (LEGI). The funding is phased over 3 years with £4.8m expected to be spent in 2007/08. The LEGI programme will provide significant new resources to tackle 'worklessness' issues in deprived areas through encouraging enterprise. As part of the Department's budget action plan the business grants service will be ceased and the £80k business grants budget will be realigned to support the LEGI programme. The 2007/08 budget includes expenditure matched by grant income from Yorkshire Forward for the Holbeck Urban Village project. The amount funded in 2007/08 is £700k less than in 2006/07 as the conceptual and feasibility stage of the project is coming to an end.

Budget provision of £45k has been included to fund the new post of Corporate Travel Plan officer. All departments have agreed to contribute to funding this post which will have specific responsibility for implementing a travel plan for the employees of Leeds City Council. This seeks to identify and address problems associated with employees travelling to and from work and aims to reduce car usage. The Department has also received funding from Yorkshire Forward to employ a Public Arts Officer. The post is for a period of 18 months and will develop a strategy to deliver public art, reaching out into the city.

The Department has identified a number of actions in its budget action plan in order to fund various budget pressures and developments including those mentioned in the above paragraphs. An additional saving of £50k has been targeted in the staffing budget from a small increase in the assumed vacancy factor across the Department. The Department's

budget also includes an additional target of £141k for savings in staff costs and an action plan is being developed to deliver these savings. A review of running costs across the Department has identified expenditure savings of £212k and includes savings in administrative budgets, graphics, advertising and promotional expenditure. Additional savings of £145k have been identified in specific service areas and include targeted savings in Economic Services, Asset Management and Strategy and Policy. These savings have enabled the Department to realign budgets to fund some of the pressures identified above.

3.6 Efficiency savings

Following the publication of the Gershon report on public sector efficiencies, in setting the budget the council is required to identify actions to improve efficiency and quantify the expected gains. Cashable gains represent the potential to release savings in cash for other areas of spend; non-cashable efficiencies relate to improved outputs or enhanced service quality for the same expenditure, efficiencies that achieve reductions in fees and charges to the public, and improvements to productive time (unless fewer staff are needed as a result). In terms of this department the following savings have been identified.

	Nature of saving	Total £k
	Highways Feasibility – Full year effect of savings arising from the transfer of the section to Design Services.	40
	Graphics – reduction in staff costs following a review of work priorities.	50
	Printer rationalisation and other IT savings.	80
	Total	170

4 Risk Assessment

4.1 In determining the 2007/08 budget, consideration is given to all the risks and these are managed within the department'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.

4.2 The key risks in the 2007/08 budget for this department are as follows:-

(i) Income

The Department's budget is supported by over £36m in external income, charges to other departments and charges to the Capital Programme. This income is greatly dependent on the level of development activity in the City. Reduced activity leading to a shortfall in income could have a major impact on the Department's budget. Particular risks include the level of the PDG settlement, planning and building fees and income from advertising. Contingencies have been built into the budget centrally to provide some provision should a shortfall occur. In addition, some budgets will be subject to release by Development DMT with particular reference to income trends during the year.

(ii) Savings

The Department's budget incorporates various savings proposals. These are monitored on a regular basis but there is a risk that assumed savings are delayed or deliver lower savings than assumed.

(iii) Staffing Budget

The staffing budget assumes an average vacancy rate of approximately 5%. Staff turnover levels and overall activity levels will be monitored closely to ensure that staffing costs are contained within the budget assumptions.

(iv) Workloads

Actual workloads may vary from the assumptions made in the budget. Resources will need to be managed to ensure that they are maintained at appropriate levels. Workloads in Architectural Design Services are seen as a particular risk. Monthly monitoring of workloads, income and expenditure and close working with other departments and strategic partners should enable this risk to be managed.

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